

TREASURY INSPECTOR GENERAL FOR TAX ADMINISTRATION



Assessment of the IRS's Individual Taxpayer Identification Number Program

March 27, 2026

Report Number: 2026-400-016

Why TIGTA Did This Audit

The Protecting Americans from Tax Hikes Act (PATH Act) requires us to conduct an audit of the Individual Taxpayer Identification Number (ITIN) Program every two years. We evaluated the efficiency and effectiveness of the ITIN Program to ensure that only individuals with a tax need were assigned an ITIN. The PATH Act also prohibits taxpayers from retroactively claiming certain credits for any year that the taxpayer, spouse, or dependent does not have a valid ITIN issued on or before the due date of the return.

Impact on Tax Administration

An ITIN is a nine-digit number issued by the IRS to individuals who have a federal tax need to have a Taxpayer Identification Number but are not eligible for a Social Security Number (SSN). Individuals who can obtain an ITIN include but are not limited to foreign individuals who receive U.S. wages or dividends or sell U.S. property.

As of October 2025, the IRS:

- Issued approximately 31 million ITINs since the program's inception in 1996.
- Had 5 million active ITINs.
- Issued 469,888 ITINs in Calendar Year 2025.

Individuals with an ITIN can claim and receive tax credits, depending on eligibility. ITINs expire after three years of consecutive nonuse. The IRS has systemic processes to administer the ITIN Program, but in some instances, ITIN holders received tax credits despite being ineligible.

What TIGTA Found

To determine tax credit eligibility, the IRS has systemic processes that review if ITINs are active (*i.e.*, not expired) when a return is filed, if the ITIN was issued on or before the due date of the return, or if the credit requires an SSN to be eligible. For Processing Years 2023 and 2024, we identified 45,386 tax returns with approximately \$172.4 million in credits claimed by ITIN holders who were ineligible to receive these credits. Of the \$172.4 million in tax credits claimed, \$142.8 million was refundable credits paid to the taxpayer. Refundable credits enable taxpayers to receive refunds even if they do not owe any income tax.

Our review found:

- 294 tax returns claimed more than \$637,000 in credits that were ineligible because the taxpayer or qualifying individual (*e.g.*, a dependent) did not have an SSN. Of the \$637,000 claimed, \$303,000 was the refundable portion allowed by the IRS.
- 45,092 tax returns retroactively claimed about \$171.7 million in credits. The IRS allowed \$142.5 million for the refundable portions on 1,488 tax returns where taxpayers did not have an ITIN originally issued on or before the due date of the tax return and on 43,604 tax returns where taxpayers' ITIN expired before the tax return due date.

The IRS did not agree that they erroneously allowed credits on the 43,604 tax returns that retroactively claimed credits after the expired ITINs were renewed. The IRS stated it followed guidance (Notice 2016-48) that says the issuance date of a renewed ITIN is the original ITIN issuance date, not the renewal date. The IRS could have protected \$138.8 million in Processing Years 2023 and 2024 if guidance was more aligned with the PATH Act's intent to prevent retroactive claims for credits.

Additionally, the IRS is planning to modernize the processing of ITIN applications by allowing taxpayers to self-authenticate their documents and electronically submit their applications. However, this is contingent upon information technology resources and other priorities across the organization. We also found that since September 2019, the IRS has not completed any on-site compliance reviews of its Certifying Acceptance Agents who assist individuals in the application process and are authorized to authenticate identification documentation. The IRS indicated that these reviews were delayed due to a lack of resources and are not mandatory.

What TIGTA Recommended

We made six recommendations for improvement to the Chief, Taxpayer Services, including: reviewing and making corrections for the tax returns where the IRS allowed credits for ITIN holders who were ineligible and updating guidance to consider the ITIN renewal date as the issuance date, when applicable. The IRS agreed with all of our recommendations.



TREASURY INSPECTOR GENERAL
FOR TAX ADMINISTRATION

U.S. DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20024

March 27, 2026

MEMORANDUM FOR: COMMISSIONER OF INTERNAL REVENUE

FROM: Diana M. Tengesdal
Deputy Inspector General for Audit

SUBJECT: Final Audit Report – Assessment of the IRS’s Individual Taxpayer
Identification Number Program (Audit No.: 2025400002)

This report presents the results of our review to evaluate the efficiency and effectiveness of the Individual Taxpayer Identification Number (ITIN) Program, ensuring that only individuals with a tax need are assigned an ITIN. This audit was initiated because the Protecting Americans from Tax Hikes Act (PATH Act) requires us to conduct an audit of the ITIN Program every two years.¹ This review was part of our Fiscal Year 2025 Annual Audit Plan and addresses the major management and performance challenge of *Improving Taxpayer Service and Protecting Taxpayer Rights*.

Management’s complete response to the draft report is included as Appendix III. If you have any questions, please contact me or Deann Baiza, Acting Assistant Inspector General for Audit (Returns Processing and Account Services).

¹ Pub. L. No. 114-113, Div. Q, 129 Stat. 2242, 3040 *et seq.* (2015).

