



## INDIVIDUAL TAXPAYER IDENTIFICATION NUMBER PROCESSING

### IRS Dependence on Paper Forms and Manual Document Review Is Causing Delays, Mistakes, and Potential Security Risks

#### WHY THIS IS A SERIOUS PROBLEM FOR TAXPAYERS

From fiscal years 2020 through 2023, taxpayers filed over a million Individual Taxpayer Identification Number (ITIN) applications each year, asking the IRS to verify their identity and provide them with an ITIN that they need to file their federal tax return.<sup>1</sup> Citing concerns about potential fraud, the IRS has long rejected recommendations to digitalize the ITIN application process, insisting on the use of paper applications and the manual verification of identification documents. The results for taxpayers are long delays in processing times, inconsistent treatment of applications, mistakes by tax examiners that may permanently deprive taxpayers of benefits they qualify for under law, and sometimes the loss or destruction of taxpayer identification documents. The irony for the IRS is that by not modernizing its identity verification processes, the agency risks falling behind in its capacity to detect fraud, as scammers have increasingly greater access to sophisticated image-generating and document-forging technology.

#### EXPLANATION OF THE PROBLEM

All individual taxpayers who need to file returns or other documents with the IRS must use a Taxpayer Identification Number (TIN).<sup>2</sup> For many people, this is straightforward – they use their Social Security number (SSN). Those who are not eligible for an SSN must request an ITIN from the IRS by completing a paper application and submitting identification documents to prove their identity.<sup>3</sup>

1 The average number of ITIN applications received per calendar year from 2018 to 2023 is 1,264,508. IRS, Compliance Data Warehouse (CDW), Entity Application Programs (EAP) Calendar Year (CY) 2018-2023, Form\_W7 Table (through Aug. 22, 2024).

2 IRC § 6109(a)(1); Treas. Reg. § 301.6109-1(b).

3 Treas. Reg. § 301.6109-1(a)(1)(ii)(B).

Verifying identification documents is an unusual task for the IRS, falling outside the agency’s primary duties of administering, interpreting, and applying tax law. The IRS lacks access to the document verification technology of more security-focused agencies like the Transportation Security Administration (TSA).<sup>4</sup> Virtually all identity verification at the IRS involves the use of non-digital tools, essentially relying on what tax examiners can detect by eye.

The IRS’s insistence on paper processing and manual review results in long wait times and other hardships for taxpayers. The timeframe for a taxpayer to obtain an ITIN if there are no problems with the application is seven to 11 weeks, although processing times can fluctuate throughout the year.<sup>5</sup> Compare this to the instantaneous result for a business applying for an Employer Identification Number (EIN) online.<sup>6</sup> There is no comparable online application process for an ITIN.

## ANALYSIS

### Fighting High-Tech Fraud With a Loupe and Grit<sup>7</sup>

Consider how you would approach the following problem: You need to verify the identities of 1.26 million people who have submitted paper ITIN applications and attached identification documents. For security purposes, it is imperative that you do not issue an ITIN to a bad actor who has submitted a fraudulent application with fake identification documents, potentially created with the assistance of image-generating artificial intelligence.<sup>8</sup> The identification documents you review, such as passports and birth certificates, come from all over the world. The catch is that you cannot use any digital processes to help you – you will not get access to computer databases that detect forged documents or be able to electronically track any of the applications or documents you receive. However, you will receive a magnifying glass, a black light, a commercially available guidebook on world identification documents that fraudsters can also access, construction paper, carts, folders, and rubber bands.

For a visual, the stack of paper applications that you receive will be over 3,300 feet tall,<sup>9</sup> or roughly 11 times the height of the Statue of Liberty.<sup>10</sup> You should complete these reviews as quickly as you can and correctly return all original taxpayer identification documents to the applicants who sent them. Taxpayers get understandably frustrated if you lose their passports, birth certificates, visas, or other important documents, as they are costly and difficult to replace.

4 For example, at airport security checkpoints, TSA uses “Credential Authentication Technology,” which provides almost immediate identity authentication and has fraudulent identity detection capabilities. See TSA, Credential Authentication Technology, <https://www.tsa.gov/travel/security-screening/credential-authentication-technology> (last visited Nov. 6, 2024).

5 IRS, ITIN Expiration Frequently Asked Questions, <https://www.irs.gov/individuals/itin-expiration-faqs> (last updated Aug. 19, 2024).

6 IRS, How to Apply for an EIN, <https://www.irs.gov/businesses/small-businesses-self-employed/how-to-apply-for-an-ein> (last updated Oct. 2, 2024).

7 A loupe is a type of magnifying glass designed to be held close to the eye.

8 Although the IRS intends that taxpayers use ITINs only for federal tax purposes, ITINs can have other direct uses. For example, some financial institutions and state and city governments accept ITINs as a form of identification for applications for loans, driver’s licenses, credit cards, or bank accounts. See Treasury Inspector General for Tax Administration (TIGTA), Ref. No. 2024-400-012, *Administration of the Individual Taxpayer Identification Number Program 1* (2023), <https://www.tigta.gov/sites/default/files/reports/2023-12/2024400012fr.pdf>.

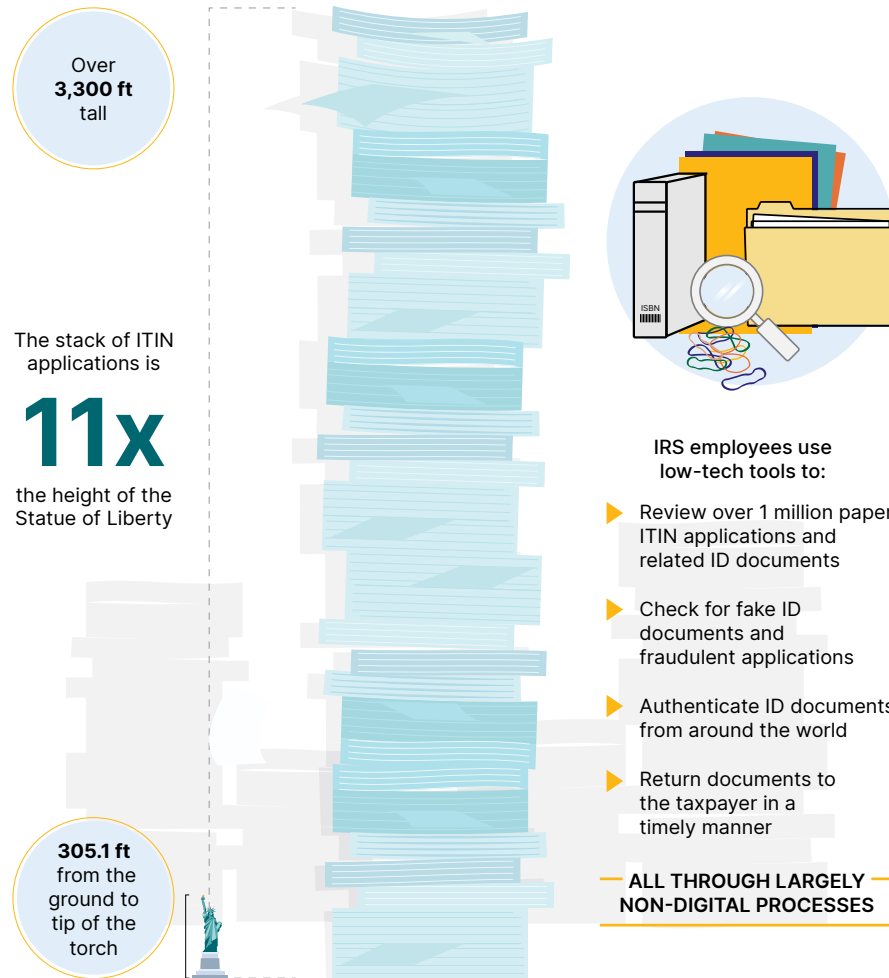
9 This estimate is based on 1.26 million applications X eight sheets of paper per application X 0.004 inch thickness per sheet of paper. Actual ITIN application thickness will vary depending on the types of identification documents included, such as passports or visas and whether those documents are originals or copies.

