

Date of Approval:
Questionnaire Number: 1865

Basic Information/Executive Summary

What is the name of your project (system, database, pilot, product, survey, social media site, etc.)?

yK1 Readiness

Acronym:
yK1

Business Unit
Research Applied Analytics and Statistics

Preparer
For Official Use Only

Subject Matter Expert
For Official Use Only

Program Manager
For Official Use Only

Designated Executive Representative
For Official Use Only

Executive Sponsor
For Official Use Only

Executive Summary: Provide a clear and concise description of your project and how it will allow the IRS to achieve its mission.

The YK1 Readiness (yK1 Application Suite) is the primary IRS tool/application to examine Pass Through Entities (PTEs) - PTEs are also called Flow Through Entities. This application suite - developed in the Research, Applied Analytics and Statistics (RAAS) division- provides three sub-applications to the users:

1. yK1: Provides visual display of connections between PTEs such as partnerships (Form 1065), subchapter S corporations (Form 1120S), trusts (Form 1041), and other taxable owners (e.g., individuals filing 1040, corporations filing 1120, etc.).
2. Tier Structure Tool (TST): Traces ownership structure through tiers to ultimate partners. Trace stops when percent of allocation drops below user specified level. Generates 3 Excel reports of partnership data with varying levels of detail.

3. Build out Tool (BoT): Minimizes the number of investors included in the ownership structure based on one of four optimization requirements. Prunes TST reports to optimize report writing resources. Generates TST-style reports for the pruned graphs.

The connections (or relationships) between entities are based on schedule K-1 and can be deeply nested. Such nested structures can be difficult to understand and analyze based solely on an entity's tax return. Further, such tiered relationships can easily lend themselves to questionable and potentially abusive schemes that can hide, offset or otherwise manipulate taxable income. This application helps examiners and researchers visually understand and analyze the complete structure of an entity. As the primary Internal Revenue Service (IRS) tool to examine and analyze flow-through entities, this application benefits users from Large Business and International (LB&I), Small Business Self Employed (SBSE), Chief Counsel, and other IRS divisions.

yK1 provides significant cost savings to the IRS in terms of labor hours that would otherwise be needed to manually make connections. yK1 has also assisted the IRS in assessments (e.g., assisted in assessments of over \$1B in Tax Year 2017).

Personally Identifiable Information (PII)

Will this project use, collect, receive, display, store, maintain, or disseminate any type of Sensitive but Unclassified (SBU), Personally Identifiable Information (PII), or Federal Tax Information (FTI)?

Yes

Please explain in detail how this project uses sensitive data from inception to destruction (data lifecycle).

yK1 stores the data received from upstream sources into a database. The application shows the data in the database to users in the form of a visual or in the form of an excel report.

Please select all types of Sensitive but Unclassified data (SBU)/Personally Identifiable Information (PII)/Federal Tax Information (FTI) that this project uses.

Address

Federal Tax Information (FTI)

Individual Taxpayer Identification Number (ITIN)

Name

Social Security Number (including masked or last four digits)

Tax ID Number

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

PII for federal tax administration - generally IRC Sections 6001 6011 or 6012

SSN for tax returns and return information - IRC section 6109

Product Information (Questions)

1 Is this PCLIA a result of the Inflation Reduction Act (IRA)?

No

2 What type of project is this (system, project, application, database, pilot/proof of concept/prototype, power platform/visualization tool)?

Web-based application

3 What Tier designation has been applied to your system?

1

4 Is this a new system?

No

4.1 Is there a previous Privacy and Civil Liberties Impact Assessment (PCLIA) for this project?

Yes

4.11 What is the previous PCLIA number?

6697

4.12 What is the previous PCLIA title (system name)?

yK1 Readiness

4.2 You have indicated this is not a new system; explain what has or will change and why. (Expiring PCLIA, changes to the PII or use of the PII, etc.)

Expiring existing PCLIA on 3/8/2025.

