



Eye On Washington Regulatory Update



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Proposed IRS Regulation Would Permit Truncated SSNs on Forms W-2

The Internal Revenue Service (IRS) has issued proposed regulations (REG-105004-16) to allow employers to truncate employees' Social Security Numbers on copies of Forms W-2 that are furnished to employees. The proposed regulations are included in the Federal Register dated Sept. 20, 2017.

Background

Section 409 of the Protecting Americans from Tax Hikes (PATH) Act of 2015 (P. L. 114-113) authorized the IRS to permit employee Social Security Numbers (SSNs) 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 proposed regulation explains that "To aid employers' efforts to protect employees from identity theft, these proposed regulations would permit employers to truncate employees' Social Security Numbers (SSNs) on copies of Forms W-2, Wage and Tax Statement, that are furnished to employees so that the truncated SSNs appear in the form of IRS Truncated Taxpayer Identification Numbers (TTINs). A TTIN is formatted as XXX-XX-1234 or ***-**-1234."

The proposed regulations also permit truncated SSNs on Forms W-2 to report third-party sick pay or group-term life insurance. However,

employers are not permitted to truncate their 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.

The regulations are permissive, so employers are not required to truncate SSNs on Forms W-2. One consideration is that some states may require the full SSN to be printed on employees' state copies of Forms W-2. States may need time to make changes to legislation, regulations, or forms and instructions. State copies of Form W-2 are generally in the same envelope, if not on the same page as the federal Form W-2.

The proposed regulation explains that state tax administrators had asked for transition time to modify affected state income tax return processing systems. Consequently, these changes are expected to apply to Forms W-2 furnished after December 31, 2018 (i.e., 2018 Forms W-2 furnished and filed in early 2019).

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