10 305.1 feet from ground to tip of torch. National Park Service, Statue Statistics, <https://www.nps.gov/stli/learn/historyculture/statue-statistics.htm> (last updated June 1, 2021).

FIGURE 2.7.1

### FIGHTING HIGH-TECH FRAUD WITH LOW-TECH TOOLS

#### Individual Taxpayer Identification Numbers



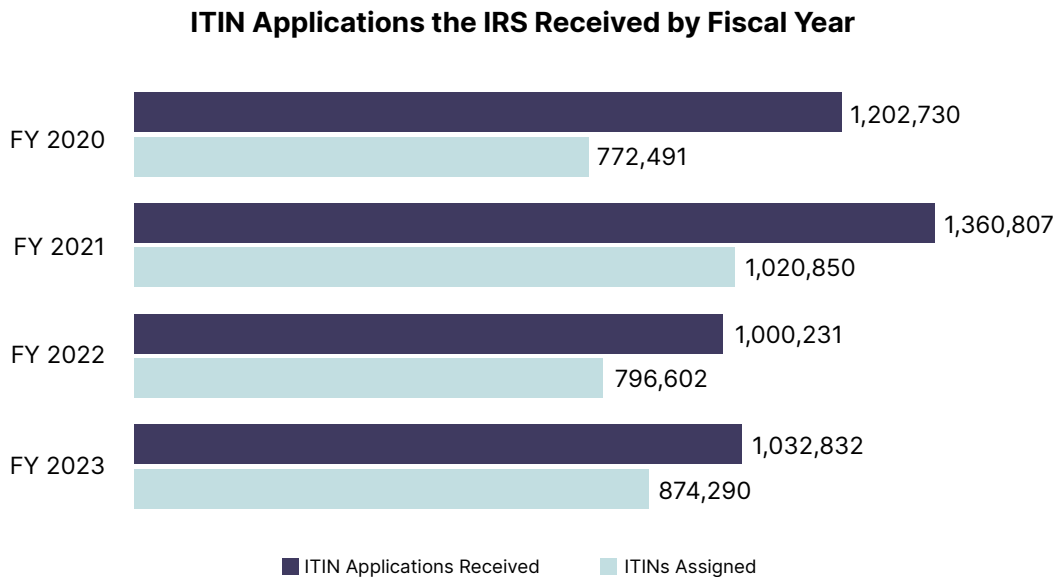
This is the task assigned to the IRS’s ITIN processing unit in Austin, Texas. Remarkably, year after year, the industrious employees in the ITIN unit find a way to make this work under these challenging circumstances, and the National Taxpayer Advocate expresses her appreciation to them. But there is an inherently low ceiling for how well anyone can perform this task without the use of modern tools, namely digital review of identification documents, e-filing of applications, and the digital tracking of applications and correspondence.

The current non-digital approach to ITIN processing is largely a result of IRS policy decisions. Although the National Taxpayer Advocate and other commentators have for years recommended changes,<sup>11</sup> the IRS has insisted on requiring paper applications without providing an online option, accepting ITIN applications only if filed with a tax return rather than at any time of year,<sup>12</sup> and manually reviewing original identification documents. The IRS justifies these policy choices as necessary to prevent unauthorized applicants from obtaining ITINs. However, even viewing these issues only from the perspective of fraud prevention, the IRS’s policies have put the ITIN unit at a significant disadvantage in detecting fraud when faced with the technology now accessible to many fraudsters.<sup>13</sup>

### The Big Scope of the Problem

In tax year 2022, the IRS received approximately 3.8 million returns that included an ITIN, with total income tax after credits of approximately \$14.4 billion and total Social Security and Medicare taxes of \$6.5 billion. This was roughly 2.4 percent of all Forms 1040 filed.<sup>14</sup>

**FIGURE 2.7.2<sup>15</sup>**



11 ITIN processing has been a Most Serious Problem in the National Taxpayer Advocate’s Annual Report to Congress seven times since 2003. See, e.g., National Taxpayer Advocate 2012 Annual Report to Congress 154 (Most Serious Problem: *The IRS’s Handling of ITIN Applications Imposes an Onerous Burden on ITIN Applicants, Discourages Compliance, and Negatively Affects the IRS’s Ability to Detect and Deter Fraud*), <https://www.taxpayeradvocate.irs.gov/wp-content/uploads/2020/08/Most-Serious-Problems-ITIN-Individual-Taxpayer-Identification-Number.pdf>. TIGTA by law must audit the ITIN program every two years. Consolidated Appropriations Act, 2016, Pub. L. No. 114-113, Div. Q, Title IV, § 203(b), 129 Stat. 2242, 3079 (2015) [hereinafter referred to as the Protecting Americans from Tax Hikes Act of 2015 (PATH Act)]. Other recent analysis includes recommendations by the IRS Advisory Council and a symposium issue of the *Pittsburgh Tax Review* on immigration and taxation. See IRS, Pub. 5316, Internal Revenue Service Advisory Council Public Report 163 (Rev. Nov. 2023), <https://www.irs.gov/pub/irs-pdf/p5316.pdf>; *Immigration & Taxation*, 21 PITT. TAX REV. (2024), <https://taxreview.law.pitt.edu/ojs/taxreview/issue/view/38>.

12 There are limited exceptions for nonresidents claiming the benefits of a tax treaty and having income, payments, or transactions subject to third-party reporting or withholding. See Internal Revenue Manual (IRM) 3.21.263.5.2, Filing Tax Return Versus Exception Criteria (Jan. 1, 2023), [https://www.irs.gov/irm/part3/irm\\_03-021-263r](https://www.irs.gov/irm/part3/irm_03-021-263r).

13 See, e.g., Wayne Chang, *AI Is the Final Blow for an ID System Whose Time Has Passed*, FORBES, Mar. 28, 2024, <https://www.forbes.com/councils/forbestechcouncil/2024/03/28/ai-is-the-final-blow-for-an-id-system-whose-time-has-passed/>.

14 IRS, CDW, Individual Returns Transaction File Table (IRTF), IRTF\_F1040 Table, IRTF\_TIN\_INFO Table Tax Years (TYs) 2019-2022 (through June 27, 2024).

15 IRS, CDW, EAP Fiscal Years 2020-2023, Form\_W7 Table (through Aug. 22, 2024). The totals of ITINs assigned per fiscal year may include ITIN assignments resulting from applications submitted in a prior fiscal year.

The IRS requires ITINs not only for primary taxpayers filing returns but also for spouses and dependents who are not eligible for SSNs. Many taxpayer families include a mix of family members with SSNs and ITINs – in 2022, roughly 2.2 million Forms 1040 included at least one family member with an SSN and another with an ITIN.<sup>16</sup>

### What Taxpayers Experience

Taxpayers might expect that getting an ITIN would be fast and easy, similar to how many businesses can quickly obtain an EIN. After all, the ITIN is just the starting point of compliance that provides taxpayers with the unique number that lets them file returns and documents with the IRS. In reality, the ITIN application experience can be surprisingly burdensome. The following stories illustrate the types of issues that ITIN applicants deal with, based on information reported to TAS.<sup>17</sup>

#### *Edward – Lost Documents and Lost Benefits*

Edward, a U.S. permanent resident with an SSN, needs to obtain an ITIN for his child to claim certain benefits on the family’s tax return.<sup>18</sup> Edward schedules an appointment at the nearest Taxpayer Assistance Center (TAC) that offers help with ITIN applications, which is a long drive from his home.<sup>19</sup> He takes the day off work to get there because the only available appointment is during business hours. The TAC employee verifies the documents and sends them to the IRS ITIN unit with the completed application, assuring Edward that the application is in good shape.

