

Publication 1075 is here!



Publication 1075

Tax Information Security Guidelines

For Federal, State

and Local Agencies

Safeguards for Protecting Federal Tax Returns and Return Information





Office of Safeguards Office Hours Calls

Taxpayer First Act Section 2004

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Office of Safeguards - Taxpayer First Act 2004 - Office Hour Call

December 2021



Agenda

- Background of Taxpayer First Act (TFA)
- What is the Taxpayer First Act, Section 2004
- Requirements for TFA, Section 2004
 - Responsibilities for partner agencies
 - Contractor Worksheet
 - On-Site Review Template
 - Certification of Contractors
- Locations
- Contract examples
- Safeguards security updates
- Q & A



Background of TFA

- The Taxpayer First Act was enacted to put taxpayers first.
- The TFA has four (IV) titles:
 - I. Putting Taxpayers First
 - II. 21st Century IRS
 - III. Miscellaneous Provisions
 - IV. Budgetary Effects



Title II – 21st Century IRS

- Subtitle A Cybersecurity and Identity Protection
 - Section 2004 Compliance by contractors with confidentiality safeguards



Section 2004 Defined

Section 6103(p) is amended by adding at the end the following new paragraph: (9) Disclosure to contractors and other agents.-

> Notwithstanding any other provision of this section, no return or return information shall be disclosed to any contractor or other agent of a Federal, State, or local agency unless such agency, to the satisfaction of the Secretary

> > (A) has requirements in effect which require each such contractor or other agent which would have access to returns or return information to provide safeguards (within the meaning of paragraph (4)) to protect the confidentiality of such returns or return information,

(B) <<NOTE: Review. Time period.>> agrees to conduct an on-site review every 3 years (or a mid-point review in the case of contracts or agreements of less than 3 years in duration) of each contractor or other agent to determine compliance with such requirements,

(C) submits the findings of the most recent review conducted under subparagraph (B) to the Secretary as part of the report required by paragraph (4)(E), and

(D) <<NOTE: Certification.>> certifies to the Secretary for the most recent annual period that such contractor or other agent is in compliance with all such requirements.

The certification required by subparagraph (D) shall include the name and address of each contractor or other agent, a description of the contract or agreement with such contractor or other agent, and the duration of such contract or agreement. The requirements of this paragraph shall not apply to disclosures pursuant to subsection (n) for purposes of Federal tax administration.



TFA Section 2004 Requirements in Pub 1075

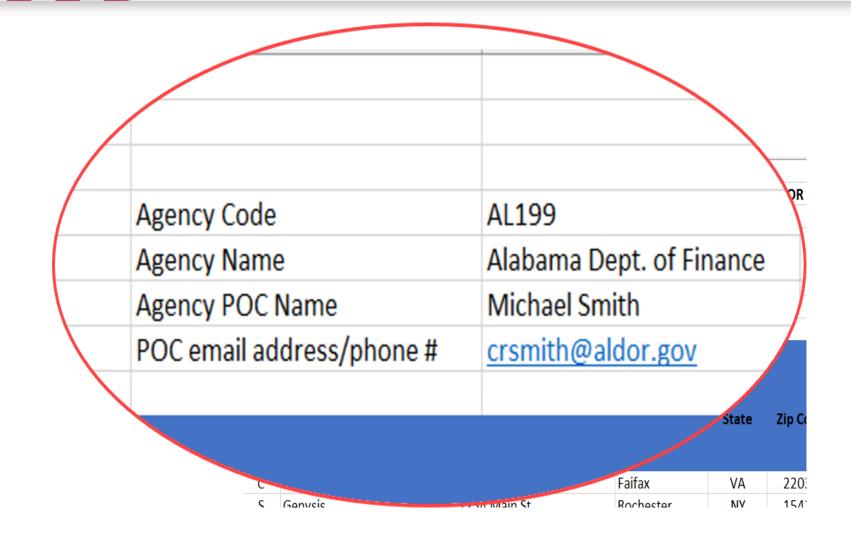
- TFA Section 2004, which added IRC Section 6103(p)(9), formalizes in statute these agency requirements effective December 31, 2022:
 - Agencies must require that contractors, subcontractors or other agents have safeguards in effect to protect FTI per IRC Section 6103(p)(4).
 - Agencies must conduct on-site reviews of contractors, subcontractors and other agents and provide review findings to Safeguards as part of the report required under IRC Section 6103(p)(4)(E).
 - Agencies will provide Office of Safeguards annual certification that each contractor, subcontractor or other agent is following the above requirements. Agencies include this certification as part of report required under IRC Section 6103(p)(4)(E).
 - Before implementation, the IRS will issue interim guidance on the requirements per this new legislation.

