

## Modernized Internet Employer Identification Number (Mod IEIN) Milestone 4 – Privacy Impact Assessment

PIA Approval Date – June 16, 2010

### **System Overview:**

Modernized Internet Employer Identification Number (Mod IEIN) application is a component of the Integrated Customer Communications Environment Web Applications (ICCE Web Apps). Mod IEIN helps taxpayers, businesses, and their representatives complete the application for Employer Identification Number (EIN), Application for Employer Identification Number (Form SS-4), using a new interactive system which asks questions tailored to the type of entity the taxpayer is establishing. By providing full automation of the back-end processing of EIN assignment, the applet will eliminate the assignment of “provisional” EINs, resulting in improved ease of receiving valid and ready-to-use EINs. The Mod IEIN web application will also improve overall processing accuracy and timeliness, additionally allowing IRS telephone assistants to devote time to more productive activities. Currently, 75 percent of taxpayers who qualify for an EIN are able to secure EIN approval and initiation via IRS.gov.

### **Systems of Records Notice (SORN):**

- IRS 24.046--Business Master File
- IRS 34.027--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 data contained in the system is listed below:

- Entity Type (e.g., sole proprietor, partnerships, corporations, Limited Liability Company, estate, withholding agent, household employer, political organization, receivership)
- A Limited Liability Company Check
- A Reason for Applying
- Name (Company Name or First/Middle/Last/Suffix)
- Social Security Number (SSN) / Individual Taxpayer Identification Number (ITIN) / Employer Identification Number (EIN)
- Third Party Designee Check (If the person completing the application is a third party acting on behalf of the taxpayer, we can't provide the 3rd party with the online notice. Therefore, we determine if the person is the actual taxpayer or a Third party to determine what actions to take when we assign the EIN. Name of Third Party Designee (if applicable) (First/Middle/Last/Suffix)
- “Care Of” Name (Used in the event the taxpayer would like his/her mail addressed to a different person/business, such as a secretary or office manager.)
- Physical Location
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  - City
  - State/US Territory
  - Zip Code
  - Phone Number
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  - Phone Number
- Legal Name
- Trade Name (Used by companies who advertise their business name as something different than their legal name.)
- County where business is located
- State where business is located/incorporated
- Date Business Started/Acquired or Date of Death
- Closing Month of Accounting Year
- Principal Business Activity (A business activity represents tangible goods, such as automobiles.)
- Principal Service Activity (a service activity represents intangibles, such as consulting.)
- Employee Hired Check
- Employee Information on employees that receive W2s (rather than 1099s) (if applicable)
  - Wages Paid Date
  - Number of Agricultural Employees
  - Number of Household
  - Employees (only for certain types)
  - Number of Other Employees
  - Employment Tax Liability Information
- Number of Members in Limited Liability Company (LLC)
- Corporation or Sub Chapter S Check (Corporations have the option to be classified as a regular corporation or a Sub Chapter S corporation (S-Corp). If a company wants to be an S-Corp, they must file a form requesting this classification, which we tell them about if we determine they want to be an S-Corp. This check is used to determine if we need to provide them with the S-Corp information.)
- Alcohol, tobacco, and firearms check, which is required to determine if the Tax & Trade Bureau (TTB) needs to be notified of the applicant's business being established. If an applicant answers "Yes" to the "Alcohol, tobacco, and firearms" question, the applicant's information is written to a file that is sent to the TTB once a month. This emulates what is currently done in the manual environment whereas an actual copy of the Application for Employer Identification Number (Form SS-4) that the taxpayer submitted is mailed to the TTB.
- EIN Confirmation Letter Delivery preference
- Trustee business name/trustee individual name
- Type of real estate investment trust (mortgage or equity)

B. No IRS employee data is required in the Mod IEIN web application because IRS employees will not use the Mod IEIN web application to process EIN requests. All information collected through Mod IEIN is captured on the Integrated Data Retrieval System (IDRS). IRS employees will continue to process EIN requests that come via fax, phone, or mail using

the Integrated Data Retrieval System (IDRS) as opposed to using the Mod IEIN web application.

