



American Institute of CPAs
1455 Pennsylvania Avenue, NW
Washington, DC 20004-1081

July 18, 2011

Internal Revenue Service
CC:PA:LPD:PR (Notice 2011-38)
Room 5203
P.O. Box 7604
Ben Franklin Station, N.W.
Washington, DC 20044

**RE: Request for Comments on Truncating Social Security Numbers on Paper Payee Statements
(Notice 2011-38)**

Dear Sir/Madam:

The American Institute of Certified Public Accountants (AICPA) respectfully submits comments on the truncation of social security numbers (SSNs) in response to Notice 2011-38. This notice extended to 2011 and 2012, a pilot program previously created for information return filers to truncate individual payee's 9-digit identifying numbers on paper payee statements in the Form 1098, 1099 and 5498 series, to allow the Internal Revenue Service (IRS) more time to evaluate the program results.

The AICPA applauds the government's efforts to take positive steps toward protecting the privacy and security of personal information. We suggest that the IRS continue these efforts by permitting these methods of protecting SSNs on a permanent basis, rather than as a pilot program. We also recommend an extension of the rules to permit the use of truncated SSNs on all types of tax forms and returns provided to a client, employee or other recipient. Finally, the AICPA seeks clarification that truncated SSNs on taxpayer copies of tax forms and returns are permitted regardless of whether the information is filed electronically with the IRS or on paper, and regardless of whether it is transmitted to a taxpayer electronically or by mail.

The AICPA is the national professional organization of certified public accountants comprised of approximately 370,000 members. Our members advise clients on federal, state and international tax matters and prepare income and other tax returns for millions of Americans. Our members provide services to individuals, not-for-profit organizations, small and medium-sized businesses, as well as America's largest businesses.

The enclosed comments were developed by members of the AICPA Task Force on Social Security Number Truncation and approved by our Individual Income Taxation Technical Resource Panel, IRS Practice & Procedures Committee, and Tax Executive Committee.

BACKGROUND

The AICPA appreciates the extension of the pilot program. The Government Accountability Office recently reported that the IRS found over 245,000 identity theft cases last year (GAO-11-674T, May 25, 2011). According to an *Accounting Today* article discussing the report and a related Senate Subcommittee hearing,¹ National Taxpayer Advocate Nina Olson acknowledged that the IRS is seeing “unprecedented levels of identity theft casework.” In addition, many states have enacted legislation requiring protection of SSNs and other personal information.

The concerns of tax-related identity theft and the truncation of SSNs are also increasing in the tax practitioner community. Clients of CPAs are beginning to question the need for receiving paper documents that have the full SSN printed on the document. Those seeking to obtain unauthorized personal information, such as a SSN, need only look to the mailboxes of CPA clients. Unfortunately, tax practitioners also have experience with mail processing facilities ripping mailing envelopes open and exposing confidential information.

TAXPAYER COPIES

The AICPA requests guidance on whether a tax practitioner may truncate a SSN from practitioner-prepared client copies of all tax documents. These documents include the client copy of Forms 1040, 1120, 1065, 1120S, 1041, 5500, W-2, 1099, 1098 (together with all Schedules K-1). If currently permitted, we suggest issuing guidance which provides that a copy of a tax document provided to a client containing a truncated SSN is treated as a “completed copy” and meets the requirements of Internal Revenue Code (IRC) section 6107. Alternatively, if the current pilot program does not permit the truncation of SSN on client copies, we suggest an expansion of the program to include truncation on taxpayer copies of all tax forms.

We understand that limitations exist currently with regards to truncation on a Form W-2. Under IRC section 6051(a)(2), employers are required to provide employees a written statement (i.e., Form W-2) with certain information including the employee’s SSN. The AICPA recommends, however, that the IRS support any legislative proposal to change the IRC section 6051 reporting requirement for the employee SSN on all copies other than the copy filed with the U.S. Social Security Administration (SSA).

ELECTRONICALLY FILED FORMS

The AICPA requests clarification with regard to electronically filed forms. According to Section 3 of Notice 2011-38, the truncation of identifying numbers is not permitted on information returns filed with the IRS or on any payee statements furnished electronically.

The AICPA requests guidance on whether a payor may provide truncated paper copies to the payees of Forms 1099 (all forms of the series), 1098 and 5498, when the payor electronically files such documents

¹ U.S. Senate Committee on Finance Subcommittee on Fiscal Responsibility and Economic Growth hearing on May 25, 2011 on The Spread of Tax Fraud by Identity Theft: A Threat to Taxpayers, A Drain on the Public Treasury.

with the IRS. In all cases, IRS and SSA copies of documents would contain all required identifying numbers. This flexibility is particularly important with larger employers that must file electronically because they are required to file 250 or more information returns.

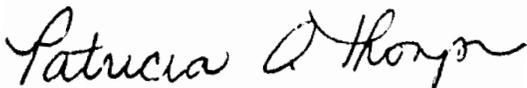
ELECTRONIC PAYEE STATEMENTS

The AICPA requests an expansion of the pilot program to permit a payor to provide truncated electronic copies (e.g., a form available through a company's website or portal), to the payees of Forms 1099 (all forms of the series), 1098 and 5498. According to Section 1 of Notice 2011-38, filers are permitted to truncate a payee's identifying number on specified *paper* payee statements. In a world where tax reporting systems are in transition from paper to electronically reported information, the ability to download electronic data in a manner sensitive to financial privacy is essential.

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Thank you for considering our views on this very important topic. If you have any questions regarding this letter, please feel free to contact me at (401) 831-0200 or patt@pgco.com; Christopher Hesse, Chair of the AICPA Task Force on Social Security Number Truncation, at (612) 397-3071, or chesse@larsonallen.com; or Melissa M. Labant, AICPA Technical Manager, at (202) 434-9234 or mlabant@aicpa.org.

Sincerely,



Patricia A. Thompson, CPA
Chair, AICPA Tax Executive Committee