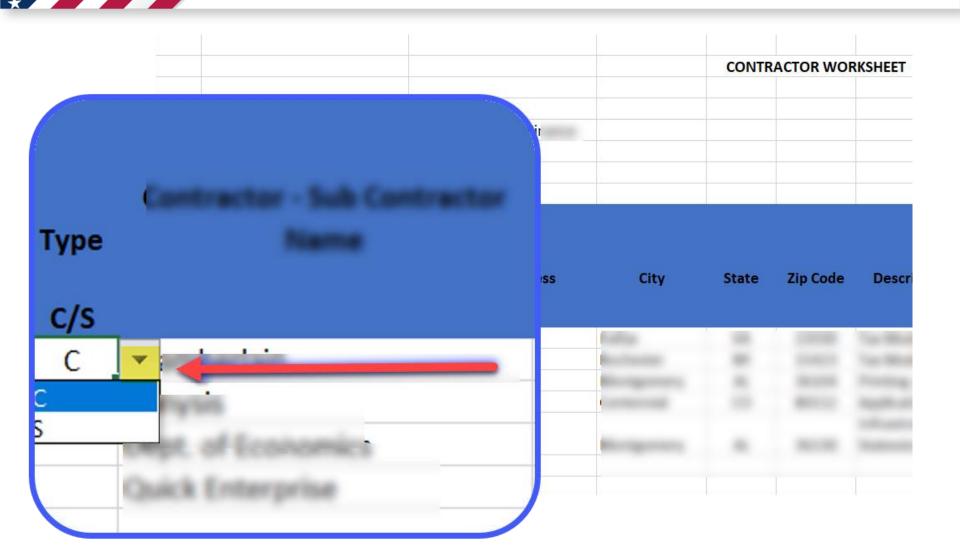


Agency Responsibilities

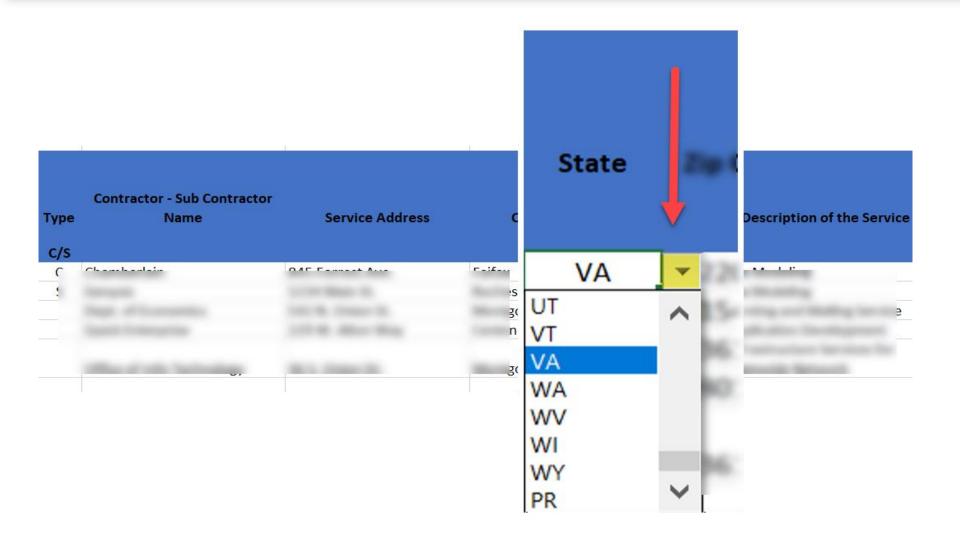
- Contractor Worksheet
 - Complete listing for all contractors/subcontractors used as of Jan. 1, 2023
 - Use worksheet provided by the Office of Safeguards
 - Submit with your annual Safeguard Security Report
 - Interim guidance will include instructions and naming conventions