The following data elements are used by IRS employees to access IDRS:

- SEID
- last name & first initial
- password

C. Additionally, Mod IEIN audit data is captured by the Security Audit and Analysis System (SAAS). Audit trail logging for the applet is sent to SAAS via Application Messaging and Data Access Services (AMDAS) for each transaction that reaches the back-end.

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- Trade Name (Used by companies who advertise their business name as something different than their legal name.)
- County where business is located
- State where business is located/incorporated
- Date Business Started/Acquired or Date of Death

- Closing Month of Accounting Year
- Principal Business Activity (A business activity represents tangible goods, such as automobiles.)
- Principal Service Activity (a service activity represents intangibles, such as consulting.)
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- Alcohol, tobacco, and firearms check, which is required to determine if the Tax & Trade Bureau (TTB) needs to be notified of the applicant's business being established. If an applicant answers "Yes" to the "Alcohol, tobacco, and firearms" question, the applicant's information is written to a file that is sent to the TTB once a month. This emulates what is currently done in the manual environment whereas an actual copy of the Application for Employer Identification Number (Form SS-4) that the taxpayer submitted is mailed to the TTB.
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The SSN and name control of the taxpayer are required as part of the authentication process and cannot be substituted by another data field to identify the customer. The information is captured for audit trail purposes. Even though a ready-to-use EIN is being issued, the IRS still needs to have the ability to have audit trails for future reference if necessary. These are for internal use and are closely guarded. They are only available to IRS employees who follow the proper procedures to gain access to them, which is by going through the OL5081 process. A manager must approve the OL5081 request and then an administrator will grant the access.

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

- A. EIN Research & Assignment System (ERAS) is the only IRS system/source that communicates directly with Mod IEIN. Mod IEIN sends information to ERAS, which has the same data fields as Mod IEIN. Mod IEIN sends the following data elements to ERAS:
- Entity Type (e.g., sole proprietor, partnerships, corporations, Limited Liability Company, estate, withholding agent, household employer, political organization, receivership)
  - A Limited Liability Company Check

- A Reason for Applying
- Name (Company Name or First/Middle/Last/Suffix)
- Social Security Number (SSN) / Individual Taxpayer Identification Number (ITIN) / Employer Identification Number (EIN)
- Third Party Designee Check (If the person completing the application is a third party acting on behalf of the taxpayer, we can't provide the 3rd party with the online notice. Therefore, we determine if the person is the actual taxpayer or a Third party to determine what actions to take when we assign the EIN. Name of Third Party Designee (if applicable) (First/Middle/Last/Suffix)
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- Number of Members in Limited Liability Company (LLC)

- Corporation or Sub Chapter S Check (Corporations have the option to be classified as a regular corporation or a Sub Chapter S corporation (S-Corp). If a company wants to be an S-Corp, they must file a form requesting this classification, which we tell them about if we determine they want to be an S-Corp. This check is used to determine if we need to provide them with the S-Corp information.)
- Alcohol, tobacco, and firearms check, which is required to determine if the Tax & Trade Bureau (TTB) needs to be notified of the applicant's business being established. If an applicant answers "Yes" to the "Alcohol, tobacco, and firearms" question, the applicant's information is written to a file that is sent to the TTB once a month. This emulates what is currently done in the manual environment whereas an actual copy of the Application for Employer Identification Number (Form SS-4) that the taxpayer submitted is mailed to the TTB.
- EIN Confirmation Letter Delivery preference
- Trustee business name/trustee individual name
- Type of real estate investment trust (mortgage or equity)

An IDRS command code is used to input EIN application information so an EIN can be assigned. No other systems communicate with Mod IEIN, directly or indirectly.

