Large and Mid-Size Business Division Selection Workload Classification System (LMSB SWC)
Privacy Impact Assessment

PIA Approval Date – March 27, 2008

Requested Operational Date – August 30, 2008

System Overview
This LMSB in-house system does not collect any individual taxpayers' SSN data. Focus on helping find perimeters for audits of large businesses based on past corp. tax returns and comparison to commercial business ratings. A PIA was done on the project in 07, this updates and expands including a name change. It's a set of statistical analysis tools combined with an automated "Rules Based engine" which is connected to the LMSB database that contains corporate interrelationship information linked to economic data from external sources plus internal master file returns, assessment and adjustments information.

System of Record Numbers
- Treasury/IRS 22.026 Form 1042-S Index by Name of Treasury/Recipient
- Treasury/IRS 22.027 Foreign Information System
- Treasury/IRS 24.013 Combined Account Number File
- Treasury/IRS 24.046 CADE Business Master File
- Treasury/IRS 34.037 IRS Audit Trail and Security Records System
- Treasury/IRS 36.003 General Payroll and Personnel Records (covers CADS)
- Treasury/IRS 42.001 Examination Administrative Files (covers EOADS)
- Treasury/IRS 42.008 Audit Information Management System (AIMS)
- Treasury/IRS 42.017 International Enforcement Program Files
- Treasury/IRS 42.021 Compliance Programs and Project files
- Treasury/IRS 42.027 Data on Taxpayers Filing on Foreign Holdings
- Treasury/IRS 42.030 Discriminate Function File (DIF)

Data in the System

1. Describe the information (data elements and fields) available in the system in the following categories:
One of the objectives of LMSB SWC is to provide access to data from various internal databases and compare that data with financial data from a commercial vendor to select the highest risk returns for examination.

A. Taxpayer. LMSB SWC contains corporate taxpayer data that consist of one or more tax returns for the same taxpaying entity. LMSB SWC does not collect, use, store or shared personally identifiable information.

Types of data available for use by LMSB SWC: Business TIN, Business Name, every tax return line item and filing period; address; relationship; published financial statements filed with the Security Exchange Commission; percent of stock ownership by corporate officers.

The tax forms used in LMSB SWC are:
- 1042 Withholding on US Source Income;
- 1065 Partnership Return and
- 1065B Partners Share K-1;

- 1120 Corporate family of returns including all forms, schedules, and attachments to the corporate filing;
- 5471 Information Return of Persons with Respect to Certain Foreign Corporation;
- 5472 Information Return of a Foreign Owned Corporation: and
- Modernized e-Filed data and traditional e-filed data.

LMSB SWC is a system to collect and analyze Corporate, Business and Industry tax data. No individual taxpayer sensitive but unclassified data is available for use by LMSB SWC.

B. Employee. Users of LMSB SWC utilize the employee's LAN logon information for validation purposes. They must complete Form 5081 and get their Manager's approval before they are allowed access to the system.

C. Audit Trail Information. The audit function provides a record of the actions performed in LMSB SWC and will collect data on everything viewed or accessed while on the system.

D. Other. Commercial external financial data received from: Standard & Poor's Global Database; and Dunn & Bradstreet

2. Describe/identify which data elements are obtained from files, databases, individuals, or any other sources.

A. IRS.
- IRS Data in the LMSB Datamart
- Audit Information Management System (AIMS) (closed case records)
- Data Capture System
- Business Filer Model (BFM) Business Return Transaction File

B. Taxpayer.
- 1120 Family of U.S. Corporation Income Tax Returns (F1120, S, F, FSC, PC, POL, REIT, RIC, L, ND) and 1065 monthly refresh) including MeF returns and data electronically extracted from paper filings.
- Tax Form 851 Affiliations Schedule including subsidiary returns within an MeF return
- 5471 – Information Return of U.S. Persons With Respect to Certain Foreign Corporation
- 5472 – Information Return of a Foreign Owned Corporation
- SOI – 1118 Foreign Tax Credit – Corporations
- Tax Form K-1 Partners Share of Partnership or Subchapter S income,

C. Employee. None.

D. Other Federal Agencies.
- Securities and Exchange Commission EDGAR filings or

E. State and Local Agencies. None.

F. Other third party sources.
- North American Industry Classification System
- North American Classification System (NAICS table).
- Standard and Poor's Global Database
- Dunn and Bradstreet

3. Is each data item required for the business purpose of the system?
Yes. The LMSB SWC will provide LMSB personnel with systems that capture and provide issue information to examination personnel, managers, and research analysts. The issue-based management strategy will also support IRS strategic goals of reducing taxpayer burden, increasing the productivity of examination personnel and aid in the recruitment and retention of a skilled and more satisfied workforce. Corporations, Businesses and Industries will not be required to retrieve and provide paper SEC filings and documents, thereby, reducing their compliance burden. Agents will not have to manually input data from the paper documents thereby reducing the time it takes to perform their duties.

