

Date of Submission: December 3, 2015

PIA ID Number: **1563**

A. SYSTEM DESCRIPTION

1. Enter the full name and acronym for the system, project, application and/or database. Federal Unemployment Tax Act , FUTA

2. Is this a new system? No

2a. If **no**, is there a PIA for this system? Yes

If **yes**, enter the full name, acronym, PIA ID Number and milestone of the most recent PIA.

Federal Unemployment Tax Act , FUTA,343

Next, enter the **date** of the most recent PIA. 1/8/2013

Indicate which of the following changes occurred to require this update (check all that apply).

<u>No</u>	Addition of PII
<u>No</u>	Conversions
<u>No</u>	Anonymous to Non-Anonymous
<u>Yes</u>	Significant System Management Changes
<u>No</u>	Significant Merging with Another System
<u>Yes</u>	New Access by IRS employees or Members of the Public
<u>No</u>	Addition of Commercial Data / Sources
<u>No</u>	New Interagency Use
<u>No</u>	Internal Flow or Collection

Were there other system changes not listed above? No

3. Check the current ELC (Enterprise Life Cycle) Milestones (select all that apply)

<u>No</u>	Vision & Strategy/Milestone 0
<u>No</u>	Project Initiation/Milestone 1
<u>No</u>	Domain Architecture/Milestone 2
<u>No</u>	Preliminary Design/Milestone 3
<u>No</u>	Detailed Design/Milestone 4A
<u>Yes</u>	System Development/Milestone 4B
<u>No</u>	System Deployment/Milestone 5
<u>No</u>	Operations & Maintenance (i.e., system is currently operational)

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

A.1 General Business Purpose

5. 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 and/or Schedule H was actually paid into the state's unemployment funds. There are currently 53 states participating agencies which encompass the 50 states, the District of Columbia, Puerto Rico, and the U.S. Virgin Islands.

B. PII DETAIL

6. Does the system use, collect, receive, display, store, maintain, or disseminate IR Code 6103 taxpayer information; or any type of Sensitive but Unclassified (SBU) or Personally Identifiable Information (PII)? Yes

6a. If **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

If **yes**, check who the SSN (or tax identification number) is collected on.

Yes On Primary Yes On Spouse Yes On Dependent

If **yes**, check all types SSN s (or tax identification numbers) that apply to this system:

Yes Social Security Number (SSN)
Yes Employer Identification Number (EIN)
Yes Individual Taxpayer Identification Number (ITIN)
Yes Taxpayer Identification Number for Pending U.S. Adoptions (ATIN)
Yes Practitioner Tax Identification Number (PTIN)

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.

6b. Does this system contain other (non-SSN) PII that it uses, collects, receives, displays, stores, maintains, or disseminates? (i.e. Names, addresses, etc.) No

6c. Does this system contain SBU information that is not PII, it uses, collects, receives, displays, stores, maintains, or disseminates? No

6d. Are there other types of SBU/PII used in the system? No

6e. Cite the authority for collecting SBU/PII (including SSN if relevant)

Yes PII for federal tax administration is generally Internal Revenue Code Sections 6001, 6011, 6012e(a)
Yes SSN for tax returns and return information is Internal Revenue Code Section 6109
No SSN for personnel administration (IRS Employees) is 5 USC & Executive Order 9397
No PII for personnel administration is 5 USC

No PII about individuals for Bank Secrecy Act compliance 31 USC
No Information by CI for certain money laundering cases may be 18 USC

6f. Has the authority been verified with the system owner? Yes

B.1 BUSINESS NEEDS AND ACCURACY

7. 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 state by the due date. Employers whose 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 and/or Schedule H was actually paid into the state's unemployment funds. There are currently 53 states participating agencies which encompass the 50 states, the District of Columbia, Puerto Rico, and the U.S. Virgin Islands.

8. How is the SBU/PII verified for accuracy, timeliness, and completeness? Explain how steps are taken to ensure that all information maintained by the system that is used by IRS to make any adverse determination about an individual's rights, benefits, and/or privileges is maintained with such accuracy, relevance, timeliness, and completeness as is reasonably necessary to assure fairness to the individual in the determination

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. AUR is used to obtain the PAL that provides a listing of duplicate W-2's, or information that is reported multiple times. This information is obtained via batch processes from AUR to the FUTA Unix back-end database. 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. IRP is used to obtain W-2G, and 1099R information. This information is obtained via batch processes from PMF to the FUTA UNIX back-end database.

C. PRIVACY ACT AND SYSTEM OF RECORDS

9. Are 10 or more records containing SBU/PII maintained, stored, and/or transmitted by or through this system? Yes

9a. If **yes**, are records in the system retrieved by any personal identifier (e.g., name, SSN, Photograph, IP Address) for an individual? Yes

If **yes**, is there a System of Records Notice(s) or SORNs that addresses the PII records in this system? Yes

If **yes**, enter the SORN number(s) and the complete the name of the SORN.

