

Information Returns Processing (IRP) – Privacy Impact Assessment (PIA)

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System Overview

The Information Returns Processing (IRP) System receives data submitted by employers and other third parties (payers) reporting taxpayer income such as wages, pensions, interest, and dividends paid during the tax year. This information is validated and stored in the Information Return Master File (IRMF). IRP also has two Correlation Projects, which attempt to match income reported on information returns against income reported by taxpayers on their individual income tax returns. If no match is discovered, the potential NON FILER cases are referred to collections for possible action. If the match discovers sufficient under reported income, an UNDERREPORTER case is created and routed to examination function for follow-up.

Systems of Records Notice (SORN):

- Treasury/IRS 22.061 Information Return Master File (IRMF)
- Treasury/IRS 24.030 Customer Account Data Engine Master File
- Treasury/IRS 34.037- IRS Audit Trail and Security Records System

Data in the System

1. Describe the information (data elements and fields) available in the system in the following categories:

- A. Taxpayer – Taxpayer Income paid to an individual or organization for a given tax year. Taxpayer (payee) income is reported. This information is reported using a variety of forms (see below) and includes information such as wages, dividends, interest, cash payments, shareholder income, etc., and information to identify the taxpayer name, TIN and address.
- The payee data is stored in the Information Returns Master File (IRMF). The information pertaining to the transmittal of these reports, including payer identity, number and type of reports, and amounts of income.
- B. Employee – IRP does not contain information on the employee.
- C. Audit Trail Information – Master files by definition do not have an audit trail. They are defined as having interfaces to systems that maintain their own audit trails. There is no direct access to IRP data. All access is through batch files. The data viewed by authorized IRS employees is a copy of the IMF data loaded into any of a number of other systems that have a user interface. These systems maintain the authentication and authorization required, including the use of audit trail information.
- D. Other – Entity (payer) information is reported. This information is reported using a variety of forms (see below) and include information such as wages, dividends, interest, cash payments, shareholder income, etc., and information to identify both the payee and payer name, TIN and address. The payee data is stored in the Information Returns Master File (IRMF). The information pertaining to the transmittal of these reports, including payer identity, number and type of reports, and amounts of income.

2. Describe/identify which data elements are obtained from files, databases, individuals, or any other sources.

A. IRS – Data elements include:

- Taxpayer wages
- Dividends
- Interest
- Cash payments
- Shareholder income information to identify both the payee and payer name, TIN and address.

The data is reported by the payer on various forms and schedules (F1096, F1042, F1098, F1099, Sch K-1, F5498, F8300 and F8362).

IRP receives data from the following systems:

- Individual Master File (IMF)
- Business Master File (BMF)
- Generalized Mainline Framework (GMF)

B. Taxpayer – The data is reported by the payer on various forms and schedules (F1096, F1042, F1098, F1099, Sch K-1, F5498, F8300 and F8362).

C. Employee – Employee data does not reside on IRP.

D. Other Federal Agencies – The Social Security Administration provides the data reported on W-2s and SSA-1099/RRB-1099 via the MITS-21 GSS.

The following other Federal Agencies provide entity data for cross-reference purposes. There is no direct interconnection between IRP and external agencies. Data requesters submit work requests to obtain the data.

- Environment Protection Agency
- Customs Service
- Department of Justice
- Department of Housing and Urban Development
- Financial Management Service
- U.S. Secret Service
- Federal Emergency Management Agency
- U.S. Department of Agriculture
- Department of Defense
- Defense Manpower Data Center
- Department of Health and Human Services
- Centers for Medicare & Medicaid Services
- Health Care Financial Administration
- Department of Labor
- Department of Energy
- Department of Interior

E. State and Local Agencies – There is no direct interconnection between IRP and external agencies. Data requesters submit work requests to obtain the data.

F. Other Third Party Sources – No other sources.

3. Is each data item required for the business purpose of the system? Explain.

Yes. The name, TIN and address are required to identify the recipient of the income. The amount of income is required for various document matching compliance programs (non-filing and under reporting).

