

Federal Unemployment Tax Act (FUTA) – Privacy Impact Assessment

PIA Approval Date – Dec, 9, 2009

System Overview

The Federal Unemployment Tax Act (FUTA) provides for cooperation between state and federal governments in the establishment and administration of unemployment insurance. Under this dual system, the employer is subject to a payroll tax levied by the federal and state governments. The taxpayer is allowed a maximum credit of 5.4% against the Federal tax of 6.2%, provided that all payments were made to the state by the due date. Employers whose payments are received by the state after the due date are allowed 90% of the credit that would have been allowed had the payments been made on time. The FUTA Certification program is the method IRS uses to verify with the states that the credit claimed on the Form 940 and/or Schedule H was actually paid into the state's unemployment funds. There are currently 53 participating agencies which encompass the 50 states, the District of Columbia, Puerto Rico, and the U.S. Virgin Islands.

Systems of Records Notice (SORN):

- IRS 22.061--Wage and Information Returns Processing Files
- IRS 24.030--Individual Master File
- IRS 24.046--Business Master File
- 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 – For purposes of this PIA, the ‘Taxpayer’ can be either an individual or a business entity. The following employer information is maintained:
- Employer Identification Number (EIN)
 - Name
 - Payer Agent Listing (PAL)
 - Social Security Number (SSN) on certain Schedule H Filers.
 - Wage
 - Tax Amounts
- B. Employee:
- Name
 - Work schedule
 - Assignment numbers
 - Work address
 - Employee's profile
- C. Audit Trail Information:
- UserID
 - Timestamp
 - Source of Event
 - Outcome of Event

D. Other – Unemployment information is maintained, including:

- Four quarter wage information
- Experience rate
- Tax amount paid to the state

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

A. IRS – Business Master File (BMF) is used to obtain employer information such as:

- EIN
- Name
- Address
- SSN on certain Schedule H
- Wages Reported
- Tax Due from Form 940

Automated Underreporter (AUR) is used to obtain the PAL that provides a listing of duplicate W-2s, or information that is reported multiple times.

Customer Account Data Engine (CADE) is used to obtain Schedule H information.

Information Returns Processing (IRP) is used to obtain W-2G, and 1099R information.

Information Returns Master File (IRMF), a sub-program run of IRP is used to obtain W-2 information, including aggregate amounts of names, EIN, and wage/tax amounts for the 1099Rs that are filed.

Payer Master File (PMF) is used to obtain W-2G and 1099R information.

B. Employee – All employee information is created by the coordinator when the account is initiated.

C. State and Local Agencies – FUTA obtains four quarter wage information, experience rate, and tax amount paid to the state from the State Unemployment Offices.

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

Each data item is required to reconcile the federal wages reported on the Form 940, which is used to report the annual FUTA tax that the employer reported to the state.

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

Manual reviews are performed on the weekly master file updates to the FUTA application to verify each item for accuracy, timeliness, and completeness. In addition to the manual reviews, automated checks are performed through the command codes within IDRS. The certification file also has validity checks to verify the information is accurate. Various mainframe tests are run to ensure the programs within the FUTA mainframe component do not introduce inaccuracies to the data within selected fields of BMF. These tests are performed by both the mainframe programmers and the Test Assurance and Documentation (TAD) group.

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

No, there is no other source for the data.

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

Data is generally retrieved by querying the employer's EIN and the associated tax year. In some instances, the SSN is used to retrieve data for Schedule H filers.

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

Data is retrievable by the EIN, and in some instances, the SSN for Schedule H filers. Once the data is obtained, a separate menu displays the data to the requesting user.

Access to the Data

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

Role: System Administrators

Permission: Have access to production, including all relevant files for purposes of troubleshooting problems.

Role: Database Administrators

Permission: Have access to production, including the database files for performing database administration activities.

Role: Developer

Permission: Have access to development environment with no update access to production data.

Role: National Office Program Analysts

Permission: Have access to production environment to perform similar functions as the tax examiners, however with additional permissions to certain reports.