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Background

In 1996, the Department of the Treasury issued regulations that introduced the Individual Taxpayer Identification Number (ITIN).¹ An ITIN is a nine-digit number issued by the Internal Revenue Service (IRS) to individuals who have a federal tax need to have a Taxpayer Identification Number (TIN) but are not eligible for a Social Security Number (SSN). Individuals who can obtain an ITIN include but are not limited to foreign individuals who receive U.S. wages or dividends or sell U.S. property. ITINs are issued regardless of immigration status because these individuals may have federal tax filing and payment requirements under the Internal Revenue Code.

As of October 2025, the IRS has issued approximately 31 million ITINs since the program's inception. Approximately 5 million ITINs are active, and 469,888 ITINs were issued in Calendar Year 2025.

To obtain an ITIN, individuals must file a Form W-7, *Application for IRS Individual Taxpayer Identification Number*, by mailing the application directly to the IRS, scheduling an appointment with an IRS Taxpayer Assistance Center, or using the services of an Acceptance Agent (AA) or Certifying Acceptance Agent (CAA).

The IRS partners with AAs and CAAs who assist individuals in applying for an ITIN by helping applicants determine whether an ITIN is required, preparing the Form W-7, and submitting the application package to the IRS. The key difference between these agents is that AAs cannot validate applicant documents. CAAs are authorized to authenticate all identification documents except foreign military identification cards for primary and secondary taxpayers. For dependents, CAAs are limited to only authenticating passports and birth certificates. Individuals who use a CAA generally do not need to send their identifying documents to the IRS with their applications, where those that use an AA do. From January 2022 through June 2025, the IRS reported there were 1,253 active AAs and 12,354 active CAAs.

ITIN legislation

The Protecting Americans from Tax Hikes Act (PATH Act) requires us to conduct an audit of the ITIN Program every two years and report the results of this audit to the Senate Committee on Finance and the House Committee on Ways and Means.²

Additionally, the PATH Act mandated the expiration of ITINs. All ITINs, no matter when they were issued or renewed, that are not used on at least one federal tax return in the previous three tax years will expire on December 31 of the third consecutive year of nonuse. For example, an ITIN used for a Tax Year (TY) 2022 tax return but not for TYs 2023, 2024, and 2025 will expire on December 31, 2026. The IRS began systemically expiring ITINs at the end of each year starting in Calendar Year 2016.

The PATH Act also prohibits taxpayers from retroactively claiming certain credits for any year that the taxpayer, spouse, or dependent does not have a valid ITIN issued on or before the due

¹ Taxpayer Identifying Numbers (TINs), 61 Fed. Reg. 26788 (May 29, 1996).

² Pub. L. No. 114-113, Div. Q, 129 Stat. 2242, 3040 *et seq.* (2015).

date of the return. Additionally, it provides the IRS mathematical or clerical error authority to adjust a tax return that incorrectly uses an ITIN that is expired, revoked, or is otherwise invalid.³

For tax years after December 2017, spouses and dependents are not eligible for an ITIN or to renew an ITIN unless they are claimed for an allowable tax benefit, or they file their own tax return. An allowable tax benefit can be one of the following filing statuses: a spouse filing a joint return or a dependent claimed for Head-of-Household, Qualifying Surviving Spouse. An allowable benefit can also be a tax credit (*e.g.*, the American Opportunity Tax Credit (AOTC), Premium Tax Credit, Child and Dependent Care Credit (CDCC), or Credit for Other Dependents). The hypothetical example below illustrates the ITIN eligibility for a spouse and dependent.

Taxpayer A requested an ITIN for their spouse and dependent child for TY 2018. The TY 2018 tax return attached to the ITIN applications claims a filing status of Married Filing Jointly. However, the tax return does not claim the dependent child for an allowable tax benefit.

Based on these circumstances, Taxpayer A's spouse is eligible for an ITIN because Taxpayer A filed jointly with the spouse. Taxpayer A's dependent child is not eligible for an ITIN because Taxpayer A did not file as Head-of-Household or a Qualifying Surviving Spouse or claim the dependent child for one of the allowable tax credits.

Results of Review

Revising IRS Guidance Could Protect Millions of Dollars in Improper Refundable Tax Credit Payments

Individuals with an ITIN can claim and receive tax credits, depending on eligibility. We analyzed tax returns filed in Processing Years (PY) 2023 and 2024 and identified 3.6 million tax returns that listed an ITIN and claimed approximately \$6.9 billion in one of the following tax credits: the Additional Child Tax Credit (ACTC), AOTC, CDCC, Child Tax Credit (CTC), Credit for Other Dependents, and the Earned Income Tax Credit (EITC).

However, we identified 45,386 (1 percent) of the 3.6 million tax returns where ITIN holders claimed a tax credit they were not eligible to receive. These returns claimed \$172.4 million in tax credits. Of the \$172.4 million in tax credits claimed, about \$142.8 million was allowed for the refundable portion of the credits. Refundable tax credits (*e.g.*, ACTC, AOTC, and EITC) provide benefits to individuals and can result in tax refunds even if no income tax is withheld or paid.⁴ The 45,386 tax returns we identified include:⁵

³ This authority allows the IRS to proactively correct mathematical or clerical errors and adjust the reported tax liability or refund amount on a tax return.