				CONTR	ACTOR WO	RKSHEET						
	Agency Code	AL199										
	Agency Name	Alabama Dept. of Finance										
	Agency POC Name	Michael Smith										
	POC email address/phone #	crsmith@aldor.gov										
												On-Site
												Review
	Contractor - Sub Contractor							# of	Contract Start	Contract End	On-Site	Conducted/
Туре	Contractor - Sub Contractor Name	Service Address	City	State	Zip Code	Description of the Service	Comments	# of contractors	Contract Start Date	Contract End Date	On-Site Review Date	Conducted/ Certified
			City	State	Zip Code	Description of the Service	Comments					
Type C/S	Name			State	Zip Code	Description of the Service	Comments		Date	Date	Review Date	Certified
			City Faifax	State VA	Zip Code 22030	Description of the Service	Comments			Date	Review Date	
c/s	Name	Service Address					Comments	contractors	Date	Date 1/31/2024	Review Date	Certified
c/s	Name Chamberlain	Service Address 845 Forrest Ave.	Faifax	VA	22030	Tax Modeling	Comments	contractors	Date 1/1/2000	Date 1/31/2024 3/2/2025	Review Date	Certified
c/s	Name Chamberlain Genysis	Service Address 845 Forrest Ave. 1234 Main St.	Faifax Rochester	VA NY	22030 15423	Tax Modeling Tax Modeling	Comments	contractors	Date 1/1/2000 8/3/2019	Date 1/31/2024 3/2/2025	Review Date	Certified
c/s	Name Chamberlain Genysis Dept. of Economics	Service Address 845 Forrest Ave. 1234 Main St. 542 N. Onion St.	Faifax Rochester Montgomery	VA NY AL	22030 15423 36104	Tax Modeling Tax Modeling Printing and Mailing Service	Comments	contractors	Date 1/1/2000 8/3/2019 1/1/2018	Date 1/31/2024 3/2/2025 8/31/2021	Review Date	Certified
c/s	Name Chamberlain Genysis Dept. of Economics	Service Address 845 Forrest Ave. 1234 Main St. 542 N. Onion St.	Faifax Rochester Montgomery	VA NY AL	22030 15423 36104	Tax Modeling Tax Modeling Printing and Mailing Service Application Development	Comments	contractors	Date 1/1/2000 8/3/2019 1/1/2018	Date 1/31/2024 3/2/2025 8/31/2021 9/30/2026	Review Date	Certified
c/s	Name Chamberlain Genysis Dept. of Economics Quick Enterprise	Service Address 845 Forrest Ave. 1234 Main St. 542 N. Onion St. 229 W. Alton Way	Faifax Rochester Montgomery Centennial	VA NY AL CO	22030 15423 36104 80112	Tax Modeling Tax Modeling Printing and Mailing Service Application Development Infrastructure Services for	Comments	contractors	Date 1/1/2000 8/3/2019 1/1/2018 10/7/2011	Date 1/31/2024 3/2/2025 8/31/2021 9/30/2026	Review Date	Certified





IRS



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Type C/S	Contractor - Sub Contractor	S		CONTR	ACTOR WO	RKSHEET	Contract Start Date	Contract End Date	On-Site Review Date	On-Site Review Conducted/ Certified
C S	Chamberlain Genysis Dept. of Economics Quick Enterprise Office of Info Technology	rener ten 1999 : A 1 - San - S 2 - San - San 1 - San - San 1 - San - San	ing Angene Angene Angene	11.1	1111	Tor Manadag Tor Manadag Torong Anton Madag Torono Manada Anton Madag Torono Manada Manada Manada Manada	1/1/2000 8/3/2019 1/1/2018 10/7/2011 9/1/2019	3/2/2025 8/31/2021 9/30/2026		

