

## 1446–6 International Database (1446–6) – Privacy Impact Assessment

PIA Approval Date – October 6, 2010

### **System Overview:**

The 1446–6 is a database application whose function is to capture information submitted by Foreign Partners of Partnerships who file 1446–6 (Form 8804–C) exemption certificates. 1446–6 is used primarily by tax examiners located at the Philadelphia Campus to add and update 1446–6 certificates in the database; interface with the Integrated Data Retrieval System (IDRS) to validate the data submitted on the exemption certificate; view and print reports; and generate 4124C (Soft) and 4125C (Strong) letters. The Soft letter will afford the taxpayer the opportunity to amend/resubmit a completed certificate within a prescribed timeframe. A Strong letter will advise the taxpayer that the information they provided does not support their request for reduced 1446 withholding tax; as a result, the certificate is considered defective and they must adjust the Section 1446 tax to include the income originally reduced by the certificate. Revenue agents also use the application to extract foreign partner information and verify their losses.

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

- IRS 24.046--Customer Account Data Engine (CADE) Business Master File
- IRS 24.030--Customer Account Data Engine (CADE) Individual Master File
- IRS 34.037--IRS Audit Trail and Security System

### **Data in the System**

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

##### A. Taxpayer:

- Foreign Partner's Taxpayer Identification Number (TIN) Type
- Foreign Partner's TIN
- Foreign Partner's Name Control
- Foreign Partner's Name, Address, City, State, Country & Zip
- Foreign Partner's Certificate Date
- Partnership's TIN
- Partnership's Name Control
- Partnership's Tax Year
- Partnership's Name, Address, City, State, Country & Zip
- Partnership's Form Number Filed

##### B. Employee:

- Employee's Standard Employee Identifier (SEID)
- Employee's First Initial
- Employee's Last Name
- Employee's Phone Number
- Employee's Badge Number
- Employee's IDRS Number

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

### A. IRS:

- IDRS: The 1446–6 application retrieves information from IDRS used to verify information provided by foreign partners on their certificates. The information that 1446–6 retrieves from IDRS includes the following:
  - Processing Certificate Number
  - Partnership’s TIN
  - Foreign Partner’s TIN
  - Master File Transaction (MFT)
  - Tax Paid
  - Business Operating Division (BOD) Code
  - North American Industry Classification System (NAICS) Code
  - General Status Codes
  - Dates a tax return was filed for the four previous years
  - Extension Dates (if one filed) for the four previous years
  - Any outstanding balance for the four previous years

### B. Taxpayer:

- Taxpayers provide the following data elements when filing a certificate under the regulation 1446–6 (“Foreign Withholding Exemption Certificates”).
  - Foreign Partner’s TIN Type
  - Foreign Partner’s TIN
  - Foreign Partner’s Name Control
  - Foreign Partner’s Name, Address, City, State, Country and Zip
  - Foreign Partner’s Certificate Date
  - Partnership’s TIN
  - Partnership’s Name Control.
  - Partnership’s Tax Year
  - Partnership’s Name, Address, City, State, Country & Zip
  - Partnership’s Form Number Filed

### C. Employees:

- IRS employees are the only users of 1446–6. The following two types of users are the only ones that have the ability to provide input into the application:
  - Tax Examiners – Information provided:
    - Employee’s SEID
    - Employee’s First Initial
    - Employee’s Last Name
    - Employee’s Phone Number
    - Employee’s Badge Number
    - Employee’s IDRS Number
  - Revenue Agents – Information provided:
    - Employee’s SEID
    - Employee’s First Initial
    - Employee’s Last Name
    - Employee’s Phone Number
    - Employee’s Badge Number
    - Employee’s IDRS Number

*.Note: IRS employees cannot make changes to the data on IDRS, within this application.*

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

Yes, each data item is required for the business purpose of the system. The application is designed to collect, validate, and track information submitted by Foreign Partners of Partnerships who file 1446-6 exemption certificates. The application allows for the monitoring and evaluation of the overall compliance to the regulation, as well as a determination of the validity of the certificates.

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

Each data item is derived from recent first party filings and is deemed to be accurate and complete. Accuracy is determined by comparing and verifying the data in the certificates to information in IDRS. All data items are deemed to be timely filed by their existence in the data sets listed above. Completeness is verified by the Tax Examiner. 1446-6 has field level checks on all input text fields within the client interface.

**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?**

Once Users are verified, they can access the application on the IRS Intranet and have five Modules where they can access the data. These Modules include: (1) Add/Update Certificates; (2) Automated IDRS Verification; (3) View Certificates; (4) Reports; and (5) Taxpayer Notifications. Users access the application database from a Common Operating Environment Workstation via a program executable running on a production server. Users retrieve data by selecting records or performing search routines.

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

Yes, data can be retrieved by performing search routines. Searches can be performed on any data element in the database, including TINs or Record Number.