⁴ Generally, a claim for a credit or refund must be filed within three years from the filing of the return or two years from the payment of tax, whichever is later. If a tax return with a refund is filed past the three years, a credit can be allowed but will be transferred to the IRS's excess collection fund, which contains non-revenue receipts that cannot be identified or legally applied.

⁵ A tax return could have more than one error identified.

- 294 tax returns claiming more than \$637,000 in credits that were ineligible because the taxpayer or qualifying individual (*e.g.*, a dependent) did not have an SSN. Of the \$637,000 claimed, \$303,000 was the refundable portion allowed by the IRS.
- 45,092 tax returns claiming more than \$171.7 million in credits. The IRS allowed about \$142.5 million for the refundable portion to taxpayers.
 - For 1,488 of these tax returns, the IRS allowed \$3.6 million in refundable portions for taxpayers who were not issued an ITIN on or before the due date of the tax return.
 - For 43,604 of these tax returns, the IRS allowed about \$138.8 million for taxpayers whose ITIN had expired before the tax return due date. For example, the taxpayer retroactively filed a prior year tax return to claim a tax credit after their ITIN was issued or renewed (*e.g.*, filed a TY 2021 tax return in April 2024).

Submission Processing management reviewed a sample of the 1,769 (294+1,488) tax returns we identified and agreed that the IRS erroneously allowed credits for these ITIN holders because either an SSN was required, or the ITIN was not issued on or before the return due date.⁶ The IRS has systemic processes in place to review these conditions on the return during processing. Identified returns are routed to a tax examiner to manually review the return and determine if the credit should be allowed. Submission Processing management indicated that these credits were erroneously allowed due to tax examiner errors.

The IRS's PATH Act guidance allows ITIN holders to make retroactive claims for refundable tax credits

IRS Counsel and Submission Processing management did not agree that the IRS erroneously allowed the tax credits claimed on the 43,604 tax returns that were retroactively filed after the taxpayer renewed their expired ITIN. IRS Counsel stated that the allowance of these credits is consistent with IRS guidance (Notice 2016-48) that states that the issuance date of a renewed ITIN is the date the ITIN was originally issued, not the date the ITIN was renewed.⁷ The IRS indicated that it must follow published guidance and cannot change its position unless the notice is revoked or modified.

We acknowledge that IRS processes to determine whether an ITIN is valid for claiming tax benefits, including retroactive tax credit claims, are consistent with published guidance. However, the guidance and the IRS's corresponding processes treat a renewed ITIN as though it had not expired when determining if it is valid for claiming tax credits. By doing so, the IRS allows taxpayers to retroactively file tax returns and receive tax credits for tax years when their ITIN was expired.

Per section 203 of the PATH Act, an ITIN shall remain in effect unless the individual to whom such number is issued does not file a tax return (or is not included as a dependent on the tax return of another taxpayer) for three consecutive taxable years. In such cases, the ITIN will expire on the last day of the third consecutive taxable year. The PATH Act also includes specific provisions to prevent retroactive claims for certain tax credits. These provisions require

⁶ The total number of tax returns do not add up because a tax return could have more than one error identified.

⁷ IRS Notice 2016-48, I.R.B. 2016-33, 235.

individuals claiming various credits to have a TIN (*i.e.*, SSN or ITIN) issued on or before the due date of the return to prevent retroactive claims of credits.⁸

To determine credit eligibility, the IRS has systemic processes that review if ITINs are active (*i.e.*, not expired) when a return is received and were issued on or before the due date of the return. However, consistent with IRS published guidance, these processes use the original ITIN issuance and not the renewed date when determining whether an ITIN that expired and was renewed is valid for claiming tax credits. The hypothetical example below illustrates how using the original ITIN issuance date for a renewed ITIN allows taxpayers to retroactively claim tax credits for tax years when their ITIN was expired.

Taxpayer X was issued an ITIN in 2015. After three years of consecutive nonuse, the ITIN expired in December 2020. Taxpayer X renewed their ITIN in January 2024 and retroactively filed tax returns for TYs 2021 and 2022 claiming the AOTC for both years. The original due dates to file a return for TYs 2021 and 2022 were April 2022 and April 2023, respectively.

Per the PATH Act requirements, Taxpayer X is not eligible for the AOTC for TYs 2021 and 2022 because the issued ITIN expired in December 2020 and was still expired in April 2022 and April 2023 when the TYs 2021 and 2022 tax returns were originally due.

IRS processes verified that Taxpayer X had renewed their ITIN before the TYs 2021 and 2022 returns were received in February 2024. However, consistent with published guidance, the IRS used the original rather than the renewed issuance date for Taxpayer X's ITIN to determine whether the ITIN was valid for the AOTC. Because the original ITIN was issued in 2015, the IRS allowed the AOTC claims even though Taxpayer X's ITIN was expired at the time the TYs 2021 and 2022 returns were due.