4. How will each data item be verified for accuracy, timeliness, and completeness?

Validation of SSA data is a joint effort between SSA and IRS. IRS monitors the compliance of payers required to report income for accuracy, timeliness and completeness. This payer compliance program works to bring payers into compliance, but has the authority to assess penalties for each information return reported with errors.

5. Is there another source for the data? Explain how that source is or is not used.

There is no other source for the data.

6. Generally, how will data be retrieved by the user?

The IRP system performs analysis and case building processing. This inventory of cases can be accessed via IDRS, which maintains an audit trail using Computer System Audit Trail (CSAT). External case management systems (Automated Underreporter) extract information to establish a working inventory for specific compliance activities. These systems are responsible for maintaining their own security and audit trails.

Ad hoc queries for specific TINs, names, or addresses can be entered thru IDRS command codes. These command codes are available only to authorized users and each query is recorded by CSAT.

7. Is the data retrievable by a personal identifier such as name, SSN, or other unique identifier?

Yes. Each reporting includes two entities, the taxpayer (payee) whose income is being reported and the entity (payer) reporting the information. This information is reported using a variety of forms (see below), and includes information such as wages, dividends, interest, cash payments, shareholder income, etc., and information to identify both the payee and payer (name, TIN and address).

The payee data is stored in the Information Returns Master File (IRMF). The information pertaining to the transmittal of these reports, including payer identity, number, and type of reports and amounts of income.

Access to the Data

8. Who will have access to the data in the system (Users, Managers, System Administrators, Developers, Others)?

The only access is to execute batch files and receive data extracts. Only authorized IRS system administrators run the batch files. Developers may be granted temporary/emergency access on an as-needed basis. Authorization is required via the OL5081 process and accounts are automatically terminated after six hours. Temporary accounts are reviewed and authorized via the OL5081 process.

IRS personnel use only IRS-owned laptops and equipment to perform their duties. All IRS personnel have proper security clearance and are subject to all organizational policies and procedures regarding access to the application and data.

9. How is access to the data by a user determined and by whom?

Data access is granted on a need-to-know basis. A potential user must submit a request for access form (Form 5081) to their local management for approval consideration. Users are not permitted access without a signed 5081 form from an authorized management official.

10. Do other IRS systems provide, receive, or share data in the system? If YES, list the system(s) and describe which data is shared.

Yes.

Automated Underreporter (AUR)

- Data elements include taxpayer wages, dividends, interest, cash payments, shareholder income, etc., and information to identify both the payee and payer (name, TIN and address).

Individual Master File (IMF)

- Data elements include taxpayer wages, dividends, interest, cash payments, shareholder income, etc., and information to identify both the payee and payer (name, TIN and address).

Business Master File (BMF)

- Data elements include taxpayer wages, dividends, interest, cash payments, shareholder income, etc., and information to identify both the payee and payer (name, TIN and address).

MIT-21 GSS

- Data elements include taxpayer wages, dividends, interest, cash payments, shareholder income, etc., and information to identify both the payee and payer (name, TIN and address).

Generalized Mainline Framework (GMF)

- Data elements include taxpayer wages, dividends, interest, cash payments, shareholder income, etc., and information to identify both the payee and payer (name, TIN and address).

BMF – CKNIP

- Data elements include taxpayer wages, dividends, interest, cash payments, shareholder income, etc., and information to identify both the payee and payer (name, TIN and address).

IDRS

- Data elements include taxpayer wages, dividends, interest, cash payments, shareholder income, etc., and information to identify both the payee and payer (name, TIN and address).

11. Have the IRS systems described in Item 10 received an approved Security Certification and Privacy Impact Assessment?

Yes.

Automated Underreporter (AUR)

- ATO received on 6/6/2006

- PIA received on 12-21-05?

