

Difference Between Federal Tax ID and EIN

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Federal Tax ID vs EIN

Both Federal Tax ID and EIN refers to a unique nine-digit number assigned by the Internal Revenue Service (IRS) to business entities operating in the United States. These two terms are synonyms, and **there is no difference between Federal Tax ID and EIN** although some people assume that they have different meanings. The term EIN is, however, most commonly used than the term Federal Tax ID. These two terms are strictly used with regard to reporting employment taxes.

What is Federal Tax ID or EIN?

Federal Tax ID or EIN (Employer Identification Number) is the unique nine-digit number assigned by the Internal Revenue Service (IRS) to business entities operating in the United States. EIN is also referred to as the **Federal Tax Identification Number**. When this is used to identify a corporation for tax purposes, it is commonly referred to as the **Tax Identification Number (TIN)**.



EIN was introduced by the Internal Revenue Service (IRS) in 1974 and can be applied by business owners if the business is located within the US. EIN is formatted as xx-xxxxxxx. The first two digits of EIN indicate the geographical area and is called the **EIN prefix**.

What is the Purpose of Federal Tax ID or EIN?

The main purpose of the introduction of EIN is to assign a unique identifier for businesses to file business tax returns. EIN is used by sole proprietorships, partnerships, companies, non-profit organizations, trusts, estates and government agencies. For owners of sole proprietorships, it is not mandatory to have an EIN since the business is not considered a separate legal entity, in which case the [Social Security Number \(SSN\)](#) of the owner can be used to file taxes. Other types of businesses such as partnerships, companies, and non-profit organizations must apply for EIN and use it for reporting taxes withheld on behalf of their employees. EIN is mandatory for the above types of businesses to open bank accounts and to obtain a credit rating. EIN can be applied online by visiting the IRS website as well as by mail or fax.

What is the difference between Federal Tax ID and EIN?

- There is no difference Between Federal Tax ID and EIN.
- However, the term EIN is more commonly used since it is an abbreviation and is easy to use.

Summary - Federal Tax ID vs EIN

Federal Tax ID, also known as EIN or Employer Identification Number, is the unique nine-digit number assigned by the Internal Revenue Service (IRS) to business entities operating in the United States. There is no real difference between Federal Tax ID and EIN although some people confuse these two terms.

References:

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2. "Employer Identification Number - EIN." Investopedia. N.p., 15 Aug. 2014. Web. [Available here](#). 26 June 2017.

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