



# 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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# 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. 21<sup>st</sup> Century IRS
  - III. Miscellaneous Provisions
  - IV. Budgetary Effects



## Title II – 21<sup>st</sup> 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





# Contractor Worksheet Example

## CONTRACTOR WORKSHEET

Agency Code AL199  
 Agency Name Alabama Dept. of Finance  
 Agency POC Name Michael Smith  
 POC email address/phone # [crsmith@aldor.gov](mailto:crsmith@aldor.gov)

Type	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	On-Site Review Conducted/Certified
C	Chamberlain	845 Forrest Ave.	Faifax	VA	22030	Tax Modeling		5	1/1/2000	1/31/2024	12/31/2023	<input checked="" type="checkbox"/>
S	Genysis	1234 Main St.	Rochester	NY	15423	Tax Modeling		4	8/3/2019	3/2/2025		<input type="checkbox"/>
	Dept. of Economics	542 N. Onion St.	Montgomery	AL	36104	Printing and Mailing Service			1/1/2018	8/31/2021		<input type="checkbox"/>
	Quick Enterprise	229 W. Alton Way	Centennial	CO	80112	Application Development			10/7/2011	9/30/2026		<input type="checkbox"/>
	Office of Info Technology	46 S. Onion Dr.	Montgomery	AL	36130	Infrastructure Services for Statewide Network			9/1/2019	8/31/2021		<input type="checkbox"/>
												<input type="checkbox"/>
												<input type="checkbox"/>



# Contractor Worksheet Example

Agency Code	AL199	OR
Agency Name	Alabama Dept. of Finance	
Agency POC Name	Michael Smith	
POC email address/phone #	<a href="mailto:crsmith@aldor.gov">crsmith@aldor.gov</a>	
		State Zip Co
		Faifax VA 220
		Rochester NY 150



# Contractor Worksheet Example

CONTRACTOR WORKSHEET

Contractor - Sub Contractor  
Name

Type

C/S

C

C

S

Dept. of Economic

Quick Enterprise

Address	City	State	Zip Code	Description



# Contractor Worksheet Example

Type	Contractor - Sub Contractor Name	Service Address	State	Description of the Service
c/s	Chamberlain	845 Forest Ave	VA	
			UT	
			VT	
			VA	
			WA	
			WV	
			WI	
			WY	
			PR	



# Contractor Worksheet Example

## CONTRACTOR WORKSHEET

Type	Contractor - Sub Contractor Name
C/S	
C	Chamberlain
S	Genysis
	Dept. of Economics
	Quick Enterprise
	Office of Info Technology

Contract Start Date	Contract End Date	On-Site Review Date	On-Site Review Conducted/Certified
1/1/2000	1/31/2024	12/31/2023	<input checked="" type="checkbox"/>
8/3/2019	3/2/2025		<input type="checkbox"/>
1/1/2018	8/31/2021		<input type="checkbox"/>
10/7/2011	9/30/2026		<input type="checkbox"/>
9/1/2019	8/31/2021		<input type="checkbox"/>



# 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)



# On-Site Review Template Example

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



# On-Site Review Template Example

Review Question	Assessment Method	
Does the contractor have a contract with the agency? If not, how is the contractor being paid?	Interview/ Examine	
Does the contractor have a contract with the agency? If not, how is the contractor being paid?	Examine Interview Interview/Examine	
Does the contractor have a contract with the agency? If not, how is the contractor being paid?		
Does the contractor have a contract with the agency? If not, how is the contractor being paid?		
Does the contractor have a contract with the agency? If not, how is the contractor being paid?		







# On-Site Review Template Example

Review Questions	Asses Me	Pass / Fail	Justifications/O
		F	
		<div style="border: 1px solid black; padding: 2px;">           P            F            N/A         </div>	
		F	
		P	





# On-Site Review Template Example

1 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



# Example of Certification

## ▲ Safeguard Security Report Certification

[Redacted text]

By signing this certification, the Agency Head certifies that the Safeguard Security Report (SSR):

[Redacted text]

Additionally, the Agency Head certifies that by receiving FTI directly from either the IRS or from secondary sources the agency will:

[Redacted text]

- Certifies for the most recent annual period that contractors for which on-site reviews have been conducted are in compliance with Publication 1075 requirements

Click or tap here to enter text.

Agency Head Name

✕ \_\_\_\_\_

Signature

Delegated agency head signature

Click or tap here to enter text.

Agency Head Title

Click or tap to enter a date.

Date



# Data Centers





# Contracted vs. State-Run 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.



## Field Offices - County/Local Offices

- 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







## 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.



## New contracts beginning after 2023

- 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.



# TFA 2004 Inquires

For all TFA 2004 Inquires, please send to the Safeguard mailbox [safeguardreports@irs.gov](mailto:safeguardreports@irs.gov) with the subject line TFA 2004 INQUIRY





# Questions