SORNS Number

SORNS Name

Treasury/IRS 24.046 Business Master File

Treasury/IRS 34.037 IRS Audit Trail and Security Records System

If **yes**, does the System of Records Notice(s) (SORN) published in the Federal Register adequately describe the records as required by the Privacy Act? Yes

D. RESPONSIBLE PARTIES

10. Identify the individuals for the following system roles. N/A

E. INCOMING PII INTERFACES

11. Does the system receive SBU/PII from other system or agencies? No

F. PII SENT TO EXTERNAL ORGANIZATIONS

12. Does this system disseminate SBU/PII? No

G. PRIVACY SENSITIVE TECHNOLOGY

13. Does this system use social media channels? No

14. Does this system use privacy-sensitive technologies such as mobile, cloud, global position system (GPS), biometrics, RFID, etc.? No

15. Does the system use cloud computing? No

16. Does this system/application interact with the public? No

H. INDIVIDUAL NOTICE AND CONSENT

17. Was/is notice provided to the individual prior to collection of information? No

17b. If **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.

18. Do individuals have the opportunity to decline from providing information and/or from consenting to particular uses of the information? No

18b. If no, why not? N/A. 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.

19. 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.

I. INFORMATION PROTECTION

20. 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

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

IRS Employees? Yes

<u>IRS Employees?</u>	Yes/No	Access Level(Read Only/Read Write/Administrator)
Users	Yes	Read-Only
Managers	Yes	Read-Only
Sys. Administrators	Yes	Read-Only
Developers	Yes	Read-Only

Contractor Employees? No

<u>Contractor Employees?</u>	Yes/No	Access Level	Background Invest.
Contractor Users			
Contractor Managers			
Contractor Sys. Admin.			
Contractor Developers			

21a. 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.

21b. If computer matching occurs, can the business owner certify that it meets requirements of IRM 11.3.39 Disclosure of Official Information, Computer Matching & Privacy Protection Act ?
Yes

I.1 RECORDS RETENTION SCHEDULE

22. Are these records covered under the General Records Schedule (GRS), or have a National Archives and Records Administration (NARA) archivist approved a Record Control Schedule (RCS) for the retention and destruction of official agency records stored in this system? Yes

22a. If **yes**, how long are the records required to be held under the corresponding RCS and how are they disposed of? In your response, please include the complete IRM number 1.15.XX and specific item number and title.

FUTA data is currently approved for deletion when 1-year old or when no longer needed for administrative, legal, audit, and other operational purposes, whichever is sooner (Job No. N1-58-97-13). Retention requirements for FUTA inputs, outputs and system documentation are also stipulated under NARA-approved authority and published as item 11 in IRM 1.15.35 (Records Control Schedule 35 for Tax Administration - System (Electronic). However, in reviewing FUTA recordkeeping practices for completion of this PIA, system owners and the IRS Records Office determined that a re-evaluation is in order. SBSE and the Records Office will work together to validate and potentially update FUTA dispositions to better fit current data collection activities and maintenance needs.

I.2 SA&A OR ECM-R

23. Has the system been through SA&A (Security Assessment and Authorization) or ECM-R (Enterprise Continuous Monitoring Reauthorization)? Yes

23a. If **yes**, what date was it completed? 1/8/2013

23.1 Describe in detail the system s audit trail. Manual reviews are preformed 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.

J. PRIVACY TESTING

24. Does the system require a System Test Plan? Yes

24b. If **yes**, Is the test plan in process or completed: Completed

24.3 If **completed/ or in process**, 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 was completed as outlined in the system test plan. All requirements were met.

24b.1. If **completed**, where are the test results stored (or documentation that validation has occurred confirming that requirements have been met)? DocIT

24b.2. If **completed**, were all the Privacy Requirements successfully tested? Yes

24.2 If **completed**, are there any residual system privacy, civil liberties, and/or security risks identified that need to be resolved? No

K. SBU Data Use

25. Does this system use, or plan to use SBU Data in Testing? Yes
25a. If **yes**, was permission granted per the requirements of Form 14664, SBU Data Use Questionnaire or Form 14665, SBU Data Use Request? Yes
If **yes**, provide the date the permission was granted. 10/7/2015
25b. If **yes**, was testing performed in conformance with IRM 10.8.8 Information Technology (IT) Security, Sensitive But Unclassified (SBU) Data Policy? Yes

L. NUMBER AND CATEGORY OF PII RECORDS

26. Identify the number of individual records in the system for each category:
- | | |
|-----------------------------|-----------------------------|
| 26a. IRS Employees: | <u>Under 50,000</u> |
| 26b. Contractors: | <u>Not Applicable</u> |
| 26c. Members of the Public: | <u>100,000 to 1,000,000</u> |
| 26d. Other: | <u>No</u> |

M. CIVIL LIBERTIES

27. Does the system maintain any information describing how any individual exercises their rights guaranteed by the First Amendment? No
28. Is the system information used to conduct data-mining as defined in the *Implementing the 9/11 Commission Recommendations Act of 2007, Public Law 110-53, Section 804*? No
29. Will this system have the capability to identify, locate, and monitor individuals or groups of people? No

N. ACCOUNTING OF DISCLOSURES

30. 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

End of Report
