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Tips for Safeguarding Taxpayer Data

Safeguarding Taxpayer Data

Safeguarding taxpayer information is a top priority for the Internal Revenue Service. It is the responsibility of governments, businesses, organizations, and individuals that receive, maintain, share, transmit, or store taxpayers' personal information.

The following list contains security measures used by governments and private companies to safeguard information. The safeguards that businesses and individuals put into practice should be appropriate for the size, complexity, nature and scope of their business activities.

1. Maintain a list of all the locations where you handle or store taxpayer information such as office buildings, self-storage facilities, residence, temporary return preparation sites, filing cabinets, computers, zip drives, or USB removable media.

2. Assess the risk and the impact of unauthorized access, use, disclosure, modification or destruction of the taxpayer information you handle or store.

3. Limit access to taxpayer information you handle or store and other sensitive data to specifically authorized and designated individuals.

4. Write and follow an Information Security Plan that shows how you are addressing risks. There are examples of Information Security Plans on the internet.

5. Specify in contracts with service providers the safeguards they must follow. Monitor how contractors handle taxpayer information.

6. Test, monitor, and revise your Information Security Plan on a periodic basis.

7. Put in place additional safeguards as needed. The FTC offers tips for businesses to protect against breeches and identity theft.

8. Provide privacy notices and practices to your customers, if required by the Federal Trade Commission Privacy Rule.

9. Follow your federal, state, and local laws and regulations.

Privacy and Security Rules at a Glance

The Gramm-Leach-Bliley Act: The Safeguards Rule requires financial institutions, which include return preparers, data processors, transmitters, affiliates, service providers, and others who are significantly engaged in providing financial products or services that include preparation and filing of tax returns, to ensure the security and confidentiality of customer records and information. The Safeguards Rule is available at ftc.gov.

The Gramm-Leach-Bliley Act: The Financial Privacy Rule requires financial institutions, which include return preparers, data processors, transmitters, affiliates, service providers, and others who are significantly engaged in providing financial products or services that include preparation and filing of tax returns, to give their customers privacy notices that explain the financial institution's information collection and sharing practices. The Privacy Rule is available at ftc.gov.

Title 26 Code of Federal Regulations (CFR)§301.7216-1 imposes criminal penalties on any person engaged in the business of preparing or providing services in connection with the preparation of tax returns who knowingly or recklessly makes unauthorized disclosures or uses of information furnished to them in connection with the preparation of an income tax return. 26 CFR §301.7216-1 is available at gpo.gov.

Title 26 Internal Revenue Code (IRC)§6713 imposes monetary penalties on the unauthorized disclosures or uses of taxpayer information by any person engaged in the business of preparing or providing services in connection with the preparation of tax returns. IRC§6713 is available at gpo.gov.

Information Security Incident- An information security incident is an adverse event or the threat of an event that can result in an unauthorized disclosure, misuse, modification, or destruction of information. Incidents can affect the confidentiality, integrity, and availability of taxpayer information or the ability for a taxpayer to prepare or file a return. Types of incidents include theft of information, loss of information, natural disasters such as a flood, earthquake, or fire that destroys unrecoverable information and computer system/network attacks, such as malicious code or denial of service.

Additional Information

Additional information for tax preparers, intermediate service providers, software developers, electronic return originators, reporting agents, transmitters, their affiliates and service providers, and others who handle taxpayer information is available at IRS.gov, Publication 4557, *Safeguarding Taxpayer Data: A Guide for Your Business*, and Publication 1345, *Handbook for Authorized IRS e-file Providers of Individual Income Tax Returns*.