



**SECURITY AND PRIVACY ALERT**  
*Office of Safeguards*

**Date: June 30, 2022**

**Subject: Taxpayer First Act, Section 2004 (TFA 2004) – Agency Requirements**

**Issue**

Effective January 1, 2023, agencies must not disclose federal tax information (FTI) to contractors/agents of agencies unless the agency reviews and certifies that their contractors provide appropriate safeguards.

**Background**

Following Public Law 116-25, Taxpayer First Act, IRC Section 6103 was amended to incorporate contractors' compliance with confidentiality safeguards. Per Section 2004 of the Taxpayer First Act (TFA 2004), an agency shall disclose no FTI to any contractor unless the agency ensures proper safeguards are in place to protect the confidentiality of FTI. First, agencies must comply with the requirement to schedule and conduct on-site reviews to determine compliance. Secondly, agencies must submit the findings of the most recent on-site review to Safeguards annually. Finally, agencies must certify for the most recent annual period that contractors are following Safeguards requirements.

**Notification**

Every three years, all state, local or federal agencies must conduct on-site reviews of all contractors or other agents receiving FTI. If the duration of the contract or agreement is less than three years, the agency must conduct a review at the midpoint of the contract. The purpose of the review is to assess the contractor's efforts to safeguard FTI. The on-site reviews must cover secure storage, access restriction, computer security and other safeguards considered appropriate by the Office of Safeguards. State, local and federal agencies receiving FTI must submit a report of findings to the IRS and annually certify that contractors and other agents are following requirements to safeguard FTI.

**TFA 2004 Agency Requirements**

Effective January 1, 2023, all agencies that redisclose FTI to contractors must have requirements in effect to make sure all contractors keep federal tax information confidential. All contracts and service-level agreements must have the

appropriate language, per Publication 1075, Exhibit 7. This gives the contractor notice of the confidentiality and security requirements for FTI.

### **Contractor Data Information**

All state, local and federal agencies must provide the following information for all contractors or other agents receiving FTI:

- Contractor name
- Contractor address
- Description of the contract or agreement
- Duration of the contract

Agencies must use the Office of Safeguards' contractor worksheet and submit the worksheet with the annual Safeguard Security Report (SSR) attachments. Agencies must validate, update and submit the worksheet annually to make sure they're conducting appropriate on-site reviews timely. Safeguards will use the contract dates to determine if the agency conducted timely and appropriate on-site reviews and will validate the accuracy of the contractor data provided. The contractor worksheet will include instructions for completion and the proper naming convention to use when saving the document.

### **On-site Review of Contractors**

Agencies must conduct on-site reviews of all contractors that receive FTI and submit this information with the annual SSR attachments. Agencies must use the on-site review templates received from the Office of Safeguards. This template will be added to the [Safeguard Program](#) webpage. Safeguards will evaluate the on-site review results, take appropriate actions and use the results for the Risk Management Program. The on-site review template and the Safeguards Program webpage will have instructions on how to complete the template. The on-site review template will include instructions for completion and the proper naming convention to use when saving the document.

### **Certification of Contractors**

As part of the SSR submission, the agency must certify that each contractor for which they conducted an on-site review has or will satisfy the test control failures found during the contractor on-site review to meet Office of Safeguards' requirements. The agency adds the certification statement signed by the head of the agency to the SSR on the certification page.

## **Submission Instructions**

Agencies must use templates from the Office of Safeguards when submitting the contractor worksheet and on-site review attachments with the SSR. Submit TFA 2004 documents as a separate SecureZip file with the SSR. Send the SSR, SSR attachments and TFA 2004 attachments electronically to the Office of Safeguards using one of these methods:

- SDT, if the agency participates in the SDT program.
- Email to Safeguards mailbox at [safeguardreports@irs.gov](mailto:safeguardreports@irs.gov). Send email transmissions by an IRS-approved encrypted method.

Name the TFA 2004 SecureZip file clearly and follow a standardized naming convention, such as the following:

- Agency Code - XXXXX (ex. ME000)
- Agency Type - YYY (ex. DOR, SWA, CS, HS, ACA, HS-ACA)
- Attachment Type - TFA
- Date – yyyy (2023)
- Example: ME000-DOR-TFA-2023.zip

## **Safeguards Contact:**

Please contact the Office of Safeguards by email at [safeguardreports@irs.gov](mailto:safeguardreports@irs.gov) with any questions about this change or the TFA 2004 documents. Use “TFA 2004 Inquiry” in the subject line to make sure the inquiry is forwarded to the correct department.

## **Safeguards Contact**

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