**Access to the Data**

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

The following users configure, operate, and maintain 1446-6. All users of 1446-6 are IRS employees:

**Role:** Tax Examiners (Philadelphia Campus)

**Permission:** Tax Examiners access the application via a program executable running on the production servers and have privileges to register as a new user; add and update 1446-6 certificates in the database; interface with IDRS via the AIS page to validate the data submitted on the exemption certificate; view and print reports; and generate 4124C (Soft) and 4125C (Strong) letters.

**Role:** Revenue Agents (Philadelphia Campus)

**Permission:** Revenue Agents have the same access as the Tax Examiners, however Revenue Agents can only use the application to extract foreign partner information and verify their losses. They do not update 1446-6 certificate information or generate letters.

**Role:** Systems Administrator (SA)

**Permission:** SAs have access to, and are responsible for, the maintenance of the underlying hosting environment and operating system. The SA has full Operating System level administrative control over the Windows servers and is responsible for applying security

patches/updates to the OS. The System Administrator also runs Windows Policy Checkers against the Windows servers. SAs do not function as end users within the application.

**Role:** Database Administrator (DBA)

**Permission:** The DBA manages and monitors the 1446–6 database. The DBAs manage all database functionality and make configuration updates to the SQL Server database. DBAs do not function as end users within the application.

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

Access to the 1446–6 application is based on cached user credentials from the network domain logon session and domain group memberships. Access level is based on domain group membership. Two (2) user roles exist within the application: (1) Tax Examiners and; (2) Revenue Agents.

The ability to input information in 1446–6 is based on access privileges and restrictions built into the client application. The access to these privileges is managed through the use of Online 5081 (OL5081). Only authorized users with appropriate privileges, which are assigned based on job responsibility, can input information into 1446–6. After the employee's immediate manager has approved the request in the OL5081 system, the Account Administrator is informed of the pending request via email. The Account Administrator verifies that the request is valid and creates and adds a reference to the application which is then added to the requester's profile. The user will receive an email from the OL5081 system when the Account Administrator has added the user to the domain.

The employee (account requestor) must then read the Rules of Behavior on the OL5081 and provide an electronic signature. If the account requestor does not read the Rules of Behavior on the OL5081 and provide an electronic signature within 45 days the account is removed from the database. Further, if the user account is inactive for 45 days the account is removed from the database. If the user does not login to IDRS for 17 consecutive days, then they will not be able to use the IDRS application.

*Note: All users of 1446–6 are IRS employees.*

### **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.**

IDRS – The 1446–6 application retrieves information from IDRS used to verify information provided by foreign partners on their certificates. The information that 1446–6 retrieves from IDRS includes the following:

- Processing Certificate #
- Partnership's TIN
- Foreign Partner's TIN
- Master File Transaction (MFT)
- Tax paid
- Business Operating Division (BOD) Code
- North American Industry Classification System (NAICS) Code
- General Status Codes
- Dates a tax return was filed for the four previous years
- Extension Dates (if one filed) for the four previous years
- Any outstanding balance for the four previous years

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

Integrated Data Retrieval System (IDRS)

- Certification and Accreditation (C&A) Authority to Operate (ATO) – May 1, 2008, expires May 1, 2011
- Privacy Impact Assessment (PIA) – December 3, 2007, expires December 3, 2010

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

No other agencies will provide, receive, or share data in any form with this system.

**Administrative Controls of Data**

**13. What are the procedures for eliminating the data at the end of the retention period?** The 1446–6 International Database (1446–6) is unscheduled. A request for records disposition authority for 1446–6 and associated records is currently being drafted with the assistance of the IRS Records and Information Management (RIM) Program Office. When approved by the National Archives and Records Administration (NARA), disposition instructions for 1446–6 inputs, system data, outputs, and system documentation will be published under IRM 1.15.26 Records Control Schedule for Tax Administration – International, item number to be determined.

Proposed records retentions are expected to align with established policy to purge data from the database as it becomes obsolete and/or be in concert with retentions defined in IRM 1.15.29 Records Control Schedule for Submissions Processing Campus, Item 56 for Income Tax Returns Filed by Individuals, Partnerships and Fiduciaries (Job No. N1–58–95–1), as appropriate. 1446–6 has the capability to generate managerial and statistical reports as well as Strong and Soft letters to be mailed to taxpayers. All printed output is handled and secured in accordance with the IRS sensitive output handling organizational policy and IRM 2.7.4.

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

No, the system 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.**

No, the system will not be used to identify or locate individuals or groups.

**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, this system does not provide the capability to monitor individuals or groups. IRS Users can only monitor the status of certificates filed.

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

No, this system will not 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?**

Yes, the application allows the user to generate two types of letters (Soft and Strong) that will be mailed to the affected tax payer. The Soft letter will afford the taxpayer the opportunity to amend/resubmit a completed certificate within a prescribed timeframe. A Strong letter will advise the taxpayer that the information they provided does not support their request for reduced 1446

withholding tax; as a result, the certificate is considered defective and they must adjust the Section 1446 tax to include the income originally reduced by the certificate.

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

No. The application is not web-based and does not use cookies or other tracking devices.

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