Revising published guidance to consider the renewed ITIN issuance date when determining if an ITIN is valid would more closely align with the language and intent of the PATH Act and could potentially protect millions in improper refundable credit payments. For PYs 2023 and 2024, we estimate that the IRS could have protected \$138.8 million in improper refundable credit payments by disallowing credit claims when the due date of the tax return is after the ITIN expires and before the ITIN was renewed.

The One Big Beautiful Bill Act of 2025 changes credit eligibility for ITIN users

The One Big Beautiful Bill Act modified the requirements for claiming the CTC and its refundable portion, the ACTC.⁹ Before the Act, only the qualifying dependent used to claim the ACTC and CTC was required to have an SSN. Effective with TY 2025, the parents or guardian claiming this credit must also have an SSN that is valid for work and issued before the due date of the return to claim the credit. The Act also modified the eligibility requirements for the AOTC beginning in TY 2026 to require a work-authorized SSN issued before the due date of the return.

While eligibility for these credits has been restricted to SSN holders beginning in TY 2025, ITIN holders can still claim these credits for prior years. It is important that IRS guidance does not allow individuals to receive credits for the period that their ITIN was expired. We plan to review

⁸ Pub. L. No. 114-113, Div. Q, §§ 204-206, 129 Stat. 2242, 3081-3082 (2015).

⁹ Pub. L. No. 119-21, 139 Stat. 72 (2025).

the implementation of recently enacted tax provisions to remove or restrict access to certain tax benefits and credits for noncitizens.

The Chief, Taxpayer Services, should:

Recommendation 1: Regularly provide training to tax examiners covering credit eligibility requirements and appropriate account actions to take for ITIN holders based on the applicable tax year.

Management's Response: IRS management agreed with this recommendation and will provide training for tax examiners covering credit eligibility requirements and appropriate account actions to take for ITIN holders based on the applicable tax year.

Recommendation 2: Review the 1,769 tax returns where the IRS allowed credits for ITIN holders who were potentially ineligible and make associated corrections, as necessary.

Management's Response: IRS management agreed and will review the 1,769 tax returns that were issued in error and make associated corrections, as necessary.

Recommendation 3: Update PATH Act implementation guidance in Notice 2016-48 to define the issuance date of an ITIN as either the original issuance date or the renewed issuance date, if applicable, for those ITINs that have expired.

Management's Response: IRS management agreed with this recommendation and will ask the Department of the Treasury to consider TIGTA's suggestion to revise Notice 2016-48 to define the issuance date of an ITIN as either the original issuance date or the renewed issuance date, if applicable, for those ITINs that have expired, but the IRS cannot commit to making changes to Notice 2016-48.

Individual Taxpayer Identification Number Modernization Continues to Be Delayed

The IRS has been planning to modernize the ITIN application process since Calendar Year 2020. However, in September 2025, IRS Submission Processing management informed us that the modernization efforts continue to be delayed because of limited information technology resources and other modernization priorities across the organization.

ITIN applications are received via paper in IRS mailrooms and physically routed to the ITIN Unit. Once in the ITIN Unit, employees manually review the application and the attached supporting identification documents. Tax examiners enter the application data into the IRS's ITIN system where the final determination is generated. The IRS estimates that it takes 7 weeks to complete processing of Form W-7 applications and up to 11 weeks during peak season, January through April.

The IRS's vision for modernization is that taxpayers will be able to self-authenticate their documents and electronically file their Form W-7 with their tax return. The IRS noted that modernizing the ITIN process will make it easier for the taxpayer to prepare and submit documents and improve organizational efficiency by reducing processing times, increasing the accuracy of data, and reducing paper within the IRS.

Action still has not been taken to fix inoperable ITIN processing tools

In December 2023, we reported that an automated tool and a database that ITIN tax examiners use in the application process were not working.¹⁰ These tools helped ITIN examiners efficiently process and track documents that need to be returned to the ITIN applicants or issuing agencies. The address tool automatically populated the applicant's name and address on Form 14433, *Return of Original Documents*. The IRS has an internal system, called the Loose Documents Database, that stores information related to identification documents (e.g., passports, birth certificates, etc.) that the IRS tried to return to the applicant but were undeliverable or unclaimed. We recommended that the IRS diagnose the underlying issue(s) that caused inoperability of the tools used with the system and triggered the database to also become inoperable. IRS management agreed and determined that the tools were not compatible with new system upgrades. However, since then, no fix has been implemented.

Requests to fix the Loose Document Database and the address tool date back to Calendar Year 2017. As of January 2026, no action has been taken due to a lack of funding and other Information Technology (IT) workload priorities. In the interim, tax examiners manually transcribe the applicant's name and address on Form 14433. Tax examiners are also using a spreadsheet to record incoming loose documents and track the return or destruction of these documents.

We are concerned that ongoing delays in modernizing the ITIN application process and fixing existing automated tools could significantly impact taxpayers and the IRS moving forward. The IRS experienced significant staffing losses in Calendar Year 2025, including a 27 percent loss in the ITIN Unit and a 25 percent loss in the IT function. These staffing losses mean fewer resources to process ITIN applications, potentially delaying the issuance and renewal of ITINs beyond the current 7-to-11-week processing time frame. Continued reliance on manual processes also increases the risk that individuals' sensitive identification documents will be lost in processing.

