

How to Get an Employer Identification Number (EIN)

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In this age of advancing technology, many providers are concerned about their privacy when giving out social security numbers to parent clients. Parents need the taxpayer identification number of their caregiver to claim the child care tax credit or to use a dependent care plan at work. As a self-employed person, family child care providers have traditionally given their social security numbers to parents for this purpose.

The IRS allows providers to obtain an Employer Identification Number (EIN) that can be used in place of a social security number. In the past, IRS rules stated that providers could not get an EIN unless employees were to be hired. Now, the IRS is allowing any providers to get their own EINs.

We strongly recommend that all providers get an EIN number for their business. You will give this number instead of your Social Security number to parents at tax time, which they will use to claim the child care tax credit. You will also use this number on your **Schedule C** and **Schedule SE** when you fill out your tax forms. (On all other tax forms, including Form 1040 and Form 1040ES, you should use your Social Security number.) Using an EIN can reduce the chances that your Social Security number will get into the wrong hands and cause you problems with identify theft.

In the past, providers sometimes had difficulty getting an EIN number because previous IRS regulations stated that a taxpayer could only get this number if they were required to by law. This is no longer a problem. Just about any provider can now get an EIN.

There are three ways to get an EIN.

1. Obtain a copy of IRS Form SS-4 (Application for Employer Identification Number). You can download this form from the **Tax Forms** section of our Web site or from the IRS Web site, www.irs.gov.

Question #10 asks for the reason you are applying for an EIN. If you are just starting your business, check the box "Started new business" and enter the words "family child care" in the space provided. If you have been in business for a while, check the box "Other" and enter the words "identity theft" in the space provided. Mail in this form to an IRS addresses listed in the instructions.

2. Register for the EIN **online**. The application process is quicker, with fewer questions, and a simpler format to follow. Once you fill out the application online, you

will instantly get your EIN.

The new online process asks: "Why is the Sole Proprietor requesting an EIN?" You are asked to choose from one of the following choices: "Started a new business," "Hired employee(s)," "Banking purposes," "Changed type of organization," or "Purchased active business."

You should always answer, "Started a new business" to this question, unless you are hiring employees. This may seem like a strange answer if you have been in business for a long time, but the instructions say to choose an answer that is closest to your situation. In the past, if you gave this answer, the IRS may have assumed that you were a new employer and started sending your payroll forms to file. This problem will no longer happen because the online application also asks you if you have employees.

3. If you would like to talk to the IRS directly about getting your EIN, call the IRS at 800-829-4933 and you can get your number over the phone.