B. The taxpayer provides all the applicable information that is listed below if they are completing Form SS-4.

- Entity Type (e.g., sole proprietor, partnerships, corporations, Limited Liability Company, estate, withholding agent, household employer, political organization, receivership)
- A Limited Liability Company Check
- A Reason for Applying
- Name (Company Name or First/Middle/Last/Suffix)
- Social Security Number (SSN) / Individual Taxpayer Identification Number (ITIN) / Employer Identification Number (EIN)
- Third Party Designee Check (If the person completing the application is a third party acting on behalf of the taxpayer, we can't provide the 3rd party with the online notice. Therefore, we determine if the person is the actual taxpayer or a Third party to determine what actions to take when we assign the EIN. Name of Third Party Designee (if applicable) (First/Middle/Last/Suffix)
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- Alcohol, tobacco, and firearms check, which is required to determine if the Tax & Trade Bureau (TTB) needs to be notified of the applicant's business being established. If an applicant answers "Yes" to the "Alcohol, tobacco, and firearms" question, the applicant's information is written to a file that is sent to the TTB once a month. This emulates what is currently done in the manual environment whereas an actual copy of the Application for Employer Identification Number (Form SS-4) that the taxpayer submitted is mailed to the TTB.
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Form SS-4 (Application for Employer Identification Number) is the paper form used by taxpayers to request an EIN. The Mod IEIN web application gathers the information that would otherwise be submitted on a Form SS-4 if a taxpayer filled one out and faxed or mailed it in.)

- C. The existing "ONE-STOP" system and the taxpayers in "participating" ONE-STOP State Taxing Authorities (STAs) are affected. STAs include those states which have a Memorandum of Agreement (MOA) with the IRS. ONE-STOP is an existing program that passes tax information from a specific US State's Website to Mod IEIN. Taxpayers registering in their state for a State Tax Identification Number in "participating" STAs (i.e.,

those who have a MOA with the IRS) have the capability to get a Federal EIN by electing to partially pre-populate an SS-4 via IRS.gov/Mod IEIN. No data is stored or permanently written to a database; information is merely passed from the State Website to IRS.gov. Mod IEIN validates the information and then issues a valid EIN directly to the taxpayer in the same session using a secure protocol.

*Note: At the current time, three US States (New York, Massachusetts, and South Carolina) are offering "ONE-STOP". All 50 states will have the option to join the ONE-STOP program.*

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

Yes. To ensure proper assignment and verification, all fields relative to the type of entity being established must be completed. The Mod IEIN application only asks for relevant information for the specific entity type the taxpayer is applying for. So, depending on the entity type and how the applicant answers various questions, he/she will only be asked to enter information that is relevant and needed to establish the entity.

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

This validation process will verify the accuracy and completeness of the information in accordance with the business rules. It is worth noting that the only validation Mod IEIN performs is a validation of the taxpayer's TIN and name control (business or individual) against IRS records in Integrated Data Retrieval System (IDRS) to authenticate the applicant. Mod IEIN passes the TIN entered by the taxpayer to IDRS. IDRS returns the individual's name control that is on file for the entered TIN, if found. Mod IEIN confirms that the individual name control provided by the taxpayer matches the name control returned from IDRS and that an existing EIN does not exist under said TIN. If the information matches IRS records and no duplicate EIN exists, the record will post to IDRS immediately. If the information does not match IRS records, the record will reject back to the taxpayer for correction and re-submission. If the taxpayer cannot correct the information within three attempts, he/she will be given an error page and their session will end. He/she will then have to start the online process again to be able to submit the application. The system will provide TIN based authentication to limit the user to 5 failure counts within a day to authenticate with the same TIN (SSN/ITIN/EIN) and name based authentication. The system will look for an exact match for the individual name control or business name control. Addresses are verified using the Integrated Customer Communications Environment (ICCE) Finalist interface, an approved United States Postal Service (USPS) system. However, Finalist is only used in order to change addresses into the USPS approved format (i.e. a nine-digit zip code instead of just five-digit). Only accepting those applications that pass all validation checks and forcing the taxpayer to provide correct information up-front guarantees 100% automation, accuracy, timeliness, and completeness.