The Taxpayer Services function continues to coordinate with IT on efforts to prioritize modernization and identify the best solutions for the program.

Certifying Acceptance Agent Oversight Continues to Need Improvement

We have repeatedly raised concerns about the IRS CAA program, including that the IRS has not effectively ensured that compliance reviews were completed for the highest risk CAAs. In our December 2023 ITIN review, the IRS noted that on-site reviews were paused due to the pandemic.¹¹

The IRS's ITIN Policy Section oversees the CAA compliance program. Although the IRS indicated that compliance reviews are not required, it uses them to assess CAA compliance with the rules, procedures, and applicable laws related to the submission of Form W-7 applications and related tax returns. The IRS can conduct two types of compliance reviews for its CAAs:

¹⁰ TIGTA, Report No. 2024-400-012, *Administration of the Individual Taxpayer Identification Number Program* (December 2023).

¹¹ TIGTA, Report No. 2024-400-012, *Administration of the Individual Taxpayer Identification Number Program* (December 2023).

- 1) **Correspondence reviews.** For a correspondence review, the IRS sends a letter to the CAA requesting that they send copies of requested documentation (*e.g.*, signed Forms W-7, related tax returns, intake and interview notes, and identification documents) for review.
- 2) **On-site reviews.** For an on-site compliance review, the IRS visits the highest risk CAA offices to review ITIN applications and related documents, scrutinize advertising materials, observe office space for client interactions, and ensure that taxpayer records and information are properly secured. The IRS evaluates CAA's based on a risk-based methodology, which includes the error rate and volume of the Form W-7 applications submitted by the CAA.

The IRS has not completed any on-site compliance reviews of CAAs since September 2019. During this review, the IRS indicated that on-site reviews continued to be delayed due to a lack of staffing resources and indicated that these reviews are conducted at the IRS's discretion because they are not mandatory.

In lieu of on-site reviews, the IRS selected 100 CAAs (95 domestic and 5 foreign) for correspondence compliance reviews in Calendar Year 2024. The IRS also reviewed 567 Forms W-7 submitted by these CAAs as part of these reviews. As a result of these reviews, the IRS:

- Terminated 16 CAAs. Terminated CAAs are instructed to stop submitting Form W-7 applications and any applications that are submitted will be rejected by the IRS. Terminated CAAs can reapply to the program one year after the date of the termination.
- Issued warnings to 65 CAAs. The IRS issues warnings for procedural infractions and then monitors future activities for these CAAs. In most situations, the CAA can take corrective action to resolve the minor violation immediately. However, if the infraction is due to a lack of internal controls it could lead to probation.
- Placed 17 CAAs on probation. The IRS can place CAAs on probation for one year, reducing their authority to an AA, which requires them to submit all original supporting documentation or certified copies. CAAs on probation can be terminated from the program if noncompliance continues. A second compliance review must be conducted after a year to ensure that corrective measures have been taken, the results dictate whether they will remain an AA or return to CAA status.
- Found no issues with two CAAs.

In our prior review, we recommended that the ITIN Policy Section coordinate with other IRS business operating divisions to help ensure that on-site reviews of high-risk CAAs are completed.¹² The ITIN Policy function noted that it has identified 180 high-risk CAAs for 2025 that it referred to the Stakeholder Liaison function for an on-site review. The IRS began these reviews in November 2025. However, we are concerned that staffing losses in this function and the recent government shutdown will significantly impact the IRS's ability to complete these reviews. As of May 2025, the Communications & Liaison Office, including the Stakeholder

¹² TIGTA, Report No. 2024-400-012, *Administration of the Individual Taxpayer Identification Number Program* (December 2023).

Liaison function, has experienced a 42 percent staff reduction due to deferred resignation programs, retirements, and other separations.

Processes identify questionable patterns on Forms W-7 and associated tax returns, but more can be done to address potentially questionable CAA activity

The ITIN Unit tracks applications with questionable documents or patterns on the Form W-7 applications and associated tax returns. These patterns include potentially suspicious CAAs, excessive withholdings, excessive itemized deductions, and questionable Schedules C, *Profit or Loss From Business*. For example, in Calendar Year 2024, the ITIN Unit identified 38,270 applications with questionable documents or patterns on Forms W-7 or associated Forms 1040, *U.S. Individual Income Tax Return*.

The ITIN Unit shares these observations with IRS Criminal Investigation for consideration and review. Criminal Investigation management indicated that they may use this information to support ongoing cases, if applicable. Additionally, the IRS's Return Integrity and Compliance Services function, which is responsible for identifying fraudulent or frivolous patterns on submitted tax returns during processing, has tax return filters that could systemically catch some of the questionable behavior and patterns the ITIN Unit identifies. Return Integrity and Compliance Services management indicated that the IRS has 28 filters that consider issues related to ITINs. These filters resulted in approximately 296,000 ITIN selections in the last 3 years.

