

FAQ: Individual Taxpayer Identification Number



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What is an ITIN?

An ITIN (Individual Taxpayer Identification Number) is a federal tax processing number used by the Internal Revenue Service (IRS). It is similar to a Social Security number in format and function. However an ITIN begins with the number 9 and does not authorize an individual to work within the United States. The IRS issues ITINs to individuals who are required to have a U.S. taxpayer identification number but who do not have and are not able to obtain a Social Security Number from the Social Security Administration (SSA). Individuals generally must have a federal tax filing requirement and file a valid federal income tax return to receive an ITIN, unless they meet an exception, such as claiming the benefits of a tax treaty for a reduced rate of withholding.

Who generally applies for an ITIN?

Foreign individuals who have U.S. federal tax reporting or filing requirements and do not qualify for SSNs require an ITIN. Foreign investors that acquire United States real estate require ITINs to report rental income, file federal income tax returns, and apply for any possible refund resulting from the filing of a tax return.

Have the procedures for obtaining an ITIN changed?

Yes, as of January 1, 2013. Due to the improper assignment of ITINs which resulted in fraudulent tax returns, the IRS has expanded the quality review process of approving an ITIN. Notarized and Apostille photocopies of original identification documents such as passports are no longer acceptable, thus making it more difficult to obtain an ITIN.



How does a foreign national obtain an ITIN?

Generally, a foreign national can obtain an ITIN by submitting an application (Form W-7) to the IRS and attaching a federal income tax return along with original proof of identity and foreign status documents. There are 13 different types of foreign status documents that the IRS accepts as identification. An original passport, which is the only stand-alone document accepted, is the most commonly used.

If I send original documents (e.g., passport) to the IRS, how long will it take to get them back?

According to the IRS, original documents are returned to the applicant within 60 days of receipt and processing of the W-7. However, it is not uncommon for the process to take longer than 60 days and submitting original documents to the IRS always puts the applicant at risk of losing his or her documents in the mail.

What if a foreign national doesn't want to send his or her original documents to the IRS?

Most foreign nationals do not feel comfortable handing over their passports to the IRS for a period of 60 or more days. As such, the foreign national is required to present the foreign status documents in person at an IRS Taxpayer Assistance Center (TAC) or obtain a certified copy of their passport from their local embassy or consulate. Alternatively, applicants have the option to use a Certified Acceptance Agent (CAA), such as a CPA, who can verify and certify original documents, thus eliminating the need to send original documents to the IRS. The CAA facilitates the application process by reviewing the necessary documentation and forwarding the completed forms to the IRS.

Is Kaufman Rossin a Certified Acceptance Agent?

Yes, Kaufman Rossin is an authorized Certified Acceptance Agent. Rather than visit the local IRS office or Tax Assistance Center applicants can make an appointment and process their ITIN application at our office.

How long does it usually take to obtain an ITIN?

If you qualify for an ITIN and your application is complete, your ITIN is usually assigned within six weeks.

What are the risks of not obtaining an ITIN for foreign nationals acquiring U.S. real estate?

Foreign nationals without an ITIN run the risk of complications upon the disposition of U.S. real estate under FIRPTA (the Foreign Investment in Real Property Tax Act). FIRPTA imposes a withholding tax of 15% of the gross proceeds of the sale, which is withheld at closing and remitted to the IRS within 20 days of the disposition. One of the most effective ways to eliminate or reduce this 15% withholding is by obtaining a withholding certificate from the IRS on Form 8288-A. Withholding certificates can only be granted to individuals with ITINs. Thus, it is highly recommended that foreign nationals apply for ITINs well before any U.S. real estate is sold. If a withholding certificate has not been obtained to reduce or eliminate the withholding, the withheld amount can only be recovered from the IRS with the filing of a U.S. tax return (which requires an ITIN). However the process to locate the funds may be significantly extended in the absence of an ITIN.

Do ITINs expire?

Yes! The Protecting Americans from Tax Hikes Act of 2015 (aka PATH Act) provided that an ITIN that has not been used on a federal tax return for the last three years will no longer be valid. Further, ITINs issued prior to 2013 will begin expiring in 2016 and must be renewed on a rolling basis (regardless of whether they have been used in the last three years). On August 4, 2016, the Internal Revenue Service issued Notice 2016-48 which provides a schedule of when ITINs issued before 2013 will expire.

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