

Eye on Washington Regulatory Update



Final IRS Regulations Permit Truncated SSNs on Forms W-2

The Internal Revenue Service (IRS) has issued final regulations ([TD 9861, Use of Truncated Taxpayer Identification Numbers on Forms W-2, Wage and Tax Statement, Furnished to Employees](#)), which allow employers to truncate employees' Social Security Numbers on copies of Forms W-2 that are furnished to employees, effective for Forms W-2 required to be furnished after 12/31/2020 (i.e., Forms W-2 for calendar year 2020).

Background

Section 409 of the Protecting Americans from Tax Hikes (PATH) Act of 2015 (P. L. 114-113) authorized the IRS to permit employees' Social Security Numbers to be truncated on Forms W-2 (e.g., XXX-XX-9999). However, IRS regulations were necessary to implement the provision.

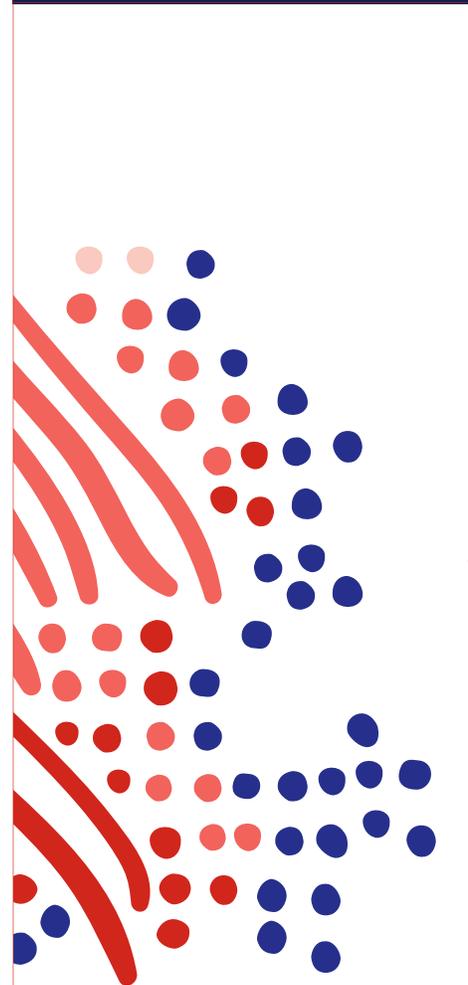
Employers May Truncate Social Security Numbers (SSNs) on Employee Forms W-2

The final regulation explains that "To aid employers' efforts to protect employees from identity theft, these regulations ... permit employers to voluntarily truncate employees' Social Security Numbers (SSNs) on copies of Forms W-2, Wage and Tax Statement, that are furnished to employees ..." Truncated SSNs are formatted as XXX-XX-1234 or ***-**-1234." Truncation is permitted on the following copies of Forms W-2:

- B — To Be Filed With Employee's FEDERAL Tax Return
- C — For EMPLOYEE'S RECORDS
- 2 — To Be Filed With Employee's State, City, or Local Income Tax Return
- D — For Employer

No Truncation of EINs, or of SSNs on Employer Filings to Tax Authorities

Employers are not permitted to truncate their own Employer Identification Numbers (EINs) on Forms W-2 furnished to employees. In addition, employers may not truncate SSNs on Forms W-2 that are filed with the Social Security Administration or any state or local tax authority.



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ADP Will Enable Truncation for Clients

The final regulations are substantively unchanged from the 2017 proposed regulations. To assist in protecting employees from identity theft, **all employee copies of Forms W-2 produced by ADP will have truncated SSNs after December 31, 2020.** No action is required of clients.

Forms 1099 will also Display Truncated SSNs

The IRS has permitted truncation of SSNs on Payee copies of Forms 1099 since 2010. Forms 1099 produced by ADP will also truncate SSNs on all Payee and Payor reference copies of 1099s.

ADP Compliance Resources

ADP maintains a staff of dedicated professionals who carefully monitor federal and state legislative and regulatory measures affecting employment-related human resource, payroll, tax and benefits administration, and help ensure that ADP systems are updated as relevant laws evolve. For the latest on how federal and state tax law changes may impact your business, visit the ADP Eye on Washington Web page located at www.adp.com/regulatorynews.

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