A month later, Edward receives a notice from the IRS that it did not accept his supporting documents and that he needs to resubmit them. Rather than travel back to the TAC, since it was not easy to reach and was not helpful the first time, Edward mails his child’s original identification documents, including a visa and passport, directly to the IRS for verification. To ensure delivery, Edward sends the documents through certified mail with a tracking number. After another month, Edward receives a notice stating that the IRS rejected the ITIN application because he did not submit his child’s documents to the IRS, even though the tracking on the mail delivery showed that the IRS received the documents and an IRS employee signed for them. Edward provides the tracking information, but the IRS unit cannot locate Edward’s documents and admits they are lost. Getting a replacement for the visa will be difficult and may take years. Because Edward cannot claim his child on his tax return, he loses out not only on tax benefits but also on other state and federal benefits programs that look to federal tax return information to determine family size.

#### *Bridgette – Complications for Foreign Students*

Bridgette is a foreign student who accepts an athletic scholarship to attend a university in the United States and play on the basketball team, coming to the United States on a student visa. Because her home country’s system of taxation is different from that of the United States, she is surprised to learn that a portion of her scholarship may be taxable and that her university must withhold and pay some of her scholarship money to the IRS, even though Bridgette does not even have a U.S. TIN.<sup>20</sup> Not only will she need to file a tax return to claim the withheld amounts, she will also need to file an ITIN application.

<sup>16</sup> IRS, CDW, IRTF, TY 2022 (through Aug. 22, 2024).

<sup>17</sup> The two examples do not describe actual taxpayers to avoid disclosing taxpayer information, but they are based on issues raised in TAS cases and in discussions with tax practitioners.

<sup>18</sup> In this example, the child is not a U.S. permanent resident. For information on how the child might apply to become one, see U.S. Citizenship and Immigration Services, Green Card for Family Preference Immigrants, <https://www.uscis.gov/green-card/green-card-eligibility/green-card-for-family-preference-immigrants> (last updated Oct. 11, 2024).

<sup>19</sup> IRS, IRS Taxpayer Assistance Centers Providing In-Person ITIN Document Review, <https://www.irs.gov/help/irs-taxpayer-assistance-centers-providing-in-person-itin-document-review> (last updated Aug. 23, 2024).

<sup>20</sup> See IRS, Withholding Federal Income Tax on Scholarships, Fellowships and Grants Paid to Aliens, <https://www.irs.gov/individuals/international-taxpayers/withholding-federal-income-tax-on-scholarships-fellowships-and-grants-paid-to-aliens> (last updated Oct. 16, 2024).

While her university offers some general legal and tax preparation assistance, no one on staff has certification to assist her with the ITIN application. Bridgette looks on the IRS website to find someone certified to help,<sup>21</sup> but the only such person nearby would charge her \$2,000, which is more than Bridgette can afford.<sup>22</sup> Filling out the ITIN application on her own would require Bridgette to mail her identification documents to the IRS, but her parents are in poor health, and she does not want to lose access to her identification documents in case she needs to travel home. She gives up on the idea of claiming the withheld tax and decides not to file a tax return, not only for that year but for the three subsequent years that she attends university in the United States.

### Taxpayers Have Many Reasons to Need an Individual Taxpayer Identification Number

The U.S. tax code's application is broad and captures many types of taxpayers both inside and outside of the United States. Individuals who are U.S. resident aliens for tax purposes must pay U.S. income tax on their worldwide income, and nonresident aliens are subject to tax on their U.S.-source income.<sup>23</sup> As such, many people around the world who are not eligible for a U.S. SSN must nonetheless file a return or statement with the IRS. In 1996, to address the needs of these taxpayers, the IRS created the ITIN system, following extensive discussions between the IRS, the Social Security Administration, the Immigration and Naturalization Service,<sup>24</sup> and the State Department, in which they agreed that the IRS would be the best agency to establish a new numbering system dedicated solely for tax purposes.<sup>25</sup>

Some reasons why taxpayers may need ITINs include:<sup>26</sup>

- To file a U.S. federal income tax return,
- To elect to file a joint U.S. federal income tax return with a spouse who is a U.S. citizen or U.S. resident alien,
- To allow someone else to claim them as a dependent on a U.S. federal income tax return,
- To avoid mandatory withholding on some types of U.S.-source income<sup>27</sup> and on the disposition of U.S. real property interests,<sup>28</sup>
- To claim tax treaty benefits to obtain reduced withholding rates, and
- To meet the requirements of third parties such as banks, who request ITINs for information reporting and withholding purposes.<sup>29</sup>

More fundamentally, taxpayers need ITINs to comply with tax laws because they cannot file tax returns without them. Thus, taxpayers also need ITINs to be able to prove tax compliance for business purposes or to qualify for certain benefits or licenses. For example, the Coalition for Immigrant Taxpayer Experience in a letter to the IRS Commissioner described some downstream effects of ITIN processing issues, including:<sup>30</sup>

21 IRS, Acceptance Agent Program, <https://www.irs.gov/individuals/international-taxpayers/acceptance-agent-program> (last updated Oct. 15, 2024).

22 Based on discussions with the IRS ITIN unit, the IRS does not govern CAA pricing, and some CAAs charge thousands of dollars for the service.

23 See IRS, Topic No. 851, Resident and Nonresident Aliens, <https://www.irs.gov/taxtopics/tc851> (last updated June 11, 2024).

24 The government later disbanded the Immigration and Naturalization Service, with its constituent parts folded into three new federal agencies serving under the newly formed Department of Homeland Security: Customs and Border Protection, Immigration and Customs Enforcement, and U.S. Citizenship and Immigration Services. See U.S. Citizenship and Immigration Services, Post-9/11, <https://www.uscis.gov/post-911> (last updated Dec. 4, 2019).

25 See Taxpayer Identifying Numbers (TINs), T.D. 8671, 61 Fed. Reg. 26,788, 26,788-26,789 (May 29, 1996), <https://www.govinfo.gov/content/pkg/FR-1996-05-29/pdf/96-13397.pdf>.

26 IRS, Pub. 1915, Understanding Your IRS Individual Taxpayer Identification Number ITIN 6 (June 2023), <https://www.irs.gov/pub/irs-pdf/p1915.pdf>. These are not the only reasons that a taxpayer might need to request an ITIN.

27 Chapter 3 of the IRC generally requires withholding agents to collect the substantive tax liability of nonresident aliens imposed under IRC §§ 871(a), 881(a), and 4948 by withholding on certain payments of U.S.-source fixed or determinable annual or periodical income. See IRC §§ 1441-1443. See also IRC §§ 1471-1474 (Chapter 4).

28 Foreign Investment in Real Property Tax Act (FIRPTA) of 1980, Pub. L. No. 96-499, Subtitle C, 94 Stat. 2599, 2682 (1980). FIRPTA imposes income tax on foreign persons disposing of U.S. real property interests.

29 See IRC § 6041.

30 Letter from Coalition for Immigrant Taxpayer Experience, to Danny Werfel, Comm'r, Internal Revenue (Mar. 4, 2024) (on file with TAS).

- City agencies that are seeking to provide opportunities but cannot issue stipends to a student whose family lacks an ITIN,
- Nonprofits offering training for childcare providers but whose members need ITINs to obtain state professional licenses,
- Taxpayers who have quarterly tax obligations but lack the ability to file for ITINs as they do not yet have a completed federal return in hand and thus may face tax penalties, and
- Small entrepreneurs whose prospective clients demand they must have ITINs to hire and pay for services using a 1099 tax form.

### ***United States Residency Under Tax Law Versus Immigration Law***

People can become U.S. resident aliens for tax purposes if they are present in the United States for a minimum number of days, even if they do not have lawful status under immigration law.<sup>31</sup> The difference in the meaning of “residency” for tax and immigration law purposes is a common reason that someone in the United States might need to file tax returns but not be eligible for an SSN. There are many complications specific to this category of ITIN filer. However, the discussion in this report focuses on the difficulties with ITIN processing that are common to all ITIN filers, not just to those present in the United States without a lawful immigration status.

### **All the Usual Paper Problems**

Although digitalization is a centerpiece of many of the IRS’s modernization plans, the IRS continues to require taxpayers to file ITIN applications on paper, without providing an e-file option.<sup>32</sup> In addition, with some limited exceptions, applicants may only submit their ITIN applications at the time they file their federal tax return, which they must also file on paper.<sup>33</sup> Taxpayers cannot submit an ITIN application on paper and separately e-file their tax return for the same tax year.

