

What is a W9 and why is my financial institution asking me to sign one?

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What is a W9 Form?

The purpose of form W9 is to provide your US tax ID, aka TIN: Taxpayer Identification Number, to the person, including a financial institution, who needs to report certain information about you, such as income paid to you, contributions to IRAs made by you, interest, dividends and capital gains earned by you, certain real estate transactions entered into by you, the balance of certain foreign financial accounts, etc. to the IRS.

The tax ID of US individuals is either the SSN - Social Security Number (in most cases) or the ITIN (Individual Taxpayer Identification Number) in some situations. The tax ID of US entities is the FEIN – Federal Employer Identification Number, sometimes also referred simply as EIN.

1. Who must complete a W9 Form?

Form W9 must be completed by US persons: US citizen or green card holder individuals, individuals who are treated as residents for US tax purposes either because they live in the US, work there or are married to a US individual and elected to be taxed as one; and entities such as corporations, LLCs, estates and trusts created or organized under US law.

2. Why is my financial institution asking me to complete a W9?

US financial institutions ask you to complete Form W9 in order to obtain your personal identifying information (name, address, tax ID) to report income paid to you to the IRS, such as interest, dividends, capital gains, cancellation of debt, royalties, rents, etc. or income paid by you to the institution, such as mortgage interest.

Foreign financial institutions ask you to complete Form W9 to comply with FATCA reporting requirements imposed on them. Under FATCA, foreign financial institutions are required to report certain information to the IRS related to the accounts and income of their US clients.

3. Who else may request a W9?

Any US business making payments to you may request that you complete this form. These payments could be for services provided by you to the business as an employee or independent contractor, for rents paid to you as a landlord, royalties paid to you as a copyright owner, etc. The same applies to Real Estate Brokers assisting you with the sale or purchase of US real property.

4. What happens if I'm asked to complete Form W9 and I'm not a US person?

Form W9 is intended for US persons, as explained in question 2. The equivalent form that applies to non-US persons is W8-BEN (for individuals) and W8-BEN-E (for entities). If you are requested to complete and sign the wrong form for your status, inform the form requester of correct status and provide the right form instead.

5. What should I do if I'm not sure about my US status?

If you have doubts about your US status, you should inform the form requester, who may or may not be able to help you determine your status. You can also consult the IRS website for further clarification or you may need to consult a US tax professional if needed.

These links to the IRS website provide additional information about Forms W9 and W8.

<https://www.irs.gov/uac/about-form-w9>

<https://www.irs.gov/uac/form-w-8ben-certificate-of-foreign-status-of-beneficial-owner-for-united-states-tax-withholding>

6. What happens if I fail to complete Form W9?

US financial institutions and other businesses are withholding agents for income paid to US persons in the conduct of their trade or business. If you fail to provide a completed and signed Form W9 in a timely manner to the requester, you may be subject to backup withholding. Backup withholding is generally 28% of the payments made to a US person.

Foreign financial institutions have reporting requirements under FATCA. If you are a US person who fails to provide a timely W9, the institution will not be able to comply with FATCA and may close your accounts and refuse to continue to do business with you as a result.

7. What should I do once I provide the W9 to the requester?

If the requester was a US business or financial institution, they will issue you a copy of the Form 1099 or 1098 that they sent to the IRS with your information. You will need to use these forms in the preparation of your US tax return.

If the requester was a foreign financial institution because you have financial accounts with that institution, you should make sure that you are reporting those accounts in your annual FBAR form FinCEN 114 and FATCA Form 8938 if you meet the reporting thresholds.