By Susan Grant, CFA Director of Consumer Protection and Privacy

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A rule recently proposed by the Internal Revenue Service (IRS) made me scratch my head and wonder, "what are those folks at the IRS thinking?" If adopted, the rule would require nonprofit organizations to ask people who donate $250 or more for their Social Security numbers (SSNs). The idea is to make it easier for donors to substantiate such contributions. But on balance, it's a really bad idea.

Currently, a taxpayer who wants to claim a charitable deduction for a donation of $250 or more must ask the organization that receives it for something called a "contemporaneous written acknowledgement" (CWA) and submit that documentation to the IRS with his or her tax return. It's not difficult to request a CWA or for an organizations to provide it, and in the background for the proposed rule the IRS notes that the "present CWA system works effectively, with minimal burden on donors and donees." Some taxpayers whose charitable deductions have been questioned, however, have argued that it would be easier if the organizations to which they donated reported that information directly to the IRS. To do so, the organizations would need the donors' SSNs.

Maybe this would make the process of claiming such deductions easier, but the drawbacks for both donors and charitable organizations would far outweigh the benefits. In CFA's comments to the IRS, we explained that since many nonprofits aren't equipped to adequately safeguard this type of sensitive information, donors' SSNs could be exposed to theft and abuse from inside or outside of the organizations. And donors would understandably be wary of providing their SSNs because of concerns about identity theft. That could have a negative impact on organizations' ability to raise money. Ironically, even the identity theft tips on the IRS website warn against providing your SSN to anyone unless it's absolutely necessary. That's standard advice that we've all been trying to drill into people's minds for years. The proposed rule would detract from that simple message and make it easier for crooks, posing as legitimate charities, to obtain would-be donors' SSNs.

Given the fact that government benefits fraud was by far the most prevalent use of consumers' stolen personal information in identity theft complaints reported to the Federal Trade Commission last year, it's clear that there should be *less* unnecessary collection and use of SSNs, not *more*. We want health care providers and others who routinely ask for SSNs to stop; we don't want nonprofit organizations to start asking for them. The IRS should focus on real problems, like how to deter tax ID fraud and provide better help for victims.