The IRS must then process the paper ITIN application before processing the paper tax return. If multiple family members on the return apply for an ITIN, the IRS must process all the ITIN applications before getting to the return. Even if the primary filer already has an ITIN or SSN but needs to apply for an ITIN just for a spouse or dependent, all of the above-mentioned rules apply: the taxpayer must file both the ITIN application and return at the same time.<sup>34</sup>

As in many other areas involving paper processing, IRS review of paper ITIN applications can lead to delays, keystroke errors, and lost documents.<sup>35</sup> The IRS’s vision statement for taxpayer service is that “[a]ll taxpayers can meet all of their responsibilities, including all interactions with the IRS, in a completely digital manner if they prefer.”<sup>36</sup> It is not clear why this vision would exclude ITIN applicants. It should not. As the IRS recognizes, digitalizing internal processes “reduce[s] time-consuming, manual processes and free[s] up employees to focus on more complex issues, such as helping victims of scams ... [and] reduces errors.”<sup>37</sup>

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31 Under the substantial presence test, in general, individuals may become resident aliens for U.S. tax purposes if they are present in the United States for at least 183 days (as adjusted by an applicable multiplier) during a three-year period that includes the current year. See generally IRC § 7701(b); Treas. Reg. § 301.7701(b)-1(c).

32 See, e.g., IRS, Pub. 3744-A, 2024 IRA Strategic Operating Plan Annual Update Supplement 3 (Apr. 2024), <https://www.irs.gov/pub/irs-pdf/p3744a.pdf> (“[T]o bring the IRS into the modern era, we need to become a digital-first agency.”).

33 See IRM 3.21.263.5.2, Filing Tax Return Versus Exception Criteria (Jan. 1, 2023), [https://www.irs.gov/irm/part3/irm\\_03-021-263r](https://www.irs.gov/irm/part3/irm_03-021-263r).

34 See *id.*

35 See TIGTA, Ref. No. 2024-400-012, *Administration of the Individual Taxpayer Identification Number Program* 9 (2023), <https://www.tigta.gov/sites/default/files/reports/2023-12/2024400012fr.pdf>.

36 See IRS, Pub. 3744-A, 2024 IRA Strategic Operating Plan Annual Update Supplement 3 (Apr. 2024), <https://www.irs.gov/pub/irs-pdf/p3744a.pdf>.

37 See *id.*

Even if the IRS is not ready to fully authorize the e-filing of ITIN applications and supporting documents, it must take meaningful steps toward digitalization. For example, many ITIN applicants are not fluent in English and face challenges understanding the complex ITIN application rules and requirements for supporting documentation.<sup>38</sup> It would be helpful for those applicants to have access to an online tool on IRS.gov that would guide them through the ITIN application process using interview-style questions in their preferred language and let them know whether their supporting documentation meets IRS requirements. If this tool then allowed taxpayers to print the completed application, the printout could include features that help IRS tax examiners digitally scan or extract the information rather than type it in manually. While the end goal should be a fully digital application process, in the meantime the IRS must pursue incremental digitalization improvements that fit within current IRS policies.

### ***Need for Year-Round Individual Taxpayer Identification Number Application Processing***

Since 2003, the IRS has generally required taxpayers to apply for an ITIN at the time they file their federal tax return rather than at any time of the year.<sup>39</sup> This means that the IRS performs most ITIN processing during filing season, the busiest period for the IRS. The IRS has consistently declined to allow for year-round filing of ITIN applications, generally citing concerns for fraud. It recently described its reasoning as follows: “To maintain the integrity of the ITIN program and protect revenue we must determine an individual’s federal tax purpose prior to issuing or renewing an ITIN. Therefore, we decline a pre-filing ITIN application procedure that allows for the submission of a Form W-7 separately and ahead of a tax return.”<sup>40</sup>

There are multiple problems with the IRS’s reasoning. First, a federal tax return is not the only reliable document to provide evidence of a federal tax need for an ITIN. For example, taxpayers could show wage documents from an employer or other evidence of income or property transactions. Second, a federal tax return is not itself particularly reliable evidence in this regard, particularly if the goal is to prevent fraud – a scammer could easily prepare a return that looks valid but is fraudulent. Finally, Congress in 2015 addressed the issue of federal tax purpose by requiring ITINs to automatically deactivate if they do not appear on a tax return for three consecutive years.<sup>41</sup> Before that 2015 statutory change, ITINs did not expire. Now, by law, any ITIN that ceases to have a federal tax purpose terminates on its own.

Specifying a federal tax purpose for ITIN applicants became more complicated after the Tax Cuts and Jobs Act in 2017, which reduced to zero the deduction for personal exemptions for dependents, eliminating one of the most straightforward reasons that a dependent might seek an ITIN.<sup>42</sup> Following this legislative change, the IRS added controversial language to its guidance, requiring taxpayers to prove that a dependent ITIN applicant would produce some sort of “allowable tax benefit” as shown on the taxpayer’s federal tax return.<sup>43</sup>

ITIN unit tax examiners generally do not have the expertise to evaluate the accuracy of facially valid tax returns, and practitioners have reported that ITIN denials due to “allowable tax benefit” are not always accurate or consistent.<sup>44</sup> ITIN denials based on the substantive evaluation of a tax return can infringe on

38 See Letter from Coalition for Immigrant Taxpayer Experience, to Danny Werfel, Comm’r, Internal Revenue (Mar. 4, 2024) (on file with TAS) (explaining that the IRS may reject supporting medical and educational documentation if it lacks a minor but required detail, such as a phone number, student home address, or school official signature).

39 There are limited exceptions. See IRM 3.21.263.5.2, Filing Tax Return Versus Exception Criteria (Jan. 1, 2023), [https://www.irs.gov/irm/part3/irm\\_03-021-263r](https://www.irs.gov/irm/part3/irm_03-021-263r). For a discussion of policy developments beginning in 2003, see Jackie Vimo, *The History and Future of ITINs and Taxigration Policy for Undocumented Taxpayers in the United States*, 21 PITT. TAX REV. 169, 173-174 (2024), <https://taxreview.law.pitt.edu/ojs/taxreview/article/download/234/285>.

40 IRS response to TAS information request (Sept. 24, 2024).

41 PATH Act, Pub. L. No. 114-113, Div. Q, Title IV, § 203(a), 129 Stat. 2242, 3079 (2015); IRC § 6109(i)(3)(A).

42 Pub. L. No. 115-97, § 11041, 131 Stat. 2054, 2082 (2017) (adding IRC § 151(d)(5)).

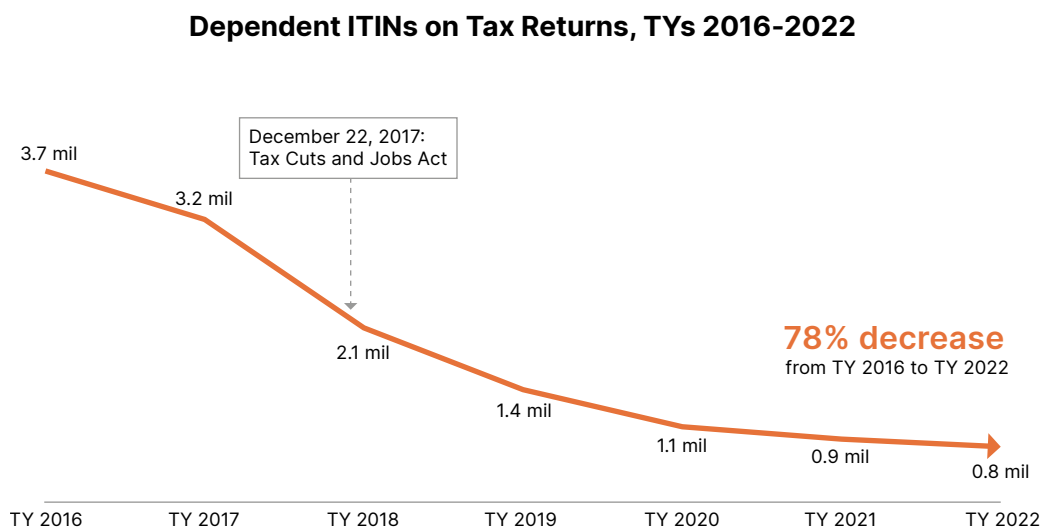
43 For a discussion of the changes, see Letter from Am. Bar Ass’n Tax Section, to Charles Rettig, Comm’r, Internal Revenue (Feb. 11, 2021) (comments concerning Form W-7 and instructions), <https://law.lclark.edu/live/files/31534-aba-section-comments-that-litc-submitted>.

