

***Financial Institutions &  
Insurance Committee***

***HB 1977***

***Brief Description:*** *Protecting privacy by restricting the use of social security account numbers by financial institutions.*

***Sponsors:*** *Representatives Lambert, Ruderman, Benson, Schual-Berke, Keiser, Campbell and McIntire.*

***Brief Summary of Bill***

- *Prohibits a financial institution from requiring that a customer use his or her social security number for identification with the financial institution, unless the customer consents and another option is available.*
- *Authorizes damages for a violation of this requirement, including damages under the Consumer Protection Act.*

***Hearing Date:*** *2/21/01*

***Staff:*** *Jean Ann Quinn (786-7310).*

***Background:***

*The Social Security Administration began using the social security number in 1936 for the purpose of tracking earnings to determine the amount of social security taxes to credit a worker. Social security numbers are now used as identification in many other kinds of government records and also in financial data, credit information, medical records, and employee files. In addition, the Internal Revenue Service has been authorized to use social security numbers as taxpayer identification numbers since 1961.*

*Under the federal Privacy Act, enacted in 1974, government agencies are prohibited from disclosing an individual's social security number to any person unless the individual consents in writing or unless disclosure is permitted under several exceptions contained in*

*the Act. Federal law does not prohibit private companies from requesting a person's social security number.*

*The Consumer Protection Act authorizes the Attorney General to bring an action in the name of the state to prevent unfair methods of competition or unfair or deceptive acts or practices. It also allows a person who is injured by such an act or practice to bring an action for injunctive relief or damages. The court may, in its discretion, award treble damages for a violation of the Act.*

***Summary of Bill:***

*A financial institution may not require a customer or prospective customer to use his or her social security number as a means of personal identification in transactions with the financial institution, unless the customer so consents in writing and the customer is given the option of using a different numerical identifier instead. A financial institution may still use social security numbers when specifically required to do so by state or federal law, such as when required to report information to the Internal Revenue Service.*

*A civil action for damages, injunctive relief, or both, may be brought by a customer or by the attorney general against a financial institution that fails to comply with this requirement. The amount of damages that may be recovered varies based on the nature of the violation. For inadvertent violations, recovery is limited to actual damages; for negligent violations, the amount of damages authorized is the greater of \$500 or actual damages; and for wilful violations, the court may award up to three times the actual damages incurred or \$1500, whichever is greater, plus attorneys' fees and costs. A violation of this law is also a violation of the Consumer Protection Act, and remedies under that statute are applicable.*

***Appropriation:*** *None.*

***Fiscal Note:*** *Not Requested.*

***Effective Date:*** *Ninety days after adjournment of session in which bill is passed.*