



Highlights of [GAO-04-529](#), a report to a testimony to the House Ways and Means Subcommittees on Oversight and on Social Security

INTERNAL REVENUE SERVICE

Individual Taxpayer Identification Numbers Can Be Improperly Obtained and Used

Why GAO Did This Study

The Internal Revenue Service (IRS) issues Individual Taxpayer Identification Numbers (ITINs) to those who are not eligible for a social security number (SSN) from the Social Security Administration (SSA). ITIN-related concerns include whether any weaknesses in IRS's controls would allow ITINs to be issued and used for illegal purposes and possible security breaches, whether employers are confused about their responsibilities to IRS, SSA, and the Department of Homeland Security (DHS) for identifying their employees, and how IRS, SSA, and DHS share data when illegal resident aliens receive ITINs.

Because of these concerns, GAO was asked to: (1) describe why IRS created the ITIN, (2) describe IRS's processes and controls for issuing ITINs, (3) do a limited test of IRS's processes and controls, and (4) describe certain concerns and problems for employers and government agencies when ITINs are issued to illegal resident aliens.

What GAO Recommends

Although GAO is not making recommendations, this hearing is a useful venue for Congress to consider whether to provide IRS, SSA, and DHS guidance on how to address concerns about ITIN issuance controls and policies for dealing with illegal resident aliens.

www.gao.gov/cgi-bin/getrpt?GAO-04-529T.

To view the full product, including the scope and methodology, click on the link above. For more information, contact Michael Brostek at (202) 512-9110 or brostekm@gao.gov.

What GAO Found

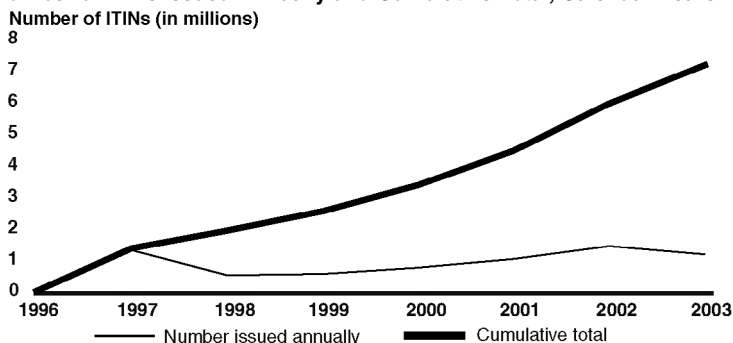
IRS created the ITIN in 1996 to improve tax administration. IRS needed a better way to identify the tax reporting of those who could not obtain an SSN to use on tax returns and other tax documents. The cumulative number of ITINs issued exceeded 7 million by the end of 2003.

IRS receives ITIN applications from the mail, applicants walking into IRS offices, and authorized non-IRS entities. In December 2003, IRS made changes to improve its ITIN controls. However, IRS remains limited in its ability to verify applicants' identities. For instance, IRS staff does not see most applicants and IRS does not verify the validity of documents.

Before December 2003, GAO staff obtained an ITIN by submitting bogus documents through the mail and used the ITIN to open a bank account and obtain an ATM card. Staff also fabricated an ITIN and used it to obtain a voter registration card. While limited, this test indicates that IRS's controls could be bypassed and that an ITIN could be used for nontax purposes. Despite the December changes, the weaknesses GAO exploited remain. Resolving these limitations could be challenging.

IRS has concluded that most resident aliens who have ITINs and earn wage income are not legally employed in the United States. Given this context, the use of ITINs raises various issues. Employers have raised concerns that when they identify employees and their work eligibility, they could have conflicting obligations to IRS, SSA, and DHS. These concerns appear to be largely unfounded if employers do what is specifically required. Data sharing—especially of IRS data—may help DHS to target immigration enforcement, but, among other things, officials cited legal restrictions and the potential for employment to be hidden from tax administrators as affecting their decisions about sharing data.

Number of ITINs Issued Annually and Cumulative Total, Calendar Years 1996 Through 2003



Source: GAO analysis of IRS data.