44 Conversations with outside stakeholders (Aug. 20, 2024).



taxpayer rights, including the *rights to be informed* and *to appeal an IRS decision in an independent forum*.<sup>45</sup> When the IRS rejects a dependent’s or spouse’s ITIN application, the IRS may use math error authority to strip the return of the claimed benefits relating to the spouse or dependent.<sup>46</sup> Math error notices often do not clearly explain the reasons for adjustments, and if taxpayers do not request abatement within 60 days from the date of a math error notice they lose the opportunity to challenge the IRS’s position through deficiency procedures and file a petition in Tax Court.<sup>47</sup>

FIGURE 2.7.3<sup>48</sup>



There are many legitimate reasons why dependents need ITINs that are not immediately apparent from a quick skim of a tax return. For example, if taxpayers need to file an offer in compromise, their reasonable collection potential could be overstated without an accurate count of family size.<sup>49</sup> Some governmental programs that base benefits on family size require applicants to submit proof of federal tax filings, such as Medicaid. Because federal tax return information plays an integral evidentiary role in many aspects of people’s legal and financial lives, the downstream effects of ITIN denials can be wide-ranging.

After receiving pushback on the “allowable tax benefit” policy, the IRS is now working with Chief Counsel and Treasury to reconsider its position in some of its guidance.<sup>50</sup> Nonetheless, TAS still receives reports from practitioners that the IRS is denying ITIN applications on these grounds, and TAS will keep investigating these issues and advocating for solutions.

45 IRC § 7803(a)(3)(A), (E).

46 See IRC § 6213(g)(2)(O).

47 See National Taxpayer Advocate 2025 Purple Book, *Compilation of Legislative Recommendations to Strengthen Taxpayer Rights and Improve Tax Administration (Require That Math Error Notices Describe the Reason(s) for the Adjustment With Specificity, Inform Taxpayers They May Request Abatement Within 60 Days, and Be Mailed by Certified or Registered Mail)*.

48 IRS, CDW, IRTF, TY 2016-2022 (through Aug. 22, 2024).

49 IRS response to TAS fact check (Nov. 12, 2024); see Sarah Lora, *Righting Tax Wrongs for Immigrants*, 21 PITT. TAX REV. 193, 194-195 (2024), <https://taxreview.law.pitt.edu/ojs/taxreview/article/view/235/287>; IRS, Pub. 5316, Internal Revenue Service Advisory Council Public Report 165 (Nov. 2023), <https://www.irs.gov/pub/irs-pdf/p5316.pdf>.

50 IRS response to Systemic Advocacy Management System (SAMS) issue 75999 (Sept. 17, 2024).

The IRS should allow taxpayers to file ITIN applications at any time of the year. Limiting ITIN applications to the filing season creates an unnecessary time crunch for both the IRS and taxpayers, limits IRS flexibility in modernizing ITIN application processes, provides little discernable protection against fraud, and invites practices that infringe on taxpayer rights.

### ***Untimely Processing Can Lead to Permanent Loss of Benefits***

The consequence of slow ITIN processing for taxpayers is not just delay; it can also result in the loss of benefits. For example, the Child Tax Credit, Additional Child Tax Credit, and Credit for Other Dependents require the primary filer, and spouse if filing jointly, to have an ITIN by the due date of the tax return.<sup>51</sup> As long as a taxpayer applies for the ITIN by the due date of the return and the IRS issues the taxpayer an ITIN, the IRS is supposed to treat the ITIN as issued by the due date of the return.<sup>52</sup> Nonetheless, TAS routinely sees cases in which IRS processing delays lead to the issuance of an ITIN after the due date of the return, resulting in the denial of these credits, even though the taxpayers qualified for them and timely filed their documents accurately and in good faith.

The IRS is generally responsive and fixes the error when TAS Case Advocates show that the taxpayer timely filed the ITIN application, and that the IRS was responsible for the delay. However, this relief should be automatic and not just for taxpayers who seek assistance from TAS. Taxpayers should not have to proactively seek help to get these issues resolved. Taxpayers have the *right to pay no more than the correct amount of tax*.<sup>53</sup>

### ***Erroneous Deactivations of Individual Taxpayer Identification Numbers***

By law, the IRS must deactivate ITINs that do not appear on a federal tax return for three consecutive years.<sup>54</sup> IRS systems do not count ITINs as appearing on a tax return for this purpose if the taxpayer files the return late or e-files it.<sup>55</sup> This can result in the erroneous deactivations of ITINs for filers who have complied with the law and continue to have a federal tax purpose for the ITIN, along with resulting complications for their tax returns, such as the unexpected denial of refunds. TAS has worked with the IRS to reactivate ITINs for taxpayers in this situation and release refunds. However, this relief has been limited to taxpayers who have come to TAS for assistance, as the IRS has not sought on its own to identify all affected ITIN filers. Based on a preliminary review of the data, the IRS may have erroneously deactivated almost 70,000 ITINs since 2021.<sup>56</sup> The IRS needs to not only identify all affected filers but also update its systems to prevent this issue from recurring. Taxpayers have the *right to a fair and just tax system*.<sup>57</sup>

### **The IRS Must Continue Improving Identity Verification Processes**

The core of an ITIN application is the verification of the applicant's identity. An IRS examiner must review and verify the applicant's identification documents, such as passports, birth certificates, or visas.<sup>58</sup> To submit identification documents for review, in general, taxpayers must either mail the documents directly to the IRS or find someone authorized to certify the documents and submit copies to the IRS.

51 See IRS, 2023 Instructions for Schedule 8812, at 1 (Dec. 6, 2023), <https://www.irs.gov/pub/irs-pdf/i1040s8.pdf>.

52 IRS, Instructions for Form W-7, at 2 (Nov. 2023), <https://www.irs.gov/pub/irs-pdf/iw7.pdf>.

53 IRC § 7803(a)(3)(C).

54 IRC § 6109(i)(3)(A).

55 Advocacy Project 69777, ITIN Deactivated Incorrectly, Both Systemically and Manually.

56 IRS, CDW, IRTF, Data Master-1, CYs 2016-2023 (through Aug. 22, 2024). This estimate counts ITINs that the IRS deactivated despite taxpayers having used them on a Form 1040 within the three tax years prior to the deactivation. We do not include years prior to 2021 in this estimate because the IRS at that time was also deactivating ITINs issued prior to 2013 on the basis of IRC § 6109(i)(3) (B). See TIGTA, Ref. No. 2022-40-013, *Processes Do Not Ensure That Individual Taxpayer Identification Numbers Are Issued Only to Qualifying Individuals With a Tax Administration Need* 15 (2020) (explaining that the IRS planned to deactivate all ITINs issued prior to 2013 by January 1, 2021), <https://www.tigta.gov/sites/default/files/reports/2022-02/202040064fr.pdf>.