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

Yes. In addition to using the Internet EIN web application, taxpayers have the option of submitting the SS-4 application for an EIN through fax, mail, or telephone. Information collected on SS-4 applications from other channels such as paper, fax, or phone submission, is the same as what is collected through the Internet. Applications received through these channels will continue to be processed manually.

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

- Taxpayer – Once the taxpayer submits his/her information (refer to inputs from 1A) on the Mod IEIN web application and that information passes the up-front validity checks, the taxpayer will receive either a successfully generated EIN or an error message, which reads "The information you have entered does not match IRS records." The applicant will be able to view the information screen by screen, but will not be allowed to change the information on most of the



screens once he/she advances to the next screen. However, a summary page will be shown with the information entered, but the taxpayer will not be able to make changes unless they start the process over.

- IRS employees will not play a role, unless taxpayer is unable to properly authenticate and receive an error message to contact IRS for assistance, at which time the taxpayer provides his/her information over the phone for the IRS employee to input manually.
- Once the taxpayer submits his/her information on the Mod IEIN web application and the information passes the up-front validity checks, the information will then run through the backend validation process and post automatically, provided all the information matches IRS records. If the information does not match IRS records, it will be rejected back to the taxpayer for correction and re-submission.

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

No, data is not retrievable from Mod IEIN by a personal identifier such as name, SSN, or other unique identifier since Mod IEIN is not a database. Taxpayers will not be able to retrieve their data once they've submitted it. After submission or completion of an application, data can be retrieved from IDRS only by an IRS employee using personal identifiers such as name of the entity or EIN and mailing address that was used to apply for an EIN on a need to know basis.

### **Access to the Data**

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

**Role:** System Administrators, Database Administrators, Managers, and Tax Examiners

**Permission:** Access as part of their official duties.

Contractors receive a completed Moderate risk background investigation, staff-like access approval. Only IRS System Administrators will have access to the production environment. However, Developers are available to help System Administrators troubleshoot technology problems. In these cases, the System Administrator will provide the necessary information to the Developer so he/she can assist with the problem, which is considered indirect access since the System Administrator will provide the Developer with the necessary information as opposed to the Developer being able to access it directly. External Users – Individual taxpayers will not have access to any back-end data (i.e., data in the IDRS Master File).

*Note: Contractors, including developers, do not have access to the application.*

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

The data on the Mod IEIN authentication database will only be available to System Administrators (SAs) and Database Administrators (DBAs). Access to this data is determined by business need and is requested via the Online (OL) 5081 system. The SAs and DBAs will first receive approval to access the data by their manager and then the OL-5081 is approved by the business owner or designee per IRS policy. The System Administrators will determine if a Developer or other outside user needs to gain access to the data.

### **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. EIN Research & Assignment System (ERAS) receives data from Mod IEIN via command code. ERAS is a subsystem of IDRS. ERAS receives the following data:

- Entity Type (e.g., sole proprietor, partnerships, corporations, Limited Liability Company, estate, withholding agent, household employer, political organization, receivership)
- A Limited Liability Company Check
- A Reason for Applying
- Name (Company Name or First/Middle/Last/Suffix)
- Social Security Number (SSN) / Individual Taxpayer Identification Number (ITIN) / Employer Identification Number (EIN)
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determine they want to be an S–Corp. This check is used to determine if we need to provide them with the S–Corp information.)

- EIN Confirmation Letter Delivery preference
- Trustee business name/trustee individual name
- Type of real estate investment trust (mortgage or equity)

*Note: ERAS is used to only generate EIN, this is not a stand alone system and information can not be retrieved.*

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

Yes.

Integrated Data Retrieval System (IDRS)/ EIN Research & Assignment System (ERAS):

- Certification & Accreditation (C&A) – September 10, 2007, expires on September 10, 2010.
- Privacy Impact Assessment (PIA) – July 3, 2007, expires on July 3, 2010.