> LMSB SWC consists of:
> - A database of corporate, business and industry tax return, financial and interrelationship data linked to a Reporting and Analysis Services server that provides ad-hoc reporting capability to LMSB Employees.
> - Statistical software from multiple vendors
> - A Rules Based Engine that will identify the highest risk tax returns

LMSB SWC will support workload and issue management. It will also support research on emerging global and tax shelter issues and predictive models for unreported income, compliance risks, and the effectiveness of pre-filing initiatives.

4. How will each data item be verified for accuracy, timeliness, and completeness?
LMSB SWC relies on the integrity of the underlying databases tables that are imported from authoritative sources into the database. Electronically captured data is verified by rules engines then manual human verification if necessary to assure accuracy.

5. Is there another source for the data? Explain how that source is or is not used.
LMSB SWC utilizes the LMSB DCS system data repository as its data source. This enables SWC to use the existing security certified system access controls and not replicate the data.

6. Generally, how will data be retrieved by the user?
The identifier can be retrieved by the corporate, business or industry EIN number, business address, NAICS code, or stock ticker symbol, or a transactional relationship to an entity under examination, depending upon authorized user access permissions.

7. Is the data retrievable by a personal identifier such as name, SSN, or other unique identifier?
Yes. Taxpayer Identification Number (EIN) is used for retrieval of data along with industry type, geographic location, and Stock ticker symbol or SIC code. No individual SSNs or other identifiers are collected, used, stored, or shared.

Access to the Data

8. Who will have access to the data in the system (Users, Managers, System Administrators, Developers, Others)?
Only employees having the need to know and the right to know will have access to the data in the system. IRS Researchers, Reviewers, and IRS Executives have access. As noted above, only Team Managers, Revenue Agents, Territory Managers, Technical Advisors, with a need to know will have access to data in the system on a Coordinated Industry Case or Industry Case in LMSB.

9. How is access to the data by a user determined and by whom?
IRS employees who are authorized on the system will have access to the data. Role based access controls limit what users can retrieve and see EINs authorized by their manager. The access control is provided by a commercial off the shelf software product.
OL-5081 forms approved by IRS Management grants system access.

10. Do other IRS systems provide, receive, or share data in the system?
Yes. The LMSB DCS system provides data to the SEC system. Issue Management System (IMS) and Issue Based Management Information System (IBMIS) Reporting will also provide data feeds to LMSB SWC. The Office of Tax Shelter Analysis receives relevant data.

11. Have the IRS systems described in Item 10 received an approved Security Certification and Privacy Impact Assessment?
Yes.

12. Will other agencies provide, receive, or share data in any form with this system?
No.

Administrative Controls of Data

13. What are the procedures for eliminating the data at the end of the retention period?
The system is defined as a recordkeeping system under 36 CFR Chapter XII. All records housed in the system will be erased or purged from the system at the conclusion of their retention period(s) as required under IRM 1.15.6. Under the design at the time of this publication, records will be eliminated from the system using IRS Records Control Schedule IRM 1.15.29, Item 56 (for Individual Tax Return Information – Form 1042, and Partnership Return – Form 1065); IRS Records Control Schedule 1.15.29, Item 58 (for U.S. Corporation Tax Return – Form 1120); IRS Records Control Schedule 1.15.29, Item 344 (for Information Return for Foreign Corporation), and; IRS Records Control Schedule 1.15.23, Item 42 (for Examinations and Audits Case Files). Record series added to the system in future updates to the program will be managed according to requirements under IRM 1.15.1 and 1.15.6 and will be destroyed using IRS Records Control Schedules 1.15.8 through 1.15.62 as coordinated with the IRS Records and Information Management Program and IRS Records Officer.

14. Will this system use technology in a new way?
No.

15. Will this system be used to identify or locate individuals or groups?
No.

16. Will this system provide the capability to monitor individuals or groups?
No.

17. Can use of the system allow IRS to treat individual taxpayers, employees, or others, differently?
No.

18. Does the system ensure "due process" by allowing affected parties to respond to any negative determination, prior to final action?
Yes. Corporations, Business, and Industry are afforded legal rights in the same way as due process protects individuals.

19. If the system is Web-based, does it use persistent cookies or other tracking devices to identify Web visitors?
The system is Intranet Web based but does not use "cookies" or other tracking devices. Items viewed are logged in the security files. Internal IP addresses are not viewable outside the IRS.

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