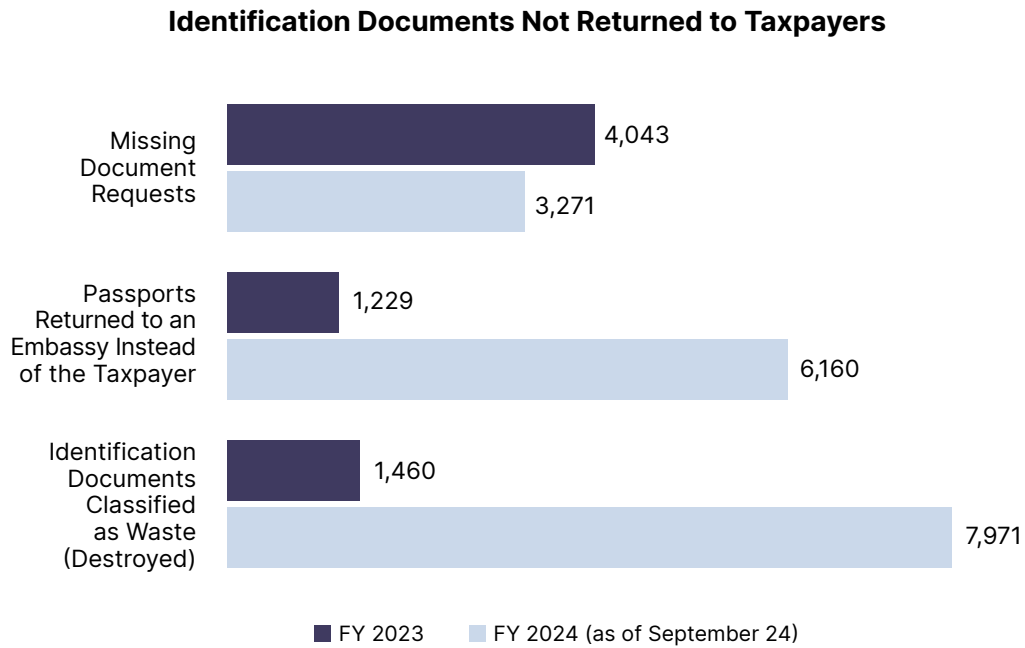
57 IRC § 7803(a)(3)(J).

58 IRC § 6109(i)(2). The IRS accepts 13 types of identification documents. See IRM 3.21.263.5.6(4), ITIN Documentation Requirements (Sept. 10, 2024), [https://www.irs.gov/irm/part3/irm\\_03-021-263r](https://www.irs.gov/irm/part3/irm_03-021-263r).

**Welcome New IRS Process Speeds Return of Identification Documents**

The most common way that ITIN applicants submit their documents for review is by mailing their original identification documents to the IRS. Historically, taxpayers in this situation risked losing access to their documents for months and potentially never receiving them back. Although the number of lost documents has been relatively low compared to the overall number of applications, the consequences for affected taxpayers can be catastrophic. Even in the best-case scenario of ITIN processing, taxpayers would have to live without their identification documents for seven to 11 weeks, with no real possibility of recalling the documents earlier if needed, such as for emergency travel or legal issues.<sup>59</sup>

**FIGURE 2.7.4<sup>60</sup>**



*Some good news:* In July 2024, the IRS instituted a major change in how the ITIN unit processes and verifies original identification documents, with the result that the IRS can now return identification documents to taxpayers within ten days of receipt, compared with the previous minimum of seven weeks.<sup>61</sup> This is a favorable and welcome change. Historically, the IRS waited until the completion of the ITIN application review to return identification documents. Under the new process, IRS examiners verify documents in an initial step, make a photocopy for later use, and mail the identification documents back to taxpayers before evaluating the rest of the ITIN application.

59 The IRS cannot track an ITIN application and the associated documents before it processes the application. When the IRS receives an ITIN application, it places it in a batch that is not numbered or controlled by individual application. The IRS cannot trace the application and supporting documents until it assigns the ITIN and inputs it on the ITIN real-time system.

60 IRS response to TAS information request (Sept. 24, 2024). While the IRS records the number of lost document requests, it does not track its responses to those requests or the number of documents that it successfully returns to taxpayers. The IRS explains the significant increases from 2023 to 2024 as follows: “The Loose Document Database (LODO) tracking mechanism failed resulting in limited purging of documents in 2023. Using an Excel spreadsheet as the current tracking mechanism, purging classified waste has resumed.” IRS response to TAS information request (Sept. 24, 2024). See also TIGTA, Ref. No. 2024-400-012, *Administration of the Individual Taxpayer Identification Number Program 12* (2023) (discussing the failure of the Loose Document Database and the IRS’s development of a workaround tracking system), <https://www.tigta.gov/sites/default/files/reports/2023-12/2024400012fr.pdf>.

61 IRS response to TAS information request (Sept. 24, 2024).

The IRS instituted this change recently, after peak filing season, so it may take longer to return documents during peak times. Nonetheless, this is a clear win for taxpayers. Cutting down the time that documents remain on IRS shelves should also reduce the potential for complicating issues that may result in taxpayers not getting their documents back, such as if taxpayers move to a new address during the ITIN application review or need to travel abroad.

Although this is a much-needed improvement, it still involves a paper-based, manual review of documents and is thus subject to many of the issues that have historically plagued paper processing. The IRS creates paper photocopies rather than digital scans of the identification documents, and the ITIN unit may need additional photocopiers to perform this efficiently in peak times.<sup>62</sup> If a copy is not legible or gets smudged or misplaced, the IRS must request that the taxpayer resubmit the original documents. While this change speeds up the return of original identification documents, it does not improve the overall processing time for ITIN applications.<sup>63</sup> It also does not completely ensure that the IRS will not misplace a taxpayer's vital identification documents.

As a next phase in modernization, the IRS is considering how to fully digitalize the verification of identification documents. The IRS has not provided TAS with concrete plans on what this would entail or when the IRS could implement it. One possibility is outsourcing identification verification to a third-party provider, potentially comparable to how taxpayers use a third-party verification service to access individual online accounts.<sup>64</sup> The IRS would need to consider how to make this service accessible to ITIN applicants because not all of them may have convenient access to digital resources. The IRS would likely need to continue to provide some level of manual document review as an alternative. However, a digital process that eliminates much of the need for physical review of identification documents has the potential to fundamentally transform ITIN processing.

### ***Current Alternatives to Mailing Original Identification Documents***

Taxpayers submitting ITIN applications have several alternatives to mailing their original identification documents to the IRS, primarily:<sup>65</sup>

- Sending certified copies;
- Getting help from a TAC; and
- Getting help from a Certifying Acceptance Agent (CAA).

Even when applicants use one of these alternative methods for document verification, they must still submit both the tax return and ITIN application on paper.

### ***Problems With Certified Copies and Taxpayer Assistance Centers***

Taxpayers may submit certified copies of identification documents with their ITIN applications instead of the originals. However, the IRS will only accept these copies if the issuing agency of the document certifies it as an exact copy of the original and includes an official stamped seal.<sup>66</sup> Because many government offices that provide this service have only a few locations, taxpayers may need to travel to reach one, which is often impractical and burdensome. There is also no guarantee that the IRS will accept the copies even when properly issued. For example, the Canadian government recently stopped including an official seal on passport

62 Discussion from ITIN unit site visit (Sept. 10, 2024).

63 *Id.*

64 *Id.* See also TIGTA, Ref. No. 2024-400-012, *Administration of the Individual Taxpayer Identification Number Program 10* (2023) (discussing a study on the potential use of third-party equipment in the ITIN application process to validate government-issued documents electronically), <https://www.tigta.gov/sites/default/files/reports/2023-12/2024400012fr.pdf>.

65 See IRM 3.21.263.6.3.4.2, *Reviewing Supporting Identification Documents* (Aug. 8, 2024), [https://www.irs.gov/irm/part3/irm\\_03-021-263r](https://www.irs.gov/irm/part3/irm_03-021-263r). Taxpayers may also submit notarized copies if the applicant is a dependent or spouse of a U.S. military member stationed overseas.

66 IRC § 6109(i)(2); IRS, *Instructions for Form W-7*, at 3 (Nov. 2023), <https://www.irs.gov/pub/irs-pdf/iw7.pdf>.

certifications. The IRS will not accept Canadian certified copies that lack the seal. The IRS explained that without the seal, there is nothing to distinguish certified from non-certified copies.<sup>67</sup> For the time being, Canadian taxpayers seeking to use this option are simply out of luck.

