

Date of Approval: **December 15, 2021**

PIA ID Number: **6585**

SYSTEM DESCRIPTION

Enter the full name and acronym for the system, project, application and/or database.

Federal Contractor Tax Check System, FCTCS

Is this a new system?

Yes

What governance board or Executive Steering Committee (ESC) does this system report to? Full name and acronym.

Financial Services Governance Board (FS GB), Executive Steering Committee (ESC)

Current ELC (Enterprise Life Cycle) Milestones:

Project Initiation/Milestone 1

Domain Architecture/Milestone 2

Is this a Federal Information Security Management Act (FISMA) reportable system?

No

GENERAL BUSINESS PURPOSE

What is the general business purpose of this system? Provide a clear, concise description of the system, application or database, the reason for the system, and the benefits to the IRS to use the information, and how the information will be used.

Congress legislated the requirements for development of a Federal Contractor Tax Check System (FCTCS) in the Consolidated Appropriations Act of 2019. FCTCS allows business taxpayers seeking to contract with the Federal government, including sole proprietors, to request an electronic certificate stating whether they do or do not have a seriously delinquent tax debt. The FCTCS application will allow individuals authenticated by Secure Access Digital Identity (SADI) and verified as a responsible party of the business to request a tax check online by using the business authorization functionality being developed as part of the Authorization (AZ) framework. The delivery of the application is broken into two releases due to policy complexity. For Release 1, Internal Management Domain (IMD) Tax Compliance Program (TCP) will develop application services to integrate to Custodial Detail Database (CDDDB) to pull the businesses' tax delinquency data. IMD CDDDB will read Business Master File (BMF) data to verify the Balance-Due modules for all individual

Employer Identification Numbers (EINs) and Social Security Number (SSNs) needed to perform the tax check and identify any tax delinquencies. CDDDB will also run the unpaid assessment rules as required to provide data to TCP's Tax Compliance Check Service (TCCS) that will produce the electronic certificate. In release 2, the development of the electronic certificate and disclosure mechanism for the tax check will be defined and developed.

PII DETAILS

Does the system use, collect, receive, display, store, maintain, or disseminate IR Code 6103 taxpayer information: or any other type of Sensitive but Unclassified (SBU) information or PII such as information about IRS employees or outside stakeholders?

Yes

Does the system use, collect, receive, display, store, maintain, or disseminate Social Security Numbers (SSN's) or tax identification numbers (i.e., last 4 digits, etc.)?

Yes

What types of tax identification numbers (TIN) apply to this system?

Social Security Number (SSN)

List the approved Treasury uses of the SSN:

Legal/statutory basis (e.g., where collection is expressly required by statute)

Another compelling reason for collecting the SSN

Explain why the authorized use(s) above support the new or continued use of SSNs (or tax identification numbers).

FCTCS performs a tax check which requires access to tax records that are maintained in IRS systems by Taxpayer Identification Number (TIN). SSNs are permissible by Internal Revenue Code (IRC) 6109, which requires individual taxpayers to include their SSNs on their income tax returns.

Describe the planned mitigation strategy and forecasted implementation date to mitigate or eliminate the use of SSN's (or tax identification numbers).

The Office of Management and Budget Circular A-130 (Managing Information as a Strategic Resource, the circular is instructions or information issued by OMB to Federal agencies) requires that federal agencies develop a mitigation or elimination strategy for systems that use SSNs, which the IRS continues to develop strategies to meet. An exception to that requirement is when the SSN is uniquely needed to identify a user's record. FCTCS requires the use of an EIN/SSN to retrieve tax

records of the business because no other identifier can be used to uniquely identify a taxpayer at this time. SSNs are permissible from Internal Revenue Code (IRC) 6109, which requires individual taxpayers to include their SSNs on tax returns.

Employer Identification Number

Does this system use, collect, receive, display, store, maintain or disseminate other (non-SSN) PII (i.e., names, addresses, etc.)?

Yes

Specify the PII Elements:

Name

Tax Account Information

Does this system use, collect, receive, display, store, maintain, or disseminate SBU information that is not PII?

Yes

Specify the types of SBU from the SBU Types List:

Official Use Only (OUO) or Limited Official Use (LOU) Information designated as OUO or LOU is information that: is exempt under one of the statutory Freedom of Information Act exemptions; is prohibited by other laws or regulations; would significantly impede the agency in carrying out a responsibility or function; or would constitute an unwarranted invasion of privacy.

Protected Information Information which if modified, destroyed, or disclosed in an unauthorized manner could cause loss of life, loss of property or funds by unlawful means, violation of personal privacy or civil rights, gaining of an unfair procurement advantage by contractors bidding on government contracts, or disclosure of proprietary information entrusted to the Government.

Are there other types of SBU/PII used in the system?

No

Cite the authority for collecting SBU/PII (including SSN if relevant).

PII for federal tax administration is generally Internal Revenue Code Sections 6001, 6011, & 6012e(a)

SSN for tax returns and return information is Internal Revenue Code Section 6109

Has the authority been verified with the system owner?

