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## When Asked For Your Social Security Number, Should You Provide It?



This article is only about taxes. There may be many other contexts in which you are asked for your Social Security Number, but I will address only being paid for work you have done or money you are owed. Before paying you, many companies will ask for your taxpayer ID number, usually on IRS [Form W-9](#). A Form W-9 verifies your taxpayer ID number, typically your Social Security Number, or if you are a company, your employer identification number. You can read more here [about Form W-9, Request for Taxpayer Identification Number](#).

### If You Refuse, They Can Withhold Taxes

If you want to be paid, refusing to hand over a W-9 may not make sense. The IRS says that anytime a payor thinks they may have to report a payment on an IRS Form 1099, they should ask for a Form W-9. If they fail to get one signed, they may have to withhold taxes on the payment, even if you are not an employee.

This “backup withholding” at 24% is the usual consequence of refusing to hand over a Form W-9. Forms 1099 allow computer matching of Social Security numbers and dollar amounts paid and received, so IRS collection efforts are streamlined. In many ways, [IRS Forms 1099 are key to your tax filing](#). In fact, failing to report a Form 1099 on your tax return (or at least explain it) triggers an IRS notice asking you to explain or pay up. Thus, if you receive a Form 1099, report it, even if you are claiming that the form was a mistake and that the money should not be taxable. In some cases, [IRS Forms 1099 can be wrong](#).

Can you sidestep the tax reporting by being cagey about your Social Security number or taxpayer ID number? It can be tough to do if you want to get paid.

Any Form 1099 requires taxpayer identification number, and that number turns out to be more important than the name and address on the form.

Usually, the request is to sign and return a Form W-9. If you are owed money and if you fail to fill out and sign a W-9 when asked, one of several things may happen. You may not be paid, or the payor will withhold 24% and send it to the IRS. Still, the Form W-9 may make you uneasy. After all, the purpose of the Form W-9 is to provide and verify the taxpayer's Social Security number.

Expect an IRS Form 1099

Doesn't having the form necessarily mean that the payor will issue a Form 1099? Often this is one purpose of the form, but not always. It may just mean that this company will not pay much of anything to anyone without a signed form. In addition to supplying a payee's Social Security number, the Form W-9 certifies that the recipient is a U.S. person (that is, a U.S. citizen or tax resident), and therefore is not subject to the onerous reporting and withholding obligations that may be required for "outbound" payments to non-U.S. persons.

IRS Penalties

Thus, many companies have a policy of requiring signed Forms W-9 for *any* payment. It doesn't appear to be commonly invoked, but there is a potential penalty for refusing to provide a signed Form W-9 when requested. If a payee is requested to provide a taxpayer ID number and fails to provide it to a paying party, he is subject to a \$50 penalty for each failure to supply that information. A more effective remedy is likely to be the threat of 24% backup withholding. A payee who provides false or inaccurate information, or refusing

to hand over a Form W-9 when requested, is subject to backup withholding on the payments.

Thus, when a payer requires a Form W-9, it is usually not worth fighting about providing it, especially if there is already an understanding about which Forms 1099 will be issued. Disputes about Forms 1099 are common. The Form 1099 regulations are complex, which causes many businesses to err on the side of issuing the forms when in doubt. Recipients may not like this, and lawsuits for issuing Forms 1099 are filed on occasion.

### Can You Sue Over Tax Forms?

Most such suits don't seem to go very far, perhaps precisely because the Form 1099 regulations are so lengthy and complex that it is often possible to justify whatever forms were issued. So, while you probably will have to provide an IRS Form W-9 to get paid if that form is requested, try to head off Form 1099 issues whenever you can. In some cases, you may be able to agree on what forms will be issued and to whom.