

Date of Approval: **May 04, 2020**

PIA ID Number: **4683**

SYSTEM DESCRIPTION

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

Federal Unemployment Tax Act, FUTA

Is this a new system?

No

Is there a PCLIA for this system?

Yes

What is the full name, acronym and milestone of the most recent PCLIA?

Federal Unemployment Tax Act, FUTA 2195

What is the approval date of the most recent PCLIA?

3/21/2017

Changes that occurred to require this update:

Expiring PCLIA

Were there other system changes not listed above?

No

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

IT's Compliance Domain ESC

Current ELC (Enterprise Life Cycle) Milestones:

Operations & Maintenance (i.e. system is currently operational)

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

Yes

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.

The Federal Unemployment Tax Act (FUTA) provides a 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 minimum credit of 5.4% against the Federal tax of 6.0%, provided that all payments were made to the state by the due date. Employers who 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 Employer's Annual Federal Unemployment (FUTA) Tax Return and/or Form 1040 - Household Employment Tax 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.

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:

Interfaces with external entities that require the SSN

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

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

FUTA mainframe processes use batch applications to extract taxpayer data from the Individual Masterfile (IMF) and Business Masterfile (BMF) master files. This data is used as input into the FUTA Case Processing (FCP) system, so until the downstream processes are changed, no changes are expected in the data that is extracted.

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

FUTA mainframe processes use batch applications to extract taxpayer data from the IMF and BMF master files. This data is used as input into the FUTA FCP system, so until the downstream processes are changed, no changes are expected in the data that is extracted. The system requires the use of SSN's because no other identifier can be used to uniquely identify a taxpayer. SSNs are permissible from Internal Revenue Code (IRS) 6109, which requires individual taxpayers to include their SSNs on their 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:

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.

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.

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 minimum credit of 5.4% against the federal tax of 6.0%, provided that all payments were made to the states by the due date. Employers who payments are received by the states 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 the IRS uses to verify with the states that the credit claimed on the Form 940, Employer's Annual Federal Unemployment (FUTA) Tax Return and/or Schedule H, Form 1040 - Household Employment Tax, was actually paid into the state's unemployment funds. There are currently 53 participating agencies which encompass 50 states, the District of Columbia, Puerto Rico and the U.S. Virgin Islands. SSNs are permissible from Internal Revenue Code (IRS) 6109, which requires individual taxpayers to include their SSNs on their tax returns.

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

The information comes from various the IRS systems listed below. BMF is used to obtain employer information, such as EIN, Name, Address, Wage, Tax Amounts, and SSN on certain Schedule H. This information is obtained via batch processes from the IBM mainframe 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 Return(s) Processing (IRP) is used to obtained W-2G, and 1099R information. This information is obtained via batch processes from Payer Masterfile (PMF) to the FUTA UNIX back-end database.

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 24.046 Customer Account Data Engine Business Master File

IRS 24.030 Customer Account Data Engine Individual Master File

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: Payer Master File (PMF)

Current PCLIA: Yes

Approval Date: 3/9/2017

SA&A: Yes

ATO/IATO Date: 10/6/2016

System Name: Integrated Data Retrieval System (IDRS)
Current PCLIA: Yes
Approval Date: 10/1/2018
SA&A: Yes
ATO/IATO Date: 10/28/2018

System Name: Information Returns Processing (IRP)
Current PCLIA: Yes
Approval Date: 3/9/2017
SA&A: Yes
ATO/IATO Date: 11/18/2016

System Name: Business Master File (BMF)
Current PCLIA: Yes
Approval Date: 8/27/2018
SA&A: Yes
ATO/IATO Date: 3/12/2018

System Name: Integrated Production Module (IPM)
Current PCLIA: Yes
Approval Date: 10/27/2017
SA&A: Yes
ATO/IATO Date: 4/1/2016

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)?

Yes

For each state and local interface identify the organization that sends the SBU/PII, how the SBU/PII is transmitted and if there is an Inter-Agency Agreement (ISA) /Memorandum of Understanding (MOU).