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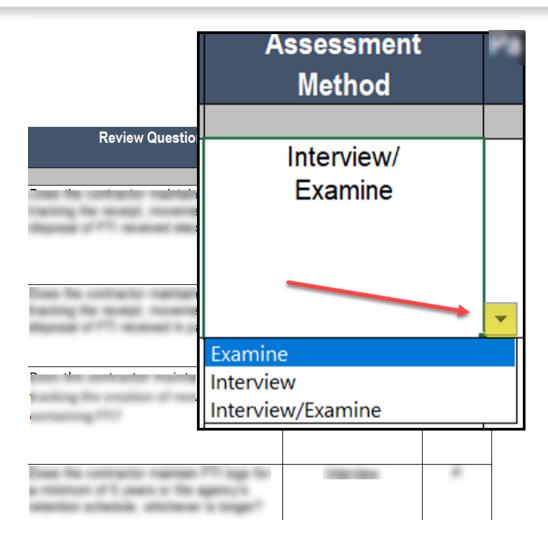
Agency Responsibilities

- Conduct on-site review of contractors and subcontractors
- Agency personnel must conduct on-site reviews using review template provided by Office of Safeguards
 - Template will include findings
 - Template will be submitted with the annual Safeguard Security Report (SSR)



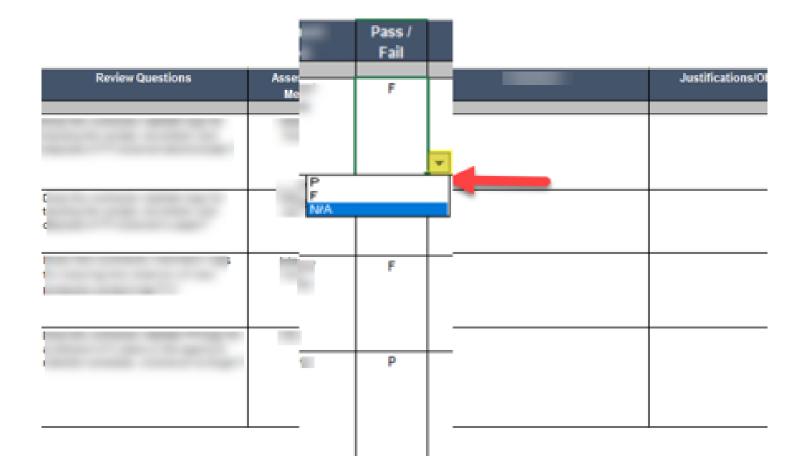
Review Questions		
Does the contractor maintain logs for tracking the receipt, movement, and	sessment Method	Pass / Fail
disposal of FTI received electronically?	nterview/ Examine	F
Does the contractor maintain logs for tracking the receipt, movement, and disposal of FTI received in paper?	nterview/ Examine	N/A
Does the contractor maintain logs for tracking the creation of new products containing FTI?	nterview/ Examine	F
	nterview	P
Does the contractor maintain FTI logs for a minimum of 5 years or the agency's retention schedule, whichever is longer?		

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Justifications/Observations/Results	2 Comments



Agency Responsibility

- Agencies must certify the contractors/subs whose reviews have been conducted for that year meet Safeguards requirements
- Head of agency or designee must sign certification within the annual SSR



	▲ Safeguard Security Rep	oort Certification	
By	igning this certification, the Agency Head certifies	that the Safeguard Security Report (SSR):	
	litionally, the Agency Lload cartifies that he are be		
	litionally, the Agency Head certifies that by receive ondary sources the agency will:	ing FIT directly from either the IRS or from	
		ing FII directly from either the IRS or from	
sec Certifies	for the most recent annual period	that contractors for which on-site r	reviews
sec Certifies	for the most recent annual period n conducted are in compliance with	that contractors for which on-site r Publication 1075 requirements	reviews
sec Certifies	for the most recent annual period	that contractors for which on-site r	reviews