Taxpayers may also seek ITIN application assistance from TACs. TAC employees can provide initial verification of identification documents and submit photocopies to the IRS, allowing taxpayers to keep their original documents. Not all TACs offer this service, so taxpayers may need to travel to reach the nearest available office.<sup>68</sup> When taxpayers bring ITIN cases to TAS, Case Advocates have noted that TAC employees do not always complete the ITIN application correctly and that TAC employees sometimes send mail to the ITIN unit without a direct contact or tracking information, resulting in the mail getting lost. TAS Case Advocates have also identified cases in which ITIN employees rejected TAC-submitted forms because identification documents were not originals, although this is contrary to Internal Revenue Manual procedures.<sup>69</sup>

### ***Certifying Acceptance Agents***

The most flexible and unique option for ITIN applicants is the service of a Certifying Acceptance Agent (CAA), which, like a TAC, can assist taxpayers in completing the application, provide the initial review of certain taxpayer identification documents, and submit photocopies of the taxpayer's identification documents to the IRS.<sup>70</sup> Unlike TACs and agencies that issue certified copies, CAAs are not government employees and do not need to have any specific professional degree. To become a CAA, an applicant must take an acceptance agent training course and forensic training course, submit an application, receive IRS approval, and sign an agreement.<sup>71</sup> CAAs must periodically renew their authorization and are subject to IRS compliance reviews, although the Treasury Inspector General for Tax Administration (TIGTA) has repeatedly raised concerns about the IRS's oversight of CAAs.<sup>72</sup>

The IRS ITIN unit reviews the photocopies of the original documents that CAAs submit, but the IRS cannot independently verify from copies certain elements of the original documents that could indicate fraud. Thus, it is important that CAAs operate diligently, competently, and in good faith.

CAAs have additional resources not available to individual ITIN applicants, including access to a phone line that reaches employees in the ITIN Austin office. Individual ITIN applicants seeking assistance must call the main IRS Accounts Management phone lines, the employees for which are not located in the ITIN unit and may not have the same level of access to information or similar capacity to address and resolve problems.<sup>73</sup> Additionally, if the IRS suspends or rejects an ITIN application, the IRS will submit a copy of the notice to the CAA as well as the applicant, which can lead to more efficient resolution of certain mistakes or needed clarifications.

Applications submitted through CAAs have lower rejection rates than applications submitted by other means, even outperforming IRS employees at TACs. In 2023, the IRS rejected 28.9 percent of applications with original mailed documents, 19.3 percent of applications submitted with TAC assistance, and 13.6 percent of applications submitted with CAA assistance.<sup>74</sup>

67 SAMS issue 75609.

68 IRS, IRS Taxpayer Assistance Centers Providing In-Person ITIN Document Review, <https://www.irs.gov/help/irs-taxpayer-assistance-centers-providing-in-person-itin-document-review> (last updated Aug. 23, 2024).

69 Local Taxpayer Advocate comments to ITIN Unit Planning & Analysis Analyst (July 30, 2024).

70 IRS, Pub. 4520, ITIN Acceptance Agents' Guide for Individual Taxpayer Identification Number 9 (Oct. 2023), <https://www.irs.gov/pub/irs-pdf/p4520.pdf>.

71 See IRS, ITIN Acceptance Agent Program Changes, <https://www.irs.gov/individuals/itin-acceptance-agent-program-changes> (last updated Sept. 6, 2024).

72 See TIGTA, Ref. No. 2024-400-012, *Administration of the Individual Taxpayer Identification Number Program 7* (2023), <https://www.tigta.gov/sites/default/files/reports/2023-12/2024400012fr.pdf>.

73 IRS response to TAS information request (Sept. 24, 2024).

74 IRS, CDW, EAP CY 2023, Form\_W7 Table (through Aug. 22, 2024).

With the right oversight and quality controls, CAAs perform a valuable service for taxpayers and save government resources. However, there are drawbacks. First, the IRS does not govern the price that CAAs may charge. Some CAAs are nonprofits that charge applicants little to nothing, but some CAAs charge thousands of dollars for the service.<sup>75</sup> Also, while the IRS has some capacity to oversee CAA work and revoke CAA authorizations, there is no built-in guarantee that CAAs will perform their work with the utmost diligence and candor.

### ***Insufficient Certifying Acceptance Agent Services at Volunteer Income Tax Assistance Sites***

CAA service providers are subject to additional forms of quality review when they partner with the Volunteer Income Tax Assistance (VITA) program for tax return preparation. VITA and Tax Counseling for the Elderly (TCE) partners provide free basic income tax return preparation to taxpayers who generally earned \$67,000 or less, persons with disabilities, taxpayers with limited English proficiency, Native Americans, taxpayers in rural areas, military and their family, and elderly taxpayers. VITA and TCE partners must commit to provide services at no cost to the taxpayer, and tax returns they prepare are subject to screening and quality control. VITA and TCE partners can receive grant funding for free tax return preparation.<sup>76</sup>

Unfortunately, currently only 91 VITA partners offer CAA services, which accounts for just 1.2 percent of all CAAs in the United States.<sup>77</sup> Under current law, VITA grant funding cannot be applied to the cost of CAA services, which limits the ability of VITA partners to expand in this area and makes it more difficult for the IRS to recruit new CAA service providers at VITA sites. Congress should consider amending the tax code to allow for supplemental grant funding specifically targeting CAA services through VITA partners. Find further details on this legislative recommendation in the National Taxpayer Advocate 2025 Purple Book.<sup>78</sup>

Providing CAA services at VITA sites may also increase the number of ITIN filers who use VITA tax return preparation services, resulting in improved accuracy of tax reporting. Currently ITIN filers disproportionately rely on non-credentialed tax return preparers compared with non-ITIN filers. In 2023, among taxpayers who used return preparers, 90.3 percent of ITIN filers used non-credentialed tax return preparers, compared with 59.5 percent of non-ITIN filers.<sup>79</sup> Non-credentialed return preparers are more likely to subject taxpayers to unanticipated tax deficiencies, penalties, interest, overpaid taxes, or lost refunds.<sup>80</sup>

### ***Improvements to the Certifying Acceptance Agent Application Process***

The IRS launched a new digital application process for CAAs in January 2024.<sup>81</sup> Although the IRS has had to iron out a few minor issues since its release, the new system is a positive development and an important step toward creating digital options for all aspects of ITIN processing. The online portal allows applicants to complete their CAA applications online and submit supporting documents digitally through the Document Upload Tool.<sup>82</sup>

75 Discussions from ITIN site visit (Sept. 10, 2024); IRS response to TAS fact check (Nov. 12, 2024).

76 IRS, Free Tax Return Preparation for Qualifying Taxpayers, <https://www.irs.gov/individuals/free-tax-return-preparation-for-qualifying-taxpayers> (last updated Oct. 17, 2024).

77 IRS response to TAS information request (Oct. 9, 2024). The IRS did not yet have 2024 data for total CAAs in the United States. We based this percentage on the 2023 number of 7,613.

78 National Taxpayer Advocate 2025 Purple Book, *Compilation of Legislative Recommendations to Strengthen Taxpayer Rights and Improve Tax Administration (Authorize the Use of Volunteer Income Tax Assistance Grant Funding to Assist Taxpayers With Applications for Individual Taxpayer Identification Numbers)*.

79 IRS, CDW, IRTF, IMF, Return Review Program Preparer Tax Identification Number Table, TY 2019-2023, (through Aug. 22, 2024).

80 See National Taxpayer Advocate 2023 Annual Report to Congress 65 (Most Serious Problem: Return Preparer Oversight: The Lack of Return Preparer Oversight Endangers Taxpayers, Burdens the IRS, and Harms Tax Administration), [https://www.taxpayeradvocate.irs.gov/wp-content/uploads/2024/01/ARC23\\_MSP\\_05\\_Return-Preparer.pdf](https://www.taxpayeradvocate.irs.gov/wp-content/uploads/2024/01/ARC23_MSP_05_Return-Preparer.pdf).

81 See Erin M. Collins, IRS Resumes Processing “Acceptance Agent” Applications to Assist With ITINs, NATIONAL TAXPAYER ADVOCATE BLOG (Jan. 30, 2024), <https://www.taxpayeradvocate.irs.gov/news/nta-blog/nta-blog-irs-resumes-processing-acceptance-agent-applications-to-assist-with-itins/2024/01/>.