Although the IRS is working across some functions to continually refine processes to review questionable patterns on ITIN applications, documents, and related tax returns, there are limited scenarios when the ITIN Unit shares observations of CAA activity with the ITIN Policy Section. To further strengthen the partnership to prevent inappropriate or fraudulent activity associated with ITINs, the ITIN Unit should also regularly share its observations regarding potentially questionable activity or patterns involving CAAs with the ITIN Policy Section, so it can determine if a CAA warrants further review.

The IRS allowed expired CAAs to submit Forms W-7 while transitioning to a new CAA application system

Our review found that for Calendar Years 2022 through 2024, 702 expired CAAs submitted 36,968 Forms W-7. The IRS approved and issued 19,192 ITINs from these 36,968 Forms W-7.

CAA and AA agreements expire at the end of the fourth year after approval. To prevent a lapse in status, renewal applications must be submitted at least six months before expiration. A CAA must undergo a background and suitability check during the renewal process and complete mandatory training. If a CAA agreement is terminated, any ITIN applications submitted by the terminated CAA will be rejected. The CAA must wait one year from the date of the termination letter before reapplying to the program.

The IRS noted that it was not accepting applications for the AA program from August 2022 through January 2024 because it was transitioning to a new system. Therefore, the CAAs with expired agreements were not allowed to reapply during this time frame. We found that of the 36,968 Forms W-7:

- 19,364 (52 percent) were submitted by expired CAAs before the moratorium.
- 17,604 (48 percent) were submitted by expired CAAs during the moratorium.

The IRS indicated that the new system will now systemically reject any Form W-7 associated with an expired CAA agreement. We confirmed that after the moratorium lifted in January 2024, no expired CAAs submitted Forms W-7 for the remainder of Calendar Year 2024.

The Chief, Taxpayer Services, should:

Recommendation 4: Update the ITIN Policy Section guidelines to require on-site reviews of high-risk CAAs to be completed periodically to ensure adequate oversight.

Management's Response: IRS management agreed with this recommendation and will conduct periodic on-site reviews of high-risk CAAs contingent on resource availability for the identified coverage areas.

Recommendation 5: Establish a process for the ITIN Unit to regularly share its observations of potentially questionable CAA activities or patterns with the ITIN Policy Section.

Management's Response: IRS management agreed with this recommendation and will establish a process for the ITIN Unit to share its observations of potentially questionable CAA activities with the ITIN Policy Section.

Recommendation 6: Establish a process for the ITIN Policy Section to review and consider the ITIN Unit's potentially questionable CAA referrals when selecting CAAs for compliance reviews and processing applications.

Management's Response: IRS management agreed with this recommendation and will establish a process for the ITIN Policy Section to review referrals from the ITIN Unit of potentially questionable CAAs and consider these referrals for compliance reviews.

Appendix I

Detailed Objective, Scope, and Methodology

The overall objective of this audit was to evaluate the efficiency and effectiveness of the ITIN Program, ensuring that only individuals with a tax need are assigned an ITIN. To accomplish our objective, we:

- Assessed the IRS's modernization efforts of the ITIN Program.
- Assessed the IRS's controls to ensure that refundable credits are appropriately being processed for ITIN tax returns.
- Evaluated whether the IRS provides adequate oversight and ensures that CAAs comply with all their requirements.
- Evaluated the IRS's process to ensure that individuals submitting questionable supporting identification documentation or questionable applications do not receive an ITIN.

Performance of This Review

This review was performed with information from the Receipt and Control Operation and ITIN Unit in Austin, Texas as well in Kansas City, Missouri during the period December 2024 through January 2026. We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

Data Validation Methodology

During this review, we relied on ITIN Real Time System (RTS) data obtained from TIGTA's Data Center Warehouse that contains all Forms W-7. We also relied on data obtained from TIGTA's Data Center Warehouse National Account Profile (NAP) to verify the ITIN status, and the Individual Master File (IMF) and the Individual Return Transaction File (IRTF) to quantify credits claimed on the tax returns. In addition, we relied on IRS provided CAA/AA data spreadsheets and IRS provided extracts from the External Services Authorization Management (ESAM) platform for additional CAA/AA data. Before relying on the data, we ensured that each file contained the specific data elements we requested. In addition, we selected random samples of each extract and verified that the data in the extracts were the same as the data captured in the IRS's Integrated Data Retrieval System, ESAM, and RTS. Based on the results of our testing, we determined that the data were sufficiently reliable for purposes of this report.

Internal Controls Methodology

Internal controls relate to management's plans, methods, and procedures used to meet their mission, goals, and objectives. Internal controls include the processes and procedures for planning, organizing, directing, and controlling program operations. They include the systems for measuring, reporting, and monitoring program performance. We determined that the

following internal controls were relevant to our audit objective: controls to ensure that credits were not allowed on tax returns where the ITIN was not issued on or before the due date of the return, controls to ensure adequate oversight of CAAs, and controls to ensure that ITIN users are only allowed credits they qualify for. We evaluated these controls by interviewing IRS personnel and analyzing data from the ESAM as well as the RTS, the IMF, the NAP, and the IRTF available on TIGTA's Data Center Warehouse.

Appendix II

Outcome Measures

This appendix presents detailed information on the measurable impact that our recommended corrective actions will have on tax administration. These benefits will be incorporated into our Semiannual Report to Congress.

