



Security & Privacy at the IRS

September 19, 2002

Len Baptiste

SECURITY SERVICES

- Balance user and security needs.
- Work with MITS and Business to better define security roles and responsibilities.
- Three executive-led security offices.

SECURITY POLICY SUPPORT & OVERSIGHT

- Focus on 15 security capability areas in the Treasury/IRS Security Assessment Framework.
- Direct support to security policy governance processes.
- Lead on post 9/11 physical and operational security initiatives.

MISSION ASSURANCE

- Enhanced security incident response capabilities.
- Emergency preparedness capabilities.
- New certification and accreditation strategies.

MODERNIZATION SECURITY

- Oversight of PRIME security activities.
- Direct support to BSMO in oversight and acceptance of ELC security deliverables.
- Ensures adequacy of security architecture and engineering in integration of modernized and installed systems base.

PRIVACY ADVOCATE'S OFFICE

- Ensures that IRS policies and programs incorporate taxpayer and employee privacy concerns.
- Enable business owners and system developers to identify and evaluate privacy risk through the Privacy Impact Assessment tool.
- Communicate privacy objectives to the public and their representatives.

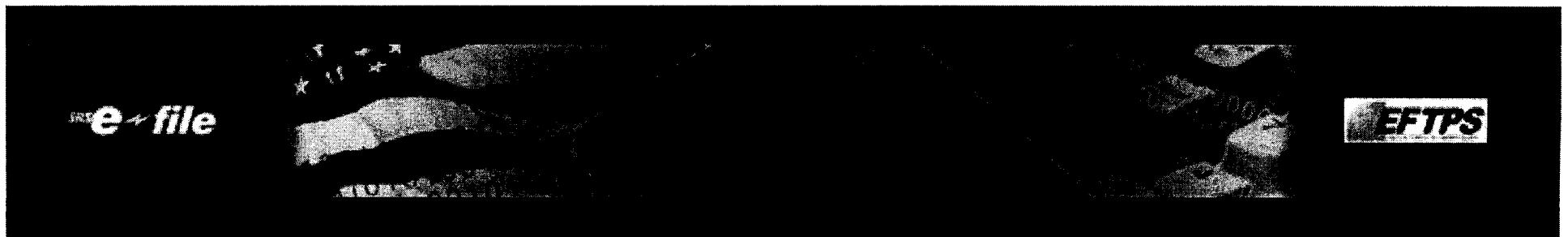
DISCLOSURE OFFICE

- Reviews systems under certification for compliance with the Privacy Act and IRS confidentiality requirements (UNAX).
- Makes determinations on whether a new Federal Register system of records notice is required.

SAFEGUARDS OFFICE

- Provides security guidelines, IRS PUB 1075, to agencies and outside contractors that process, store, or transmit federal tax information under the provisions of Internal Revenue Code Section 6103.
- Provides onsite reviews of recipient facilities for compliance with safeguard requirements.

SECURITY AND PRIVACY AT THE IRS



Terence H. Lutes
September 19, 2002



IRS e-file

GOAL

EFTPS

- The IRS Restructuring and Reform Act of 1998 (RRA98) is a major force behind IRS e-file
 - It requires that 80% of all Federal tax and information returns be filed electronically by 2007
 - Electronic account access by 2007, if secure
 - This sets the IRS GPEA-equivalent goal
-

- Although IRS is exempt from GPEA, efforts are very much the same
 - Plans for accepting forms, schedules and other information collection instruments electronically
 - Plans to accept electronic signatures
 - GPEA reports to OMB
-



IRS e-file

EFTPS

EFTPS

Individual Taxpayers:

2001

9/12/02

Practitioner

28,929,694

33,175,715

On-Line

6,825,036

9,407,970

TeleFile

4,419,449

4,176,464

Total

40,174,179

46,760,149

4868 (Extensions)

312,534

636,215

Fed/State

15,210,640

19,207,894

Credit Card

296,996

275,377

Direct Debit

455,044

363,448

IRS.Gov Hits (Billions)

2.53

3.05



e-file

EFTPS

EFTPS

Business Taxpayers:

2001

2002

940

748,465

764,538

941 *

4,090,402

4,832,470

1041

1,445,223

1,559,365

1065

7,735

20,963

1065 (K-1s)

2,178,794

1120

Being Developed

EFTPS (FY)

60,860,453

58,258,853

FIRE

327,496,987

375,400,705

*** (2nd Qtr 2001, 4-1 to 6-30)**

- E-Services
 - Registration/application
 - PTIN application
 - Indirect channel management
 - Transcript delivery
 - Electronic account resolution
 - TIN matching
-