Organization Name: Alaska Department of Revenue
Transmission Method: Data Transmission
ISA/MOU Yes

Organization Name: Alabama Department of Revenue
Transmission Method: Data Transmission
ISA/MOU Yes

Organization Name: Arkansas Dept. of Finance and Administration
Transmission Method: Data Transmission
ISA/MOU Yes

Organization Name: Arizona Department of Revenue
Transmission Method: Data Transmission
ISA/MOU Yes

Organization Name: Colorado Department of Revenue
Transmission Method: Data Transmission
ISA/MOU Yes

Organization Name: Connecticut Department of Revenue
Transmission Method: Data Transmission
ISA/MOU Yes

Organization Name: District of Columbia Office of Tax and Revenue
Transmission Method: Data Transmission
ISA/MOU Yes

Organization Name: Delaware Division of Revenue
Transmission Method: Data Transmission
ISA/MOU Yes

Organization Name: Florida Department of Revenue
Transmission Method: Data Transmission
ISA/MOU Yes

Organization Name: Georgia Department of Revenue
Transmission Method: Data Transmission
ISA/MOU Yes

Organization Name: Mississippi Department of Revenue
Transmission Method: Data Transmission
ISA/MOU Yes

Organization Name: Montana Department of Revenue
Transmission Method: Data Transmission
ISA/MOU Yes

Organization Name: North Carolina Department of Revenue
Transmission Method: Data Transmission
ISA/MOU Yes

Organization Name: North Dakota Office of State Tax Commissioner
Transmission Method: Data Transmission
ISA/MOU Yes

Organization Name: Puerto Rico Department of Treasury
Transmission Method: Data Transmission
ISA/MOU Yes

Organization Name: Virgin Islands Bureau of Internal Revenue
Transmission Method: Data Transmission
ISA/MOU Yes

Organization Name: Indiana Department of Revenue
Transmission Method: Data Transmission
ISA/MOU Yes

Organization Name: Kansas Department of Revenue
Transmission Method: Data Transmission
ISA/MOU Yes

Organization Name: Maryland Department of Assessments and Taxation
Transmission Method: Data Transmission
ISA/MOU Yes

Organization Name: Maine Revenue Services
Transmission Method: Data Transmission
ISA/MOU Yes

Organization Name: Michigan Department of Treasury
Transmission Method: Data Transmission
ISA/MOU Yes

Organization Name: Minnesota Department of Revenue
Transmission Method: Data Transmission
ISA/MOU Yes

Organization Name: Missouri Department of Revenue
Transmission Method: Data Transmission
ISA/MOU Yes

Organization Name: Nebraska Department of Revenue
Transmission Method: Data Transmission
ISA/MOU Yes

Organization Name: New Hampshire Department of Revenue Administration
Transmission Method: Data Transmission
ISA/MOU Yes

Organization Name: New Jersey Division of Taxation
Transmission Method: Data Transmission
ISA/MOU Yes

Organization Name: New Mexico Taxation and Revenue Department
Transmission Method: Data Transmission
ISA/MOU No

Organization Name: Nevada Department of Taxation
Transmission Method: Data Transmission
ISA/MOU Yes

Organization Name: New York Department of Taxation and Finance
Transmission Method: Data Transmission
ISA/MOU Yes

Organization Name: Ohio Department of Taxation
Transmission Method: Data Transmission
ISA/MOU Yes

Organization Name: Oklahoma Tax Commission
Transmission Method: Data Transmission
ISA/MOU Yes

Organization Name: Oregon Department of Revenue
Transmission Method: Data Transmission
ISA/MOU Yes

Organization Name: Pennsylvania Department of Revenue
Transmission Method: Data Transmission
ISA/MOU Yes

Organization Name: South Carolina Department of Revenue
Transmission Method: Data Transmission
ISA/MOU Yes

Organization Name: Vermont Department of Taxes
Transmission Method: Data Transmission
ISA/MOU No

Organization Name: Washington Department of Revenue
Transmission Method: Data Transmission
ISA/MOU Yes

Organization Name: Wisconsin Department of Revenue
Transmission Method: Data Transmission
ISA/MOU Yes

Organization Name: West Virginia State Tax Department
Transmission Method: Data Transmission
ISA/MOU Yes

Organization Name: California Franchise Tax Board
Transmission Method: Data Transmission
ISA/MOU Yes