Role: Coordinators/Managers

Permission: Have access to production environment to perform similar functions as the tax examiners, however with additional permissions to certain reports.

Role: Clerks

Permission: Have access to production environment to input dates, but do not have the ability to change the data already within the application.

Role: Tax Examiners

Permission: Have access to production environment to perform similar functions as the clerk, however with additional permissions to edit certain fields in the application.

Role: Program Analysis System (PAS)

Permission: Read-only to check the quality of handling of cases FUTA users.

Role: Taxpayer Advocate Service (TAS)

Permission: Read-only to obtain information of what received in order to work with taxpayer requesting help.

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

Access to the data is determined by the manager based on a user's position and need-to-know. Each user must submit an approved, completed On-Line Form 5081, Information System User Registration/Change Request to request access. A user's access to the data terminates when it is no longer required. Criteria, procedures, controls, and responsibilities regarding access are documented in the Information Systems Security Rules on Form 5081.

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.

- **Business Master File (BMF)** is used to obtain employer information, such as EIN, Name, Address, and SSN on certain Schedule H. This information is obtained via batch processes from the IBM mainframe to the FUTA UNIX back-end database.
- **Automated Underreporter (AUR)** is used to obtain the PAL that provides a listing of duplicate W-2s, or information that is reported multiple times. This information is obtained via batch processes from AUR to the FUTA UNIX back-end database.
- **Customer Account Data Engine (CADE)** is used to obtain Schedule H information that is not included within BMF. This information is obtained via batch processes from CADE to the FUTA UNIX back-end database.
- **Information Returns Processing (IRP)** is used to obtain W-2G, and 1099R information. IRMF, a sub-program run of IRP is used to obtain W-2 information, including aggregate amounts of names, EIN, and wage/tax amounts for the 1099Rs that are filed. This information is obtained via batch processes from IRP to the FUTA UNIX back-end database.
- **Payer Master File (PMF)** is used to obtain W-2G, and 1099R information. This information is obtained via batch processes from PMF to the FUTA UNIX back-end database.

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

Business Master File (BMF)

- Authorization to Operate (ATO) – June 14, 2007
- Privacy Impact Assessment (PIA) – April 10, 2007

Automated Underreporter (AUR)

- Authorization to Operate (ATO) – May 6, 2009
- Privacy Impact Assessment (PIA) – February 27, 2009

Customer Account Data Engine (CADE)

- Authorization to Operate (ATO) – April 2, 2009
- Privacy Impact Assessment (PIA) – April 30, 2008

Information Returns Processing (IRP)

- Authorization to Operate (ATO) – June 21, 2007
- Privacy Impact Assessment (PIA) – October 9, 2009

Payer Master File (PMF)

- Authorization to Operate (ATO) – June 14, 2007
- Privacy Impact Assessment (PIA) – October 23, 2009

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

Yes, FUTA sends the State Unemployment Offices the byte count, TC150 State Code, EIN, document locator number (DLN), tax period, check digit, total federal taxable wages, zip code, address state code, city, address, first name line, second name line, third name line, fourth name line, name control, cross-reference EIN, state reporting number, and form indicator. FUTA obtains four quarters of wage information, experience rate, and the overall tax amount paid to the respective state from the State Unemployment Offices.

Administrative Controls of Data

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

The records in FUTA are scheduled under IRM 1.15.35, Item 11 and are eligible for destruction when 1-year old or when no longer needed for administrative, legal, audit, and other operational purposes, whichever is sooner.

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

No, FUTA will 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.

The system will be used to identify employers who have discrepancies between unemployment amounts reported to the States and tax returns filed. The business purpose of the system is to reconcile the federal wages reported on the Form 940, which is used to report the annual FUTA tax that the employer reported to the state.

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.

FUTA does not provide the capability to identify, locate, and monitor groups of people.

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

FUTA does not have the ability to allow IRS to treat taxpayers, employees, or others differently.

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

Employers are contacted to explain discrepancies identified in the program and information provided by the employers is included. Employers can respond to any negative determination prior to final action.

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

Not Applicable. FUTA is not a web-based application.

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