The banner at the top of the slide features a dark background with a stylized American flag. On the left, the text 'e-file' is displayed in a white, lowercase, sans-serif font. In the center, the word 'E-File' is written in a large, bold, white, serif font. On the right, the acronym 'EFTPS' is enclosed in a white rectangular box with a black border.

e-file

EFTPS

- Modernized E-File

 - E-Government
 - EZTax
 - Expanding Tax Products for Businesses
 - Business returns (1120, 94x, 8850)
 - Online EIN
 - Harmonized Wage Reporting, SPEF, Standardized EIN
-

- **Cost and Complexity**
 - Practitioner, On-line (consumer)
 - Software and transmission (practitioner/software co.)
 - **Technical Infrastructure**
 - 1960's legacy, 1985 e-file design
 - **Taxpayer Adoption**
 - Individual/business
 - Marketing challenge
 - **Security and Privacy**
 - Taxpayer concerns same as consumer concerns
 - Concern about third parties
 - Good messages but hard to deliver
-

- Authentication: a security measure designed to establish the **validity** of a person, system, transmission, etc.
 - Signature: an act undertaken by an individual to indicate the person's **identity**.
-

- Establishes the identify of a person or subject
 - Requires registration with, and validation by, a third party
 - Is used at the beginning of a transaction before rights or privileges are granted
-



e-file

SIGNING

EFTPS

- Binds together: the contents of the signed object, the signer's identity and the signer's intention to accept
 - Does not usually require prior registration or enrollment
 - Used after a transaction to determine accountability in the event of a dispute
-



The banner at the top of the slide features three logos on a dark background with a faint American flag pattern. From left to right: 'e-file' with a small '100' to its left, 'TRIP' in large, bold, stylized letters, and 'EFTPS' in a white rectangular box.

100 e-file

TRIP

EFTPS

- It's a Privilege to Participate - Not A Right
 - Undertake a Stringent Application and Certification Process
 - Suitability Check Process
 - Participation Rules
 - Monitoring
-

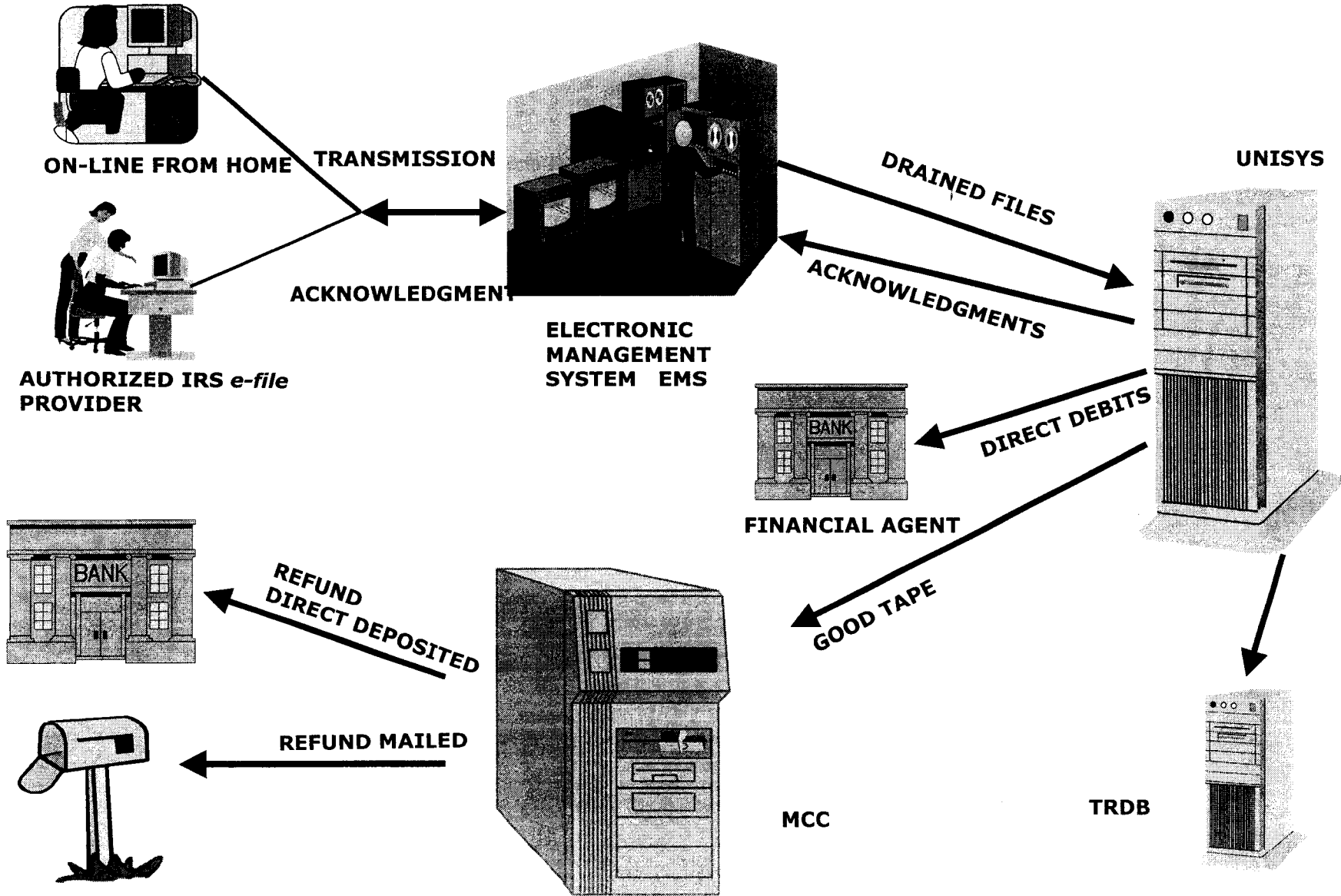
- Individual E-File:
 - Approve the practitioner
 - Approve the software/transmitter
 - Authenticate the transmitter/software/practitioner
 - Authenticate the Taxpayer/Signature
 - Accept the Return
-

