

ITINs – New Rules & Changes Regarding Form 1098-T

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ITINs – New Rules

Expirations and Credit Limitations

Renewal Procedures

- ITINs not used on a tax return in 2013, 2014, or 2015 and ITINs with middle digits of 78 and 79 will expire January 1, 2017 but can be renewed beginning October 1.
- A Form W-7 (Rev. 9-2016) with proper documentation will be required. The same ITIN will be retained by renewing taxpayers.
- A tax return will not need to be submitted to renew an ITIN.
- ITINs issued only for information reporting purposes and not used on a tax return will not have to be renewed.

New Documentation Requirements

- Beginning October 1, 2016 passports that do not show a date of entry into the U.S. will no longer be accepted as a stand-alone identification document for dependents claimed as U.S. residents.
- U. S. medical records for dependents under age six, U. S. school records for dependents under age 18, or rental, bank statements, or utility bills for those 18 or over must accompany the passport.
- Exception: these new rules do not apply to dependents from Canada or Mexico or dependents of military members overseas, for the 2017 filing season.

PATH Act Credit Limitations

- The Child Tax Credit and American Opportunity Tax Credit can only be claimed for ITIN filers if the ITINs for the taxpayers and/or dependents are issued before the due date (including extension) of the return.
- For ITIN filers acquiring an SSN, the EITC will only be allowed for SSNs issued on or before the due date (including extension) of the return.

Legislative Changes Regarding Form 1098-T

Tuition Reporting

- Reporting of tuition paid to educational institutions instead of tuition billed by them will be required in the future.
- For 2016 Forms 1098-T only, no penalties will be imposed on the educational institution if tuition billed is reported – Announcement 2016-17.
- For reporting by the educational institution to the IRS, there will be checkbox indicating that the institution has complied with requirements for verifying the student's taxpayer identification number.

Requirement to Have Form 1098-T

- Beginning with the 2016 tax year Form 1098-T must be received by the taxpayer (or the dependent) in order to claim the:
 - American Opportunity Tax Credit*
 - Lifetime Learning Credit*
 - Tuition and Fees Deduction (still available for 2016) Publication 4012, at Page J-4 states the requirement.

*Note: Publication 4012 does not list this requirement.

Proposed regulations provide exceptions.

- The EIN of educational institution must be listed on the return to claim the AOTC .

Penalty Issues

- Future Disallowance of disallowed AOTC in subsequent years:
 - ✓ 2 Years if due to reckless or intentional disregard of rules and regulations
 - ✓ 10 years if due to fraud
- Similar to provisions relating to the EITC