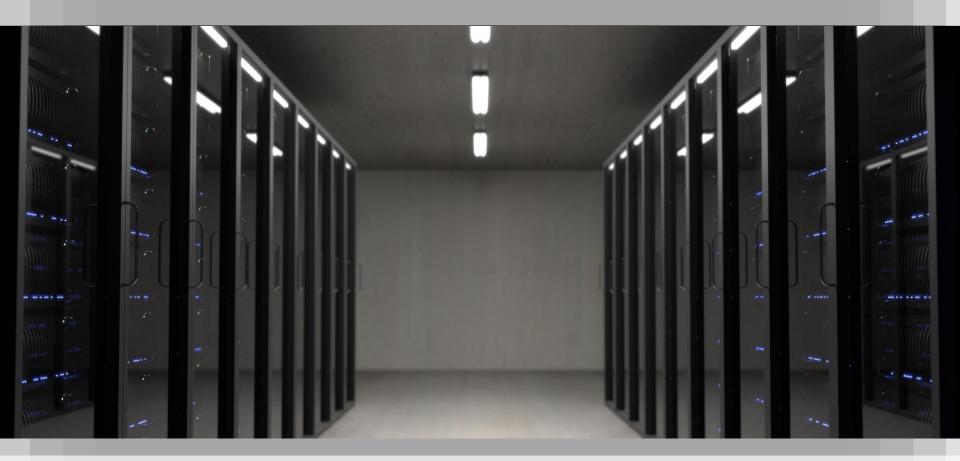
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Data Centers





Contracted

Data centers that aren't run by the state and that have a specified contractor will fall under TFA 2004 requirements.

The data centers should have a specific contract in place.

The duration of the contract will determine when the on-site review will be conducted.

State-Run

Data centers that are state-run don't fall under TFA 2004 requirement.

They still fall under requirement for internal inspection every 18 months.

You'll continue to submit internal inspection documents with your annual SSR.

Note: Cloud service providers with a FedRAMP authorization do not require an on-site visit due to FedRAMP annual assessment and continuous monitoring requirements.



- County employees aren't considered contractors that fall under TFA2004 requirements.
- These county employees fall under Office of Safeguards tri-annual review.
- Office locations fall under internal inspection conducted every three years, outside of TFA2004 requirements.









Contracts existing before Jan. 1, 2023

- Contracts with 11 months or less remaining on the contract period will not be subject to an on-site review by the agency.
 - Example 1 Contract began June 1, 2000, and ends Nov. 30, 2023, leaving 11 months from the beginning of the TFA 2004 requirement. No on-site review will be required.
 - Example 2 Contract began June 1, 2000, and ends Dec. 31, 2023, leaving 12 months from the beginning of the TFA 2004 requirement. The on-site review will be required.



- Example 1 Contract begins Jan. 1, 2023, ends Dec. 31, 2023. Contract is 12 months. Review must be conducted within six months (June 30, 2023). Review can be conducted before six months.
- Example 2 Contract begins June 1, 2023, ends Dec. 31, 2024. Contract is 19 months. Review must be conducted within nine and a half months (March 15, 2024). Review can be conducted before nine and a half months.
- Example 3 Contract begins Jan. 1, 2023, ends Dec. 31, 2025, Contract is 36 months. Review must be conducted within 18 months (June 30, 2024). Review can be conducted before eighteen months.



Contract Renewals

- Treat renewed contracts as follows:
 - Your previous contract runs from Jan. 1, 2020 Dec. 31, 2023.
 - You're renewing for five years, Jan 1, 2024– Dec. 31, 2029.
 - There would be two reviews needed for this contractor:
 - One at the six-month mark, June 30, 2023, and
 - One at the three-year (36 month) mark, Jan. 1, 2028

(because reviews of contracts of 3 or more years must be conducted at the 3-year mark)

Safeguard Security Report Updates

- We're updating SSR for TFA 2004 and new Publication 1075.
- Per a more thorough review of SSRs over the past year, we see common issues for many controls including:
 - Scoping responses (focusing on the SQL server or mainframe where FTI lives; ignoring workstations, firewalls, etc.)
 - XX-1: Policies and Procedures
 - AC-20: Use of External Information Systems
 - AC-22: Publicly Accessible Content
 - IA-7: Cryptographic Module Authentication
 - SC-8: Transmission Confidentiality and Integrity
 - SC-12: Cryptographic Key Establishment and Management
 - SC-13: Cryptographic Protection
 - SC-17: Public Key Infrastructure Certificates
 - SC-28: Protection of Information at Rest
- We'll provide more explicit guidance to improve response quality.



For all TFA 2004 Inquires, please send to the Safeguard mailbox <u>safeguardreports@irs.gov</u> with the subject line TFA 2004 INQUIRY





Questions



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