- Business E-File:
 - Approve the software/transmitter
 - Approve the Practitioner
 - ***Determine Company Signature Authority***
 - Authenticate the transmitter/software/ practitioner
 - Authenticate the Taxpayer/Signature
 - Accept the Return
-

THE



PROCESS



- What We Have Tried:
 - Digitized Signatures Pad
 - IRS generated Personal Identification Number (PIN)
 - PKI with Practitioners
-

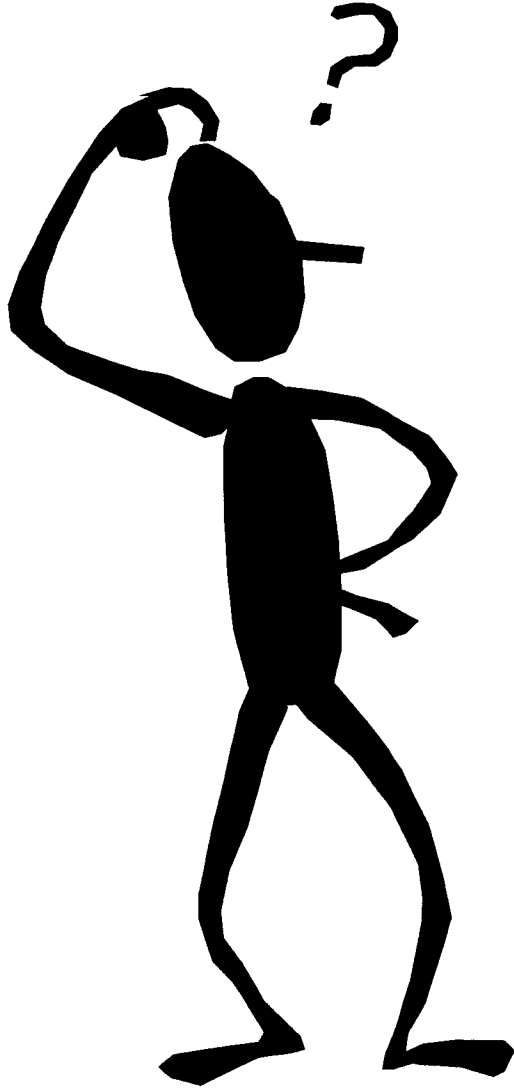
- What We Are Using Today For Individual E-File:
 - Form 8453
 - Practitioner PIN
 - Self-Select PIN

 - What We Are Using Today for Business E-File:
 - PIN issued by CDB (94X only) (Terry -- we validate according to the EIN)
 - Form 8453
-

- Alternatives being discussed:
 - Voice signatures
 - PKI in certain instances
 - Credit/debit smart cards
-

e-file

EFTPS



Are any, of these what I expect in an electronic transaction?



e-file

TO THE

EFTPS

- Electronic signature needs to be as easy as signing a paper return.
 - For the taxpayer authentication/signature on a tax return should be no more complex than making a purchase from a commercial web site.
-

- Use of Data by a Third Party

- Section 7216 requires taxpayer consent in each case to use data stored by the practitioner/preparer.
 - Anything not covered by Section 7216 is covered under the Gramm Leach Bliley Act (Public Law 106-102)
-

- Basic processing the same as current on-line e-file
 - Are requiring third-party privacy/security certifications
 - Challenge is identifying acceptable certifiers
 - Security certification of particular concern due to potential cost for small companies
-