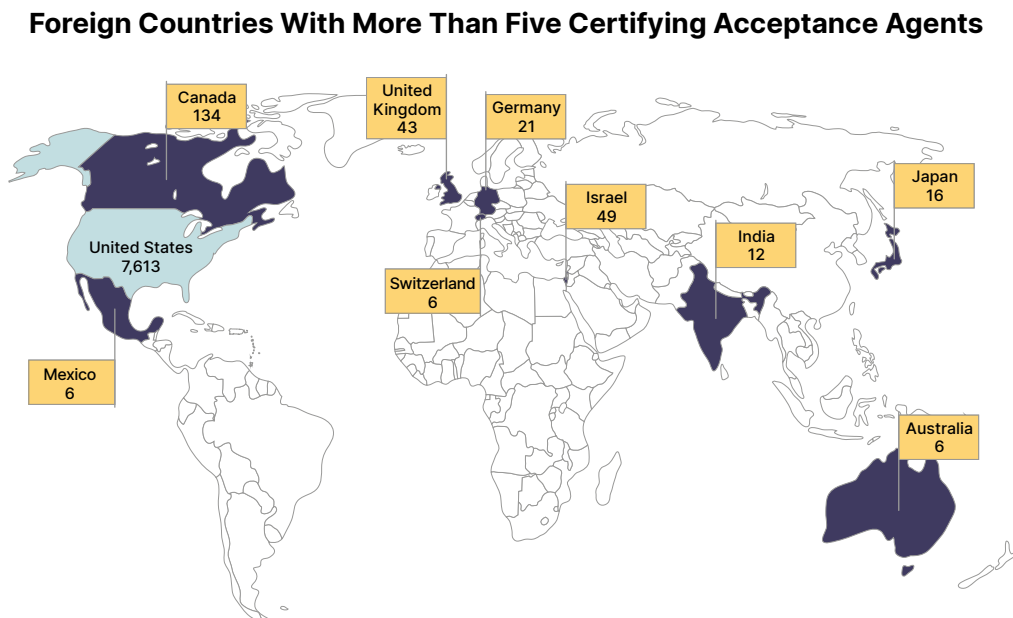
82 See IRS, ITIN Acceptance Agent Program Changes, <https://www.irs.gov/individuals/itin-acceptance-agent-program-changes> (last updated Sept. 6, 2024).

The IRS could have been more transparent in its rollout of the new system. While the IRS was developing the new application process, it stopped allowing CAA applications under the prior paper-based method, imposing an indefinite moratorium on new CAA applications beginning August 15, 2022.<sup>83</sup> The IRS explained that processing paper applications during that time would not have been feasible due to the phaseout of the prior system and the potential for duplication of data.<sup>84</sup> The moratorium ended up lasting 17 months. When the IRS finally launched the new application system, it did not issue a news release to announce either the opening of the new process or the end of the moratorium.<sup>85</sup>

### Limited Certifying Acceptance Agent Services Abroad

Taxpayers abroad have fewer resources for assistance with ITIN applications and document verification than taxpayers in the United States. There are relatively few CAAs abroad, and there are no TACs outside of the United States and Puerto Rico. Taxpayers abroad seeking ITIN application assistance might have to travel hundreds of miles, potentially to another country, to find a CAA. As of December 2023, only nine countries had more than five CAAs.<sup>86</sup>

FIGURE 2.7.5<sup>87</sup>



83 IRS response to TAS information request (Oct. 9, 2024).

84 Discussion from ITIN unit site visit (Sept. 10, 2024).

85 See Erin M. Collins, IRS Resumes Processing “Acceptance Agent” Applications to Assist With ITINs, NATIONAL TAXPAYER ADVOCATE BLOG (Jan. 30, 2024), <https://www.taxpayeradvocate.irs.gov/news/nta-blog/nta-blog-irs-resumes-processing-acceptance-agent-applications-to-assist-with-itins/2024/01/>. The IRS stated that although it did not issue a news release, it communicated with external stakeholders through “numerous outreach events to prepare [them] for deployment” of the new application system. IRS response to TAS fact check (Nov. 12, 2024).

86 IRS response to TAS information request (Oct. 9, 2024). Just before this report went to print, the IRS explained that five international Certified Public Accountant (CPA) firms may also provide CAA services in countries in which they have offices, which would be in addition to the numbers included in this report. IRS response to TAS fact check (Nov. 12, 2024); see also IRS, Acceptance Agent Program, <https://www.irs.gov/individuals/international-taxpayers/acceptance-agent-program> (last updated Oct. 15, 2024) (listing the five firms).

87 IRS response to TAS information request (Oct. 9, 2024). The “United Kingdom” category combines separate totals in IRS records for “Great Britain” and “United Kingdom.” Just before this report went to print, the IRS explained that five international CPA firms may also provide CAA services in countries in which they have offices, which would be in addition to the numbers included in this report. IRS response to TAS fact check (Nov. 12, 2024); see also IRS, Acceptance Agent Program, <https://www.irs.gov/individuals/international-taxpayers/acceptance-agent-program> (last updated Oct. 15, 2024) (listing the five firms).

Oversight of foreign CAAs presents additional challenges to the IRS. TIGTA has described IRS oversight of foreign CAAs as inadequate and has suggested that the IRS instead use designees at a U.S. diplomatic mission or consular post to authenticate ITIN applicants' documents.<sup>88</sup>

## CONCLUSION AND RECOMMENDATIONS

The IRS must simplify the process for individuals who need ITINs. Although the IRS has improved how quickly it can return mailed identification documents to taxpayers, ITIN processes overall remain inefficient and overly dependent on paper. Without investments in e-filing and digital identity verification technology, the IRS risks falling behind the curve in its capacity to detect and prevent increasingly sophisticated schemes of identity and tax fraud.

For taxpayers, antiquated paper-based processes result in delays, inconsistent treatment of applications, and mistakes that may permanently deprive them of benefits they qualify for under law. An ITIN is only the starting point of tax compliance for the taxpayers who need them, allowing these taxpayers to file returns and other documents with the IRS. The more difficult it is to obtain an ITIN, the more likely it is these taxpayers will fall out of the tax system altogether. For both security and service purposes, the IRS must modernize ITIN processing, end its reliance on paper, and focus on increasing digitalization.

### Administrative Recommendations to the IRS

The National Taxpayer Advocate recommends that the IRS:

1. Incorporate a method to verify government-issued identification documents electronically as part of the ITIN application process.
2. As an incremental step toward allowing e-filing for both ITIN applications and accompanying tax returns, develop a multilingual online tool that guides taxpayers through the ITIN application process and helps them verify whether their supporting documentation will meet IRS requirements.
3. Allow ITIN applications to be processed year-round with proof of a federal tax need, including but not limited to the submission of a federal tax return.
4. Create a systemic fix to prevent ITINs from being deactivated if taxpayers have used them on a federal tax return within the three prior years.
5. Modernize the Real-Time System the IRS uses to process ITIN applications to enhance data quality and management, including a process for logging documents upon receipt.
6. Develop a system for tracking original identification documents, responses to missing document requests, and the actions the IRS has taken to address missing documents.
7. Expand high-quality CAA services, with particular emphasis on communities with high concentrations of ITIN filers who have little access to TACs or other forms of ITIN application assistance.

### Legislative Recommendation to Congress

The National Taxpayer Advocate recommends that Congress:

1. Authorize the use of VITA grant funding to assist taxpayers with applications for ITINs.

## RESPONSIBLE OFFICIAL

Kenneth Corbin, Chief, Taxpayer Services

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88 See TIGTA, Ref. No. 2024-400-012, *Administration of the Individual Taxpayer Identification Number Program 7* (2023), <https://www.tigta.gov/sites/default/files/reports/2023-12/2024400012fr.pdf>; TIGTA, Ref. No. 2022-40-013, *Administration of the Individual Taxpayer Identification Number Program 21* (2022), <https://www.tigta.gov/sites/default/files/reports/2022-02/202240013fr.pdf>.