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

Yes. Tobacco and Trade Bureau (TTB) will receive pertinent information (EIN assigned, legal name of the entity, street address, city, state, zip, telephone number, entity type, and date EIN assigned) from the online application for all companies who indicate that they sell or work with alcohol, tobacco, or firearms in some capacity. Internal Revenue Code (IRC) 6103(h)(1) authorizes IRS to provide this information to TTB to conduct its tax administration duties. This process currently takes place for all paper forms and IEIN Current Production Environment (CPE) forms that are received. Mod IEIN will continue to provide the pertinent information in an electronic format. For TTB, the Mod IEIN web application will create a file each month and systemically email it to the business owner. The business owner will then encrypt the file and password–protect it. The encrypted file will then be emailed to the TTB contact. For applicants that are rejected while trying to authenticate the system with incorrect information, the information is retained for 24 hours to make sure that if the applicant attempts to authenticate the same day, with the same incorrect information, the system will have a history of the information entered. This information is purged after 24 hours. The TTB information is written to a file that has no affiliation with the 24–hour purge file and the TTB file is not accessible to anyone other than the SAs and business owner. Treasury Inspector General for Tax Administration (TIGTA) and Government Accountability Office (GAO) have audit authority, which allows them to conduct audits of Mod EIN information or the web application itself at any time. Therefore, they will be allowed access to Mod IEIN or its data, provided they follow the necessary steps to obtain the information. However, no information is automatically generated or delivered to either Agency.

### **Administrative Controls of Data**

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

All data relating to Applications for MOD IEIN will be retained in accordance with Internal Revenue Manual (IRM) 1.15.29.1 (Item 70). Data submitted on individual applications will not be retained for any period of time in Mod IEIN; the information will post directly to IDRS. However, invalid authentication attempts on the application will be stored in the Mod IEIN authentication database for the remainder of that day. The Mod IEIN application will execute a script that purges and overwrites the data to ensure its deletion. It should be noted that this database maintains invalid authentication attempts so that users are limited to a certain number of invalid authentication attempts per day.

In addition to the Mod IEIN authentication database that retains invalid authentication attempts, the IRS will provide, store, and catalog the assignment of EINs posted to the Master File via ERAS. The Master File is the location where EIN information is stored for official IRS record-keeping purposes.

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

No. Mod IEIN 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.**

Yes. The sharing of information with the TTB regarding companies whose business involves alcohol, tobacco, or firearms, may be considered the identification or monitoring of individuals/groups. The taxpayer willingly and openly supplies information on his/her business as part of receiving the EIN by checking 'yes' or 'no' to a series of questions regarding involvement in the above mentioned business activities. If he/she indicates that his/her business is involved in the sale, purchase, or trade of the above mentioned items, a record of the application will be copied to a file that will be encrypted, password protected and then emailed to a TTB contact on a monthly basis. While the taxpayer willfully discloses that information (self-identification), he/she does not know that this information is being provided to the TTB if he/she answers 'yes' to involvement in those activities.

**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.**

No. The IRS will not monitor individuals or groups based on the TTB criteria described in item 15 (see above). The IRS will simply create a file that notifies TTB of taxpayers involved in the above mentioned activities. Once the file is retrieved by TTB, it is deleted. No one from the IRS will have access to the file in the future or have the ability to place internal controls on the account.

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

Yes. Applicants who indicate that they deal with tobacco, alcohol, or firearms, are reported to the Tax & Trade Bureau (TTB), which is a bureau of the Department of Treasury. Although the IRS does not flag these applicants' accounts internally, a file is created that contains information about the applicant (see question 12 for specific fields) and is sent to a TTB contact on a monthly basis.

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

The only way for an individual to change his/her application data once it's been processed is to submit a request in writing.

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

No. The system only uses "session-only" cookies. The session cookie is destroyed when the user terminates his/her web browser client; logs out of the application; or when the session timeout period has elapsed due to inactivity, whichever occurs first.

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