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By Electronic Transmission to IIR@irs.gov

August 28, 2009

Internal Revenue Service
Office of Prefiling and Technical Services
Large and Mid-Size Business Division LM:PFT
Mint Building 3rd Floor M3-420
1111 Constitution Avenue NW
Washington DC 20224

Re: ICI Recommendation to Industry Issue Resolution Program - TIN-masking on Forms 1099 and 5498

The Institute¹ urges the IRS and the Department of Treasury to issue guidance permitting payors to mask taxpayer identification numbers (social security numbers for individual taxpayers) on Forms 1099 and 5498 mailed to individual taxpayers. The Large and Mid-Size Business Division and the Small Business and Self-Employed Division of the Service should take up this issue as part of the Industry Issue Resolution Program in order to promptly reduce unnecessary use of social security numbers and minimize instances of identity theft.

Identify theft is a serious problem, as evidenced by the 2007 report of the President's Task Force on Identity Theft, which recommended that Federal agencies decrease unnecessary use of social security numbers.² On behalf of millions of fund investors who receive IRS Forms 1099 and 5498, the Institute had urged the Service and Treasury to issue guidance to permit SSN-masking on the copies of these Forms mailed to taxpayers beginning with the 2008 tax year.³ Because no guidance was issued, we recently asked that the Service add this important issue to the 2009-2010 Guidance Priority List.⁴

¹ The Investment Company Institute is the national association of U.S. investment companies, including mutual funds, closed-end funds, exchange-traded funds, and unit investment trusts. ICI seeks to encourage adherence to high ethical standards, promote public understanding, and otherwise advance the interests of funds, their shareholders, directors, and advisers. Members of ICI manage total assets of \$10.5 trillion and serve over 93 million shareholders.

² See *Combating Identity Theft – The President's Identity Theft Task Force Report* (April 2007).

³ See ICI Letter to Douglas H. Shulman, Donald L. Korb and Eric Solomon, dated September 18, 2008 (attached).

⁴ See ICI Letter to Michael Mundaca and Clarissa Potter from Mary Podesta of ICI, at *3, dated May 29, 2009; and ICI Letter to Michael Mundaca and Clarissa Potter from Keith Lawson and Karen Lau Gibian of ICI, at *4, dated May 28, 2009 (attached).

Developing and implementing policies and procedures to deter identity theft are a priority for mutual funds and other financial product providers that maintain accounts for individuals. There are more than 8,000 mutual funds in the United States, with more than 264 million shareholder accounts.⁵ Masking or obscuring the full social security number is the most effective way to combat identity theft, and many mutual funds routinely mask social security numbers when they send confirmations, account statements, and other mailings to account holders. Mutual funds would like to mask SSNs on tax documents but generally have been reluctant to do so in the absence of IRS guidance. By resolving the issue promptly to permit SSN-masking on the copies of Forms 1099 and 5498 that are mailed to taxpayers, IRS would clear the way for mutual funds and other financial institutions to make their identity theft prevention measures more robust, providing significant benefits to millions of taxpayers.

We urge the Division to make resolving this issue a priority. As stated in our previous submissions, the Service has the authority to permit payors to mask social security numbers on copies of these Forms without the need for statutory or regulatory changes. It easily could do so by revising the instructions to the governing forms.

We would be happy to meet with you to discuss any questions about this recommendation. You can reach Mary Podesta at (202) 326-5826, Keith Lawson at (202) 326-5832 or Anna Driggs at (202) 218-3573.

Sincerely,



Mary S. Podesta
Senior Counsel – Pension Regulation



Keith Lawson
Senior Counsel – Tax Law

Attachment

cc: Steven T. Miller, Commissioner, LMSB (by email to steven.t.miller@irs.gov)
Chris Wagner, Commissioner, SB/SE (by email to christopher.wagner@irs.gov)
William Wilkins, Chief Counsel (by email to William.Wilkins@irs.counsel.treas.gov)
Clarissa Potter, Deputy Chief Counsel – Technical (by email to clarissa.c.potter@irs.counsel.treas.gov)

⁵ See Table 1 in Investment Company Institute, *2009 Investment Company Fact Book* (2009) available at www.icifactbook.org. Number of shareholder accounts includes a mix of individual and omnibus accounts; data for funds that invest primarily in other mutual funds are excluded.