5 Is this system considered a child system/application to another (parent) system?

No

6 Indicate what OneSDLC State is the system in (Allocation, Readiness, Execution) or indicate if you go through Information Technology's (IT) Technical Insertion Process and what stage you have progressed to.

Execution

7 Is this a change resulting from the OneSDLC process?

No

8 Please provide the full name and acronym of the governance board or Executive Steering Committee (ESC) this system reports to.

Chief Information and Data Officer, Research, Applied Analytics and Statistics (RAAS)

9 If the system is on the As-Built-Architecture (ABA), what is the ABA ID number of the system? If this PCLIA covers multiple applications shown on the ABA, please indicate the ABA ID number(s) for each application covered separated by a comma. If the system is not in the ABA, then contact the ABA (<https://ea.web.irs.gov/aba/index.html>) for assistance.

211180

10 If this system discloses any PII to any third party outside the IRS, does the system have a process in place to account for such disclosures in compliance with IRC 6103(p)(3)(A) or Subsection c of the Privacy Act?

Yes

11 Does your project/system involve any use of artificial intelligence (AI), including virtual assistant, chat bot, and robotic process automation, as defined in Executive Order 13960 and 14110?

No

12 Does this system use cloud computing?

No

13 Does this system/application interact with the public?

No

14 Describe the business process allowing an individual to access or correct their information. (Due Process)

The information is not collected directly from individuals. The information collected as part of the application is the information obtained from various IRS databases and files, which in turn are tax forms filed by tax entities.

15 Is this system owned and/or operated by a contractor?

Yes

16 Identify what role(s) the IRS and/or the contractor(s) performs; indicate what access level (to this system's PII data) each role is entitled to. (Include details about completion status and level of access of the contractor's background investigation was approved for.)

IRS Users - Read-Only

IRS Managers - Read-Only

IRS Sys. Administrators - Administrator

IRS Developers - Read and Write

Contractor Users - Read-Only - Background Investigation level – Moderate

Contractor Managers - Read-Only - Background Investigation level - Moderate

Contractor Sys. Administrators - Administrator - Background Investigation level - Moderate

Contractor Developers - Read and Write -Background Investigation level -
Moderate

17 The Privacy Act of 1974 (5 USC § 552a(e)(3)) requires each agency that maintains a system of records, to inform each individual requested to supply information about himself or herself. Please provide the Privacy Act Statement presented by your system or indicate a Privacy Act Statement is not used and individuals are not given the opportunity to consent to the collection of their PII.

Not applicable: yK1 uses information collected by the IRS. Privacy Act Statement is not used, and individuals are not given the opportunity to consent to the collection of their PII. Information collected is part of the tax return.

18 How many records in the system are attributable to IRS Employees? Enter "Under 50,000", "50,000 to 100,000", "More than 100,000" or "Not Applicable".

Not Applicable

19 How many records in the system are attributable to contractors? Enter "Under 5,000", "5,000 to 10,000", "More than 10,000" or "Not Applicable".

Under 5,000

20 How many records in the system are attributable to members of the public? Enter "Under 100,000", "100,000 to 1,000,000", "More than 1,000,000" or "Not applicable".

More than 1,000,000

21 Identify any "other" records categories not attributable to the categories listed above; identify the category and the number of corresponding records, to the nearest 10,000; if no other categories exist, enter "Not Applicable".

Not Applicable

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

The yK1 system utilizes the standard IRS on-line access application to document approvals for access. Data access is granted on a need-to-know basis. A potential user must submit a request for access to their local management for approval. Users are not permitted access without a signed form from an authorized management official. Specific permissions (Read, Write, Modify, Delete, and/or Print) are defined on the form and set (activated) by the System Administrator prior to the user being allowed access. User privileges and user roles determine the types of data that each user has access to. Management monitors system access and removes permissions when individuals no longer require access. Users are assigned to specific modules of the application and specific roles within the modules and accounts follow the principle of least privilege which provide them the least amount of access to PII/SBU data that is required to perform their business function after receiving appropriate approval.