Yes

BUSINESS NEEDS AND ACCURACY

Explain the detailed business needs and uses for the SBU/ PII, and how the SBU / PII is limited only to that which is relevant and necessary to meet the mission requirements of the system. If SSNs (or tax identification numbers) are used, explicitly explain why use of SSNs meets this criteria. Be specific.

FCTCS will provide an automated check for seriously delinquent tax debts based on requirements in the Federal Acquisition Regulation (FAR) for business taxpayers seeking a federal contract with a federal agency, other than the IRS. FCTCS is reporting tool that relies on existing tax records of sole proprietors and other businesses. No additional information is gathered, collected, or maintained by the IRS. FCTCS requires the use of a Taxpayer Identification Number (TIN) i.e., an EIN or SSN to retrieve the tax records of the business and perform the tax check. FCTCS is a non-record keeping system. The EIN/SSN of the business is entered by an authenticated individual who is validated as a responsible party on BMF, authorized to request the tax check for the business. Query of records in the Custodial Detail Database (CDDDB) will identify unpaid taxes with a balance due greater than zero, by tax year, type of tax, and whether there is a lien or levy on the account. This information is necessary for FCTCS to determine whether the business has unpaid tax debts exceeding \$52,000 and issue an electronic certification of seriously delinquent debt to the taxpayer pursuant to the FAR requirement.

How is the SBU/PII verified for accuracy, timeliness, and completion?

If an authenticated individual is not listed as responsible party in the BMF for the business, then the business authorization check will fail, and the user will not be passed to FCTCS to obtain a tax check certificate. The FCTCS tax check is not for purposes of tax administration and the results are not used by IRS to enforce or collect unpaid taxes. Unpaid tax liabilities reported by FCTCS are from the businesses master file tax account which is based on a tax assessment following established IRS procedures with due process rights afforded to the taxpayer. Tax records for the certificate are retrieved from the Custodial Detail Database (CDDDB) of the IRS which are timely and accurately maintained. CDDDB is a subsystem of the Financial Management Information System (FMIS). The taxpayer may follow established tax administration procedures to pay overdue tax liabilities, enter into an installment agreement or contact customer service for tax assistance.

PRIVACY ACT AND SYSTEM OF RECORDS

The Privacy Act requires Federal agencies that maintain a system of records to publish systems of records notices (SORNs) in the Federal Register for records from which information is retrieved by any personal identifier for an individual who is a US citizen, or an alien lawfully admitted for permanent residence. The Privacy Act also provides for criminal penalties for intentional noncompliance.

Does your application or this PCLIA system pertain to a group of any record from which information is retrieved by any personal identifier for an individual who is a US citizen, or an alien lawfully admitted for permanent residence? An identifier may be a symbol, voiceprint, SEID, or other personal identifier that is used to retrieve information.

Yes

Identify the Privacy Act SORN(s) that cover these records.

- IRS 34.037 Audit Trail and Security Records
- IRS 24.046 Customer Account Data Engine Business Master File
- IRS 26.019 Taxpayer Delinquent Account Files
- IRS 24.030 Customer Account Data Engine Individual Master File
- IRS 00.009 Taxpayer Assistance Center (TAC) Recorded Quality Review Records

RESPONSIBLE PARTIES

Identify the individuals for the following system roles:

Official Use Only

INCOMING PII INTERFACES

Does the system receive SBU/PII from other systems or agencies?

Yes

Does the system receive SBU/PII from IRS files and databases?

Yes

Enter the files and databases:

System Name: Tax Compliance Check Service (TCCS)
Current PCLIA: Yes
Approval Date: 4/1/2021
SA&A: Yes
ATO/IATO Date: 3/19/2021

System Name: Financial Management Information System (FMIS)/Custodial Detail
Database (CDDDB)
Current PCLIA: Yes
Approval Date: 10/5/2017
SA&A: Yes
ATO/IATO Date: 11/5/2020

System Name: Business Master File (BMF)
Current PCLIA: Yes
Approval Date: 9/22/2021
SA&A: Yes
ATO/IATO Date: 1/29/2018

Does the system receive SBU/PII from other federal agency or agencies?

No

Does the system receive SBU/PII from State or local agency (-ies)?

No

Does the system receive SBU/PII from other sources?

No

Does the system receive SBU/PII from Taxpayer forms?

No

Does the system receive SBU/PII from Employee forms (e.g., the I-9)?

No

DISSEMINATION OF PII

Does this system disseminate SBU/PII?

Yes

Does this system disseminate SBU/PII to other IRS Systems?

Yes

Identify the full name and acronym of the IRS system(s) that receive SBU/PII from this system.

System Name: Business Master File

Current PCLIA: Yes

Approval Date: 9/22/2021

SA&A: Yes

ATO/IATO Date: 1/29/2018

System Name: AZ (Authorization) Framework

Current PCLIA: No

SA&A: No

Identify the authority.

Business Master File (BMF)

For what purpose?

We are taking the PII and sending to Az Framework for the call to the Business Master File (BMF).

Does this system disseminate SBU/PII to other Federal agencies?

