

FEDERAL EIN FILING: INFORMATION FOR CORPORATIONS AND LAW FIRMS

By Rob Cappella,
Product Manager
CT

FEDERAL EINS: NECESSARY, BUT TIME CONSUMING

A Federal Employer Identification Number (EIN) is used to identify your business entity and is issued by the IRS. Because this is required to open a bank account and employ workers, it is typically essential for all businesses to obtain an EIN upon formation. In early 2014, the IRS updated its procedures around EIN obtainment, making the process more time consuming – something that has a substantial impact on those who file frequently, like corporations and law firms.

HOW DO THE IRS CHANGES IMPACT ME?

One of the major changes impacting Federal EINs is that the IRS no longer allows U.S. entities the ability to obtain an EIN over the phone. It can only be done online, by fax, or by mail. This process can take anywhere from one to five weeks with significant time invested in follow-up for each EIN application. Further, there are certain guidelines that add to the longevity of this process.

First, only one Federal EIN can be obtained per responsible party per day. This means, for example, if a company wanted to form five entities it must apply once per day over five days. Second, while online applications tend to be quicker, they can only be done once per responsible party. Therefore, once a company has obtained an EIN for an entity through the IRS online portal, all EINs for subsequent entities they form must now be done via fax. This can take several days and requires significant time invested in follow-up.

Working around these hurdles and also tracking multiple EIN applications means that law firms and corporate paralegals spend a substantial amount of time focused on this process alone.

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