Date of Approval: **October 21, 2020**

PIA ID Number: **4779**

SYSTEM DESCRIPTION

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

1042-S Data Integrity, 1042S DI

Is this a new system?

Yes

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

Assigned to the Sustaining Operations Executive Steering Committee (SO ESC). Requesting the GB for a POC (Point of Contact) for the project. Received approval to the Cloud Governance Board (C GB) on 7/22/2020.

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.

Currently, the IRS receives approximately five to six million electronically filed F1042S per year. Data on these forms are the foundation for IRS campaigns to enforce withholding of tax payments from non-resident aliens. Under the intergovernmental agreements that implemented FATCA, the IRS is obligated to exchange certain F1042S data with over 40 jurisdictions. LB&I has found large volumes of forms with errors that can be easily detected or flag with algorithms. Our treaty partners have also remarked that the data we exchanged is inconsistent and difficult to use. We are developing the software that withholding agents (e.g., financial institutions, universities, casinos) could use to review data from either a single form via manual input, or in bulk in electronic format, before submitting it to the IRS.

Operating like a pre-audit, the program would produce reports listing identifiable reporting errors and potential errors. LB&I compliance would also like to be able to use the program in-house on data after it has been submitted to the IRS. This application would not play a role in the transmission or receipt of data between withholding agents and the IRS. It is an internal quality control tool when used by the withholding agent and error detection tool when used by the IRS. It's conceivable that this application might check for some of the same errors that the IRS looks for upon transmission, but those would be very few. This application will spot many more potential errors and inconsistencies that we couldn't check for on transmission. This program will save the IRS a significant amount of resources in both exam and processing of F1042S credit matching and would help address the concerns raised by our treaty partners regarding data quality.

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?

Employer Identification Number

Other Taxpayer 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

Mailing address

Phone Numbers

E-mail Address

Date of Birth

Internet Protocol Address (IP Address)

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

No

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

Yes

Describe the other types of SBU/PII that are applicable to this system.

Names, addresses, date of birth.

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)

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 tool/software is designed to collect information on Form 1042-S (which contains PII) to validate against field formats, complex business rules with field interdependencies, and lookups to verify a larger set of values such as the Global Intermediary Identification Number (GIIN). Then the tool would produce a report listing errors/potential errors it detected for the withholding agents (i.e. taxpayers) to correct prior to filing those 1042-S with the IRS. The system will purge all data 90 days after this report is issued. Therefore, the IRS or its personnel wouldn't be able to view this PII. It's between the withholding agents (i.e. taxpayers) and the tool only.

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

As mentioned in #7, the tool/software is designed to collect information on Form 1042-S (which contains PII) to validate against field formats, complex business rules with field interdependencies, and lookups to verify a larger set of values such as the Global Intermediary Identification Number (GIIN).

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 22.026   Form 1042S Index by Name of Recipient

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?

No

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?

Yes

Please identify the form number and name:

Form Number: 1042-S   Form Name: Foreign Person's U.S. Source Income Subject to Withholding

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?

Yes

Is the cloud service provider (CSP) Federal Risk and Authorization Management Program (FedRAMP) certified?

Yes

Date Certified

3/11/2020

Please identify the ownership of the CSP data.

Third Party

Does the CSP allow auditing?

Yes

Who audits the CSP Data?

3rd Party

What is the background check level required for CSP?

None

Is there a breach/incident plan on file?

Yes

Privacy laws (including access and ownership) can differ in other countries. This cloud will be Continental US (CONUS) only for:

Storage

Maintenance

Does this system/application interact with the public?

Yes

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

Yes

When was the e-RA completed?

6/19/2020

What was the approved level of authentication?

Level 2: Some confidence in the asserted identity's validity
Confidence based on Single Factor Identity Validation

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?

Privacy Policy (posted at Login page) This tool was developed under a contract with the Internal Revenue Service (IRS). The IRS is providing this tool free-of-charge to assist withholding agents in complying with their reporting and withholding responsibilities with respect to IRS Form 1042-S (Foreign Person's U.S. Source Income Subject to Withholding). This tool performs a quality review of the Form 1042-S data before submission to the IRS. This tool does not in any way change a withholding agent's obligations to file with the IRS and furnish a copy of the Form 1042-S to the payee. The withholding agent will be responsible for making any necessary changes to the data on the agent's system of records before submission to the IRS. The data sent to this tool will be purged after reports are generated listing possible inconsistences. The IRS will monitor use of the program and collect only demographic data for education and outreach purposes.

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):

Privacy Policy (posted at Login page) This tool was developed under a contract with the Internal Revenue Service (IRS). The IRS is providing this tool free-of-charge to assist withholding agents in complying with their reporting and withholding responsibilities with respect to IRS Form 1042-S (Foreign Person's U.S. Source Income Subject to Withholding). This tool performs a quality review of the Form 1042-S data before submission to the IRS. This tool does not in any way change a withholding agent's obligations to file with the IRS

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

The 1042-S data submitted by the user can only be access/seen by that user. The information is masked/unreadable to everyone else, including the vendor and the IRS.

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 Contractor Operated

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

IRS Employees

Users: Read Only

IRS Contractor Employees

Contractor System Administrators: Administrator

Contractor Developers: Administrator

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

Besides the users, the stored data will be encrypted and no one else will have access to the PII information.

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 19 Item 89-Chapter Three Withholding (CTW) Database. (A) Inputs: Inputs to the Chapter Three Withholding (CTW) Database are manual corrections or are electronically derived from UNPOST_T_DATA_FILE from PMF, PAPER_T_DATA_FILE from ISRP, PAPER_S_DATA_FILE from ISRP, ELECTRONIC_T_DATA_FILE from FIRE (Filing Info Returns Electronically), and ELECTRONIC_S_DATA_FILE from FIRE.-Electronic Batch Files.-Delete/Destroy cache file after successful entry and verification into the system. (C) System Data: The Chapter Three Withholding (CTW) Database is designed to correct Form 1042-T and 1042-S records that have failed validity, consistency checks, or math error computations through the Chapter Three Withholding (CTW) Database. 1. Unresolved electronic 1042-S information records. -Destroy electronic data on, or after, January 15 of the year after processing. 2. Backup Tapes of resolved and corrected 1042-S information records. -Destroy 6 years after year of processing. (D) System Documentation: System Documentation for the Chapter Three Withholding (CTW) Database consists of codebooks, records layout, User Guide, and other related materials. -Delete/Destroy when superseded or 5 years after the system is terminated, whichever is sooner.

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?

10/30/2020

Describe the system's audit trail.

1042-S Data Integrity is following the appropriate audit trail elements pursuant to current Audit Logging Security Standards.

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?

10/30/2020

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?

The contractor is in the process of testing the system registration and authentication.

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: Under 50,000

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