No

Does this system disseminate SBU/PII to State and local agencies?

No

Does this system disseminate SBU/PII to IRS or Treasury contractors?

No

Does this system disseminate SBU/PII to other Sources?

No

PRIVACY SENSITIVE TECHNOLOGY

Does this system use social media channels?

No

Does this system use privacy-sensitive technologies such as mobile, global position system (GPS), biometrics, RFID, etc.?

No

Does the system use cloud computing?

No

Does this system/application interact with the public?

Yes

Was an electronic risk assessment (e-RA) conducted on the system/application?

No

When will the e-RA be completed?

11/25/2022

INDIVIDUAL NOTICE AND CONSENT

Was/is notice provided to the individual prior to collection of information?

Yes

How is notice provided? Was the individual notified about the authority to collect the information, whether disclosure is mandatory or voluntary, the purpose for which the information will be used, with whom the information may be shared, and the effects on the individual, if any, if they decide not to provide all or any of the requested information?

The IRS notifies all individuals who file tax returns of such collection via the Privacy Act Notice which provides the legal right to ask for information under Internal Revenue Code sections 6001, 6011, and 6012(a), and their regulations. Requirements for FCTCS Release 2, which will detail the Disclosure of the Tax Check, are TBD. The requirement to provide notice to the individual prior to collection of information will be included.

Do individuals have the opportunity to decline from providing information and/or from consenting to particular uses of the information?

Yes

Describe the mechanism by which individuals indicate their consent choice(s):

For Release 1, only the back-end Business Authorization and tax check components will be deployed. Release 1 does not include the disclosure of any tax information. The front-end

user interface is to be determined and will be developed in FCTCS Release 2, authorization and consent will be address during Release 2.

How does the system or business process ensure 'due process' regarding information access, correction, and redress?

The FCTCS application displays existing tax account status to individuals. Due process to address tax liabilities and any federal tax delinquencies is afforded by the Internal Revenue Code and established IRS tax administration procedures.

INFORMATION PROTECTION

Identify the owner and operator of the system (could be IRS owned and operated; IRS owned, contractor operated; contractor owned and operated).

IRS Owned and Operated

The following people have access to the system with the specified rights:

IRS Employees

System Administrators: Administrator

How is access to SBU/PII determined and by whom?

Access to PII will be restricted to authenticated individuals by SADI in conjunction with the AZ Framework Business Authorization capability which will establish that the individual is a responsible party of the business entity and authorized to request a tax check of the business.

RECORDS RETENTION SCHEDULE

Are these records covered under a General Records Schedule (GRS, IRS Document 12829), or has the National Archives and Records Administration (NARA) approved a Records Control Schedule (RCS, IRS Document 12990) for the retention and destruction of official agency records stored in this system?

Yes

How long are the records required to be held under the corresponding GRS or RCS, and how are they disposed of? In your response, please provide the GRS or RCS chapter number, the specific item number, and records series title.

The exact records schedule is currently under review. RCS16, item 17 Custodial Audit Support Tracking System (CASTS).

SA&A OR ASCA

Has the system been through SA&A (Security Assessment and Authorization) or ASCA (Annual Security Control Assessment)?

No

Is the system secured in accordance with all applicable federal, treasury, and IRS security policy, procedures, and requirements?

Yes

Describe the system's audit trail.

FCTCS release 1 will not have a user interface. No Enterprise Security Audit Trail Auditing Services are needed since there are no end users in this release.

PRIVACY TESTING

Does the system require a System Test Plan?

Yes

Is the test plan completed?

No

When is the test plan scheduled for completion?

1/14/2022

Describe what testing and validation activities have been conducted or are in progress to verify and validate that the applicable Privacy Requirements (listed in header) have been met?

Testing will ensure that the FCTCS system provides the functionality specified in the user stories and system/program documentation. Testers gained access to the web application via Simple Object Access Protocol (SOAP-UI) web service, Using FCTCS Rest call and the queried results will be analyzed. Testing will be performed in the Site Acceptance Testing (SAT), Framework for Integrated Test (FIT), and Development (DEV) environments.

SBU DATA USE

Does this system use, or plan to use SBU Data in Testing?

No

NUMBER AND CATEGORY OF PII RECORDS

Identify the number of individual records in the system for each category:

IRS Employees: Not Applicable

Contractors: Not Applicable

Members of the Public: 100,000 to 1,000,000

Other: No

CIVIL LIBERTIES

Does the system maintain any information describing how any individual exercises their rights guaranteed by the First Amendment?

No

Is the system information used to conduct 'data-mining' as defined in the Implementing Recommendations of the 9/11 Commission Act of 2007, Public Law 110-53, Section 804?

No

Will this system have the capability to identify, locate, and monitor individuals or groups of people?

No

Does computer matching occur?

No

ACCOUNTING OF DISCLOSURES

Does the system include or require disclosure of tax or employee information to anyone other than IRS employees in the performance of their duties, or to the person to whom the information pertains or to a 3rd party pursuant to a Power of Attorney, tax, or Privacy Act consent?

No