23 Is there a data dictionary on file for this system? Note: Selecting "Yes" indicates an upload to the Attachment Section is required.

No

24 Explain any privacy and civil liberties risks related to privacy controls.

Not Applicable

25 Please upload all privacy risk finding documents identified for the system (Audit trail, RAFT, POA&M, Breach Plan, etc.); click "yes" to confirm upload(s) are complete.

Yes

26 Describe this system's audit trail in detail. Provide supporting documents.

Every time a yK1 user accesses the application for investigating a tax entity, the following information about the request is collected: 1. The username of the user 2. The time of access 3. The Tax Identification Number (TIN) of the entity being investigated 4. TINs of all the tax entities returned as a result of the access 5. All system-level information that went into processing the request. This data is then forwarded via SPLUNK to cybersecurity for further processing.

27 Does this system use or plan to use SBU data in a non-production environment?

Yes

27.1 Please upload the Approved Email and one of the following SBU Data Use Forms, Questionnaire (F14664) or Request(F14665) or the approved Recertification (F14659). Select Yes to indicate that you will upload the Approval email and one of the SBU Data Use forms.

Yes

Interfaces

Interface Type

IRS Systems, file, or database

Agency Name

CDW

Incoming/Outgoing

Incoming (Receiving)

Transfer Method

Secure File Transfer Protocol (SFTP)

Interface Type

IRS Systems, file, or database

Agency Name

Individual Masterfile

Incoming/Outgoing

Incoming (Receiving)

Transfer Method

Secure File Transfer Protocol (SFTP)

Other Transfer Method

file transfer protocol

Interface Type

IRS Systems, file, or database

Agency Name

Return Information Control System (RICS) Database

Incoming/Outgoing

Incoming (Receiving)

Transfer Method

Application to Application (A2A)

Interface Type

IRS Systems, file, or database

Agency Name

Business Masterfile

Incoming/Outgoing

Incoming (Receiving)

Transfer Method

Secure File Transfer Protocol (SFTP)

Interface Type

IRS or Treasury Contractor

Agency Name

LB&I Datamart

Incoming/Outgoing

Incoming (Receiving)

Transfer Method

Application to Application (A2A)

Interface Type

IRS Systems, file, or database

Agency Name

Cybersecurity/SPLUNK

Incoming/Outgoing

Outgoing (Sending)

Transfer Method
Secure File Transfer Protocol (SFTP)

Interface Type
IRS Systems, file, or database

Agency Name
OTSA (Office of Tax Shelter Analysis)

Incoming/Outgoing
Incoming (Receiving)

Transfer Method
Secure email/Zixmail

Systems of Records Notices (SORNs)

SORN Number & Name
IRS 42.021 - Compliance Programs and Projects Files
Describe the IRS use and relevance of this SORN.
need description of use of this SORN

SORN Number & Name
IRS 34.037 - Audit Trail and Security Records
Describe the IRS use and relevance of this SORN.
To identify and track any unauthorized accesses to sensitive but unclassified information and potential breaches or unauthorized disclosures of such information or inappropriate use of government computers to access Internet sites for any purpose forbidden by IRS policy (e.g., gambling, playing computer games, or engaging in illegal activity), or to detect electronic communications sent using IRS systems in violation of IRS security policy.

SORN Number & Name
IRS 24.030 - Customer Account Data Engine Individual Master File
Describe the IRS use and relevance of this SORN.
Need description of use of this SORN

SORN Number & Name
IRS 24.046 - Customer Account Data Engine Business Master File
Describe the IRS use and relevance of this SORN.
Need description of use of this SORN

Records Retention

What is the Record Schedule System?

General Record Schedule (GRS)

What is the retention series title?

Link Analysis Tool (YK1)

What is the GRS/RCS Item Number?

RCS 27, item 53

What type of Records is this for?

Electronic

Please provide a brief description of the chosen GRS or RCS item.

Title 5

What is the disposition schedule?

16 years after processing year or when no longer needed for operational purposes, whichever is later.