

Individual Taxpayer Identification Number (ITIN)

What is an ITIN?

An Individual Taxpayer Identification Number (ITIN), also known as the W-7 form, is a nine-digit number issued by the IRS to certain residents and non-residents who are required for U.S. tax purposes to have a U.S. taxpayer identification number but are not eligible to obtain a Social Security Number. ITIN's are issued regardless of immigration status because both resident and non-resident aliens may have filing and/or reporting requirements under the Internal Revenue Code.

Why does my Client need an ITIN?

The law requires escrow holders to remit a 10% withholding tax at close of escrow when the Seller is a non-resident. Without an ITIN there is no way to ensure the funds will be credited as being remitted by the Seller. In addition, if the Seller has a loss or reduced withholding and they complete the 593E form that allows for a reduced withholding in California, without an ITIN the 593 form is void and withholding will have to be done by escrow holder regardless of loss.

How does my Client obtain an ITIN?

You can refer your Clients to [www.irs.gov/Individuals/Individual-Taxpayer-Identification-Number-\(ITIN\)](http://www.irs.gov/Individuals/Individual-Taxpayer-Identification-Number-(ITIN)) for direction. They will be using the latest revision of "Form W-7 Application for IRS Individual Taxpayer Identification Number" to apply. Clients will need to provide a copy of their

signed CA Real Estate Purchase Agreement and Joint Escrow Instructions, which qualifies them under the ITIN exception provisions to apply, and should include an original proof of identity (Passport) or copies that have been certified by an issuing agency; certifying can be done at the Canadian Embassy in Canada or Los Angeles for Canadian Sellers.

How long does it take to receive an ITIN?

It can take up to six weeks to receive an ITIN. If Clients have not received it within 6 weeks after applying, they should call the IRS toll-free number (800) 829-1040 to request the status of their application. If they are outside of the United States they can call (267) 941-1000 (NOT a toll-free number).

As soon as your Clients have a signed CA Real Estate Purchase Agreement, they should immediately apply for an Individual Taxpayer Identification Number (ITIN) if they do not already have one. As escrow holders we want to help our Clients with information on applying for their ITIN, the withholding for the IRS, and how to apply for a waiver if eligible, but we are not tax advisors and cannot answer tax questions. We always direct our Clients to the IRS website or other reliable sources and advisors, including their tax preparers or attorneys, for direction.

Source: www.irs.gov

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