Organization Name: Hawaii Department of Revenue
Transmission Method: Data Transmission
ISA/MOU Yes

Organization Name: Iowa Department of Revenue
Transmission Method: Data Transmission
ISA/MOU Yes

Organization Name: Idaho State Tax Commission
Transmission Method: Data Transmission
ISA/MOU Yes

Organization Name: Illinois Department of Revenue
Transmission Method: Data Transmission
ISA/MOU Yes

Organization Name: Kentucky Department of Revenue
Transmission Method: Data Transmission
ISA/MOU Yes

Organization Name: Louisiana Department of Revenue
Transmission Method: Data Transmission
ISA/MOU Yes

Organization Name: Massachusetts Department of Revenue
Transmission Method: Data Transmission
ISA/MOU Yes

Organization Name: South Dakota Department of Revenue
Transmission Method: Data Transmission
ISA/MOU Yes

Organization Name: Tennessee Department of Revenue
Transmission Method: Data Transmission
ISA/MOU Yes

Organization Name: Texas Comptroller of Public Accounts
Transmission Method: Data Transmission
ISA/MOU Yes

Organization Name: Utah State Tax Commission
Transmission Method: Data Transmission
ISA/MOU Yes

Organization Name: Virginia Department of Taxation
Transmission Method: Data Transmission
ISA/MOU Yes

Organization Name: Wyoming Department of Revenue
Transmission Method: Data Transmission
ISA/MOU Yes

Does the system receive SBU/PII from other sources?

No

Does the system receive SBU/PII from Taxpayer forms?

Yes

Please identify the form number and name:

Form Number: Form 940 Form Name: Employer's Annual Federal Unemployment (FUTA) Tax Return

Form Number: Form 1040 Form Name: Household Employment Tax Schedule H

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

No

DISSEMINATION OF PII

Does this system disseminate SBU/PII?

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?

No

INDIVIDUAL NOTICE AND CONSENT

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

No

Why not? If information is not collected directly from an individual, please discuss the factors considered in deciding to collect information from third party sources.

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. Notice, consent and due process are provided pursuant to 5 USC.

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

No

Why not?

The information within FUTA comes from various IRS Systems and forms. Those systems and forms provide the Privacy Act Notice to individuals. FUTA does not directly provide individuals the opportunity to decline from providing information and/or from consenting to particular uses of the information. Notice, consent and due process are provided pursuant to 5 USC.

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

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. Notice, consent and due process are provided pursuant to 5 USC.

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

Users: Read Only

Managers: Read Only

System Administrators: Read Only

Developers: Read Only

How is access to SBU/PII 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.

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.

RCS 29 Item 65-Employment Tax Returns-Destroy 6 years after end of processing year.
GRS 1.1 Item 020-Records supporting compilation of agency financial statements and related audit, and all records of all other reports-Destroy 2 years after completion of audit or closure of financial statement/accounting treatment/ issue, but longer retention is authorized if required for business use.

SA&A OR ASCA

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

In-process

When is the anticipated date of the SA&A or ACS completion?

1/8/2020

Describe the system's audit trail.

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.

PRIVACY TESTING

Does the system require a System Test Plan?

Yes

Is the test plan completed?

Yes

Where are the test results stored (or documentation that validation has occurred confirming that requirements have been met)?

DocIT

Were all the Privacy Requirements successfully tested?

Yes

Are there any residual system privacy, civil liberties, and/or security risks identified that need to be resolved?

Yes

Please describe the outstanding issues:

All unit and system testing were completed as outlined in the system test plan. All requirements were met.

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?

All unit and system testing were completed as outlined in the system test plan. All requirements were met.

SBU DATA USE

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

Yes

Was permission granted per the requirements of Form 14664, SBU Data Use Questionnaire or Form 14665, SBU Data Use Request?

Yes

Provide the date the permission was granted.

8/22/2019

Was testing performed in conformance with IRM 10.8.8 Information Technology (IT) Security, Sensitive But Unclassified (SBU) Data Policy?

Yes

NUMBER AND CATEGORY OF PII RECORDS

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

IRS Employees: Under 50,000

Contractors: Not Applicable

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

Other: Yes

Identify the category of records and the number of corresponding records (to the nearest 10,000).

N/A

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