Type and Value of Outcome Measure:

- Funds Put to Better Use – Potential; \$303,000 in refundable credits erroneously allowed for ITIN holders on 294 PY 2023 and 2024 tax returns where the eligibility required a valid SSN to claim the credit (see Recommendations 1 and 2).

Methodology Used to Measure the Reported Benefit:

We analyzed IRTF data to identify tax returns using an ITIN to claim one or more of the following credits: ACTC, AOTC, CDCC, CTC, and/or EITC. We then narrowed the population to TYs 2015 through 2023 tax returns that were filed in PYs 2023 and 2024 that required the taxpayer or qualifying individual to have an SSN. This analysis identified 294 tax returns with credits totaling \$637,000, of which \$303,000 was the refundable portion of the credits.

Type and Value of Outcome Measure:

- Funds Put to Better Use – Potential; \$3.6 million in erroneously allowed credits on 1,488 tax returns where the primary and/or secondary filer's ITIN was not issued on or before the due date of the return for PYs 2023 and 2024 (see Recommendations 1 and 2).

Methodology Used to Measure the Reported Benefit:

We analyzed the IMF, NAP, and IRTF to identify prior year tax returns containing an ITIN, filed during PYs 2023 and 2024 with an ACTC, AOTC, CTC, or EITC claim. We used information from the NAP to determine the date an ITIN was originally issued to the primary and/or secondary taxpayers on these returns, where applicable. We then compared the ITIN issuance dates of the primary and/or secondary taxpayers on these prior year tax returns to the return due date. To determine the due date of the tax return, we reviewed the IMF Other Tax Modules Transactions Table and IMF Entity to identify if tax returns had extensions, including those for taxpayers who were out of country and had a disaster indicator on their account. These extensions were considered when determining if the tax returns were retroactively filed after the ITIN was issued. We reduced the credit amount for 13 tax returns that overlapped with the SSN only eligibility exception population. Our analysis identified 1,488 tax returns claiming \$3,631,002 in erroneously allowed credits where the ITIN was not issued on or before the due date of the tax return.

Appendix III

Management's Response to the Draft Report



CHIEF
TAXPAYER SERVICES

DEPARTMENT OF THE TREASURY
INTERNAL REVENUE SERVICE
ATLANTA, GA 30308

March 9, 2026

MEMORANDUM FOR DIANA M. TENGESDAL
DEPUTY INSPECTOR GENERAL FOR AUDIT

FROM:

Kenneth C. Corbin *Kenneth Corbin*
Chief, Taxpayer Services Division

Digitally signed by Kenneth C.
Corbin
Date: 2026.03.09 17:05:40 -04'00'

SUBJECT:

Draft Audit Report – Assessment of the IRS's Individual
Taxpayer Identification Number (ITIN) Program
(Audit No.: 2025400002)

Thank you for the opportunity to review and provide comments on the subject draft report. The Individual Taxpayer Identification Number (ITIN) Program assists individuals who are ineligible to receive a Social Security Number to meet their U.S tax obligations and supports tax administration. The IRS is responsible for administration of the ITIN program in accordance with the requirements set forth in applicable legislation. This includes the Protecting Americans from Tax Hikes (PATH) Act of 2015¹, that introduced significant changes to ITIN administration. In 2016, the Department of the Treasury and IRS issued Notice 2016-48², which explained how the IRS interpreted the changes made to section Internal Revenue Code § 6109 by the PATH Act and how the IRS would implement those changes. Our position is that the processes for determining whether an ITIN is valid for claiming tax benefits, including retroactive tax credits, align with this published guidance.

We are implementing significant procedural and programming changes under the One Big Beautiful Bill Act of 2025³, which provides more stringent requirements for taxpayers claiming certain credits. Specifically, beginning in tax year 2025, when claiming the Child Tax Credit and Additional Child Tax Credit, taxpayers and their dependents must have a valid Social Security Number (SSN), authorized for work, and issued before the due date of the return. The same SSN requirement will apply to American Opportunity Tax Credit beginning in tax year 2026.

¹ Consolidated Appropriations Act, 2016, Pub. L. No. 114-113, 129 Stat. 2242 (2015).

² Implementation of PATH Act ITIN Provisions, Notice 2016-48, 2016-33 I.R.B. 235 (2016).

³ Pub. L. 119-21, July 4, 2025.

We remain committed to improving program integrity, ensuring compliance with statutory and regulatory requirements, and reducing taxpayer burden while maintaining effective oversight of ITIN processing. This includes modernization efforts to provide taxpayers with access to customer service resources through multiple service channels that allow them to meet their tax reporting obligations. Recognizing that some individuals prefer in-person assistance, Certifying Acceptance Agents (CAAs) serve as an important customer service resource and intermediary in the ITIN process. Despite staffing reductions, we will continue conducting periodic onsite reviews of the CAAs, subject to available resources, to ensure they remain in compliance with the CAA agreement.

Our response to your specific recommendations is provided below. If you have any questions, please contact me, or a member of your staff may contact Joseph Dianto, Director, Customer Account Services, at 470-639-3504.