Individual Master File (IMF)

- ATO received on 6/12/2007
- PIA received on 6/7/2007

Business Master File (BMF)

- ATO received on 6/14/2007
- PIA received on 4/10/2007

MIT-21 GSS

- ATO received on 9/28/2007
- PIA received on 8-28-2009?

Generalized Mainline Framework (GMF)

- ATO received on 2/18/2009
- PIA received on 8/10/2007

BMF – CCNIP

- ATO received on 6/14/2007
- PIA received 4/10/2007

IDRS

- ATO received on 3/10/2009
- PIA received on 11/06/2008

12. Will other agencies provide, receive, or share data in any form with this system?

The Social Security Administration (SSA) exchanges W-2 data with the IRS. As we validate and update data, we share those changes with SSA. The Census Bureau receives an annual extract of data to use as test data for their system. Other Governmental agencies have been invited to participate in the bulk validation of entity information. Currently fifteen Memoranda of Understanding are in effect. These are: Environment Protection Agency, Customs Service, Department of Justice, Department of Housing and Urban Development, Financial Management Service, U.S. Secret Service, Federal Emergency Management Agency, U.S. Department of Agriculture, Department of Defense: Defense Manpower Data Center, Department of Health and Human Services: Centers for Medicare & Medicaid Services, Health Care Financial Administration, Department of Labor, Department of Energy, and Department of Interior. In addition, IRP is mandated by law [IRC § 6103(d)] to share Federal Tax Information (FTI) with States for the purposes of tax administration. These data extracts are sent first to IRS's Office of Government Liaison, who insures that all external trading partners are authorized and that they adhere to all appropriate guidelines related to safeguarding Taxpayer Information.

Administrative Controls of Data

13. What are the procedures for eliminating the data at the end of the retention period?

The Information Returns Master File (IRMF) maintains a current tax year file and nine (9) prior tax year files. The current year file gets updated each month while five (5) prior year files get updated 1 to 3 times a year. Each year a new current year file is created while the oldest prior tax year file gets purged. A maximum of 10 tax years are maintained. This processing is documented in PRP 404-019.

Annual processing updates the active file, removing records beyond the retention period. The Information Returns Master File (IRMF) maintains a current year file and a prior year file, which consists of the five tax years immediately preceding the current tax year. Each year a new prior year file is created. This is accomplished by dropping the oldest of the five prior years and adding in what had been the current year. This processing is document in PRP 404-019.

IRP follows the policy detailed within IRM 1.15.29, exhibit 1.15.29-1 Item No. 75 & 223 for data elimination.

14. Will this system use technology in a new way?

No. The system does not use technology in a new way.

15. Will this system be used to identify or locate individuals or groups? If so, describe the business purpose for this capability.

Yes. The business purpose is to identify and locate taxpayers who are not in compliance with federal income tax filing and payment requirements.

16. Will this system provide the capability to monitor individuals or groups? If yes, describe the business purpose for this capability and the controls established to prevent unauthorized monitoring.

Yes. This capability is the result of maintaining the repository this data, combined with the ability to perform queries and extracts. Queries are included in the audit trail (CSAT), and extracts are performed only based on an approved request for information services.

17. Can use of the system allow IRS to treat taxpayers, employees, or others, differently?

No. If a taxpayer is identified as being noncompliant, they are subject to the same compliance activities as every other noncompliant taxpayer.

18. Does the system ensure "due process" by allowing affected parties to respond to any negative determination, prior to final action?

The IRP System performs analysis on the data to identify potential compliance issues. The IRP System does not make any adjustments or assessments.

The information is reviewed by IRS employees in the Wage & Investment and Small Business/Self Employed Business Units to correspond with the taxpayer, advising them of the proposed action (either a tax adjustment to an existing assessment or establishing an initial assessment for a tax period).

The taxpayers are requested to concur or provide additional information. When applicable, the taxpayer is advised of their statutory appeal rights.

19. If the system is web-based, does it use persistent cookies or other tracking devices to identify web visitors?

IRP is not a web-based application; therefore the use of persistent cookies or other tracking devices to identify web visitors is not applicable.

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