

Part III - Administrative, Procedural, and Miscellaneous

Truncating Social Security Numbers on Paper Payee Statements

Notice 2011-38

SECTION 1. PURPOSE

This notice announces an extension and modification of the pilot program announced in Notice 2009-93, 2009-51 I.R.B. 863, which authorized filers of certain information returns to truncate an individual payee's nine-digit identifying number on specified paper payee statements furnished for calendar years 2009 and 2010, if the filers met certain requirements. This notice extends the pilot program as to paper payee statements furnished for calendar years 2011 and 2012, in order to allow more time for the IRS and taxpayers to evaluate the program. This notice also modifies the requirements announced in Notice 2009-93 by excluding Form 1098-C, Contributions of Motor Vehicles, Boats, and Airplanes, from the pilot program as it is an "acknowledgement" required by section 170(f)(12), rather than a payee statement. Therefore it is not included in the scope of this pilot program.

SECTION 2. BACKGROUND

An information return is a return, statement, form, or other document that must be filed with the IRS to report certain payments or distributions to a payee or amounts received from a payee in a calendar year. See section 6724(d)(1); Treas. Reg. § 301.6721-1(g)(1). A filer is any person required to file an information return. See Treas. Reg. § 301.6721-1(g)(6). A payee is any person who is required to receive a copy of the information set forth on an information return by the filer of the return. See

Treas. Reg. § 301.6721-1(g)(5). A filer generally must also furnish a payee statement to each payee that contains the same information as the information return for that payee. See section 6724(d)(2); Treas. Reg. § 301.6722-1(d)(2). Generally, filers are required to furnish payee statements to payees on or before January 31st of the year following the calendar year for which the information return is made. See, e.g., sections 6041(d) and 6042(c). Filers may be subject to penalties for failure to file correct information returns or furnish correct payee statements. See sections 6721 and 6722.

Regulations, forms, or instructions to forms typically require that the payee statement include the identifying number of the payee. The three types of identifying numbers applicable to individuals are social security numbers, IRS individual taxpayer identification numbers, and IRS adoption taxpayer identification numbers. All three of these identifying numbers are nine-digit numbers taking the form 000-00-0000. Treas. Reg. § 301.6109-1(a)(1)(i).

A person's identifying number is sensitive personal information. A risk exists that this information could be misappropriated from a paper payee statement and misused in various ways, such as to facilitate identity theft.

SECTION 3. SCOPE

This notice applies only to paper payee statements in the Form 1098 series (excluding Form 1098-C, Contributions of Motor Vehicles, Boats, and Airplanes), Form 1099 series, and Form 5498 series. Substitute and composite substitute statements (within the meaning of Treas. Reg. § 301.6722-1(a)(1)) that meet the requirements of this notice are also included. See Rev. Proc. 2009-49, 2009-51 I.R.B. 879.

This notice does not apply to any information return filed with the IRS, any payee statement furnished electronically, or any payee statement not specified in this notice.

During this extended pilot program, truncation will be permitted only for individual identifying numbers on the paper payee statements specified in this section. Truncation of payee employer identification numbers (EINs) or filer identifying numbers is not permitted. Truncation of identifying numbers is not permitted on information returns filed with the IRS or on any payee statements furnished electronically.

SECTION 4. REQUIREMENTS

A filer must satisfy the requirements set forth in this section to be authorized to truncate identifying numbers for individuals on the paper payee statements for calendar years 2011 and 2012. The IRS will treat a filer as having satisfied any requirement in Treasury and IRS guidance, whether in a regulation, form, or form instructions, to include a payee's identifying number on a paper payee statement if the following requirements are met:

.01 The identifying number is a social security number, IRS individual taxpayer identification number, or IRS adoption taxpayer identification number;

.02 The identifying number is truncated by replacing the first five digits of the nine-digit number with asterisks or Xs (for example, a social security number 123-45-6789 would appear on the paper payee statement as ***-**-6789 or XXX-XX-6789); and

.03 The truncated identifying number appears on a paper payee statement (including substitute and composite substitute statements) in the Form 1098 series (excluding Form 1098-C, Contributions of Motor Vehicles, Boats, and Airplanes), Form

1099 series, or Form 5498 series for calendar years 2011 and 2012.

Truncation of an identifying number on a paper payee statement in the manner set forth in this Section 4 is authorized notwithstanding calendar year 2011 form instructions that state that the pilot program announced in Notice 2009-93 has expired.

SECTION 5. EFFECTIVE DATE

This notice is effective upon release.

SECTION 6. REQUEST FOR COMMENTS

The IRS invites the public to submit comments on this notice by July 29, 2011, and is particularly interested in comments from payors that furnished paper payee statements with truncated identifying numbers under the original pilot program as well as comments from payees that received paper payee statements with truncated identifying numbers for either calendar year 2009 or 2010. The IRS is interested in learning about issues encountered by payors and payees alike. The IRS also welcomes comments on whether payors should be allowed to truncate a payee's EIN, whether truncation should be permitted on additional types of payee statements, and whether payors should be allowed to truncate a payee's identifying number on electronically furnished payee statements.

Comments should be submitted to: Internal Revenue Service, CC:PA:LPD:PR (Notice 2011-38), Room 5203, P.O. Box 7604, Ben Franklin Station, N.W., Washington, D.C. 20044. Alternatively, comments may be hand delivered between the hours of 8:00 a.m. and 4:00 p.m., Monday through Friday, to CC:PA:LPD:PR (Notice 2011-38), Courier's Desk, Internal Revenue Service, 1111 Constitution Avenue, N.W.,

Washington, D.C. Comments may also be transmitted electronically via the following e-mail address: Notice.Comments@irsounsel.treas.gov. Please include "Notice 2011-38" in the subject line of any electronic communications. All comments will be available for public inspection and copying.

SECTION 7. DRAFTING INFORMATION

The principal author of this notice is Tammie A. Geier of the Office of the Associate Chief Counsel (Procedure and Administration). For further information regarding this notice, please contact Tammie A. Geier at (202) 622-4940 (not a toll-free call).