Attachment

Attachment

Recommendations

The Chief, Taxpayer Services, should:

RECOMMENDATION 1:

Regularly provide training to tax examiners covering credit eligibility requirements and appropriate account actions to take for ITIN holders based on the applicable tax year.

CORRECTIVE ACTION

We agree. We will provide training for tax examiners covering credit eligibility requirements and appropriate account actions to take for ITIN holders based on the applicable tax year.

IMPLEMENTATION DATE

March 15, 2027

RESPONSIBLE OFFICIAL

Director, Submission Processing, Customer Account Services, Taxpayer Services Division

CORRECTIVE ACTION MONITORING PLAN

We will monitor this corrective action as part of our internal management control system.

RECOMMENDATION 2:

Review the 1,769 tax returns where the IRS allowed credits for ITIN holders who were potentially ineligible and make associated corrections, as necessary.

CORRECTIVE ACTION

We agree. We will review 1,769 tax returns that were issued in error and make associated corrections, as necessary.

IMPLEMENTATION DATE

March 15, 2027

RESPONSIBLE OFFICIAL

Director, Submission Processing, Customer Account Services, Taxpayer Services Division

CORRECTIVE ACTION MONITORING PLAN

We will monitor this corrective action as part of our internal management control system.

RECOMMENDATION 3:

Update PATH Act implementation guidance in Notice 2016-48 to define the issuance date of an ITIN as either the original issuance date or the renewed issuance date, if applicable, for those ITINs that have expired.

CORRECTIVE ACTION

We agree to ask the Department of the Treasury to consider TIGTA's suggestion to revise Notice 2016-48 to define the issuance date of an ITIN as either the original issuance date or the renewed issuance date, if applicable, for those ITINs that have expired, but the IRS cannot commit to making changes to Notice 2016-48.

IMPLEMENTATION DATE

August 15, 2026

RESPONSIBLE OFFICIAL

Associate Chief Counsel, Procedure & Administration

CORRECTIVE ACTION MONITORING PLAN

We will monitor this corrective action as part of our internal management control system.

The Chief, Taxpayer Services, should:

RECOMMENDATION 4

Update the ITIN Policy Section guidelines to require on-site reviews of high-risk CAAs to be completed periodically to ensure adequate oversight.

CORRECTIVE ACTION

We agree. We will conduct periodic onsite reviews of high-risk Certifying Acceptance Agents contingent on resource availability for the identified coverage areas.

IMPLEMENTATION DATE

July 15, 2026

RESPONSIBLE OFFICIAL

Director, Submission Processing, Customer Account Services, Taxpayer Services Division

CORRECTIVE ACTION MONITORING PLAN

We will monitor this corrective action as part of our internal management control system.

RECOMMENDATION 5

Establish a process for the ITIN Unit to regularly share its observations of potentially questionable CAA activities or patterns with the ITIN Policy Section.

CORRECTIVE ACTION

We agree. We will establish a process for the ITIN Unit to share its observations of potentially questionable CAA activities with the ITIN Policy Section.

IMPLEMENTATION DATE

June 15, 2026

RESPONSIBLE OFFICIAL

Director, Submission Processing, Customer Account Services, Taxpayer Services Division

CORRECTIVE ACTION MONITORING PLAN

We will monitor this corrective action as part of our internal management control system.

RECOMMENDATION 6

Establish a process for the ITIN Policy Section to review and consider the ITIN Unit's potentially questionable CAA referrals when selecting CAAs for compliance reviews and processing applications.

CORRECTIVE ACTION

We agree. We will establish a process for the ITIN Policy Section to review referrals from the ITIN Unit of potentially questionable CAAs and consider these referrals for compliance reviews.

IMPLEMENTATION DATE

June 15, 2026

RESPONSIBLE OFFICIAL

Director, Submission Processing, Customer Account Services, Taxpayer Services Division

CORRECTIVE ACTION MONITORING PLAN

We will monitor this corrective action as part of our internal management control system.

Appendix IV

Abbreviations

AA	Acceptance Agent
ACTC	Additional Child Tax Credit
AOTC	American Opportunity Tax Credit
CAA	Certifying Acceptance Agent
CDCC	Child Dependent Care Credit
CTC	Child Tax Credit
EITC	Earned Income Tax Credit
ESAM	External Services Authorization Management
IMF	Individual Master File
IRS	Internal Revenue Service
IRTF	Individual Return Transaction File
IT	Information Technology
ITIN	Individual Taxpayer Identification Number
NAP	National Account Profile
PATH Act	The Protecting Americans From Tax Hikes Act of 2015
PY	Processing Year
RTS	Real Time System
SSN	Social Security Number
TIGTA	Treasury Inspector General for Tax Administration
TIN	Taxpayer Identification Number



**To report fraud, waste, or abuse,
contact our hotline on the web at
<https://www.tigta.gov/reportcrime-misconduct>.**

**To make suggestions to improve IRS policies, processes, or systems
affecting taxpayers, contact us at
TIGTACommunications@tigta.treas.gov.**

Information you provide is confidential, and you may remain anonymous.