<p align="center">**Payer Master File (PMF) – Privacy Impact Assessment**</p>

PIA Date – Oct. 23, 2009

System Overview

The Payer Master File (PMF) maintains a database of information relating to filers of information returns. Information Submission Processing (Forms 1096), and extension and waiver requests are maintained for five tax years. On–line users can request payer information through the online Integrated Data Retrieval System (IDRS) and paper transcripts through the Privacy Act Transcript Request Activity (PATRA). The Payer Penalty Program, excluding incorrect TIN filings, is administered from the PMF, and notices are generated from the Business Master File (BMF) and Individual Master File (IMF). This database hosts five years worth of business filed data on individuals that the business employs. Information included on PMF consists of business submission forms including 1096s, W–3s, and 1042–Ts, as a part of the Information Returns Processing (IRP) system. PMF maintains the record of payment data to individuals that the business employs and is updated on a weekly basis through application batch runs of the information. Each year the Civil Penalty project analyzes the PMF for the required tax year and identifies taxpayers that qualify for information return penalties as required by the IRS tax code. Name of Request Contact:

Systems of Records Notice (SORN):

- IRS 24.030--CADE Individual Master File
- IRS 24.046--CADE Business Master File
- IRS 34.037--IRS Audit Trail and Security Records System

Data in the System

1. Describe the information (data elements and fields) available in the system in the following categories:

A. Taxpayer – Taxpayer data and related information is posted to the Payer Master File (PMF). This data includes:
  - Social Security Number (SSN)
  - Taxpayer Identification Number (TIN)
  - Taxpayer name
  - Taxpayer address.
  - Employee Identification Number (EIN)
  - Establishment number
  - Employer's name
  - Employer's address
  - Employer's state ID number
  - Contact person
  - Contact person's email
  - Contact person's phone
  - Contact person's fax
  - Employer's territorial ID number
  - Filer's name
  - Filer's Address
  - Federal income information
  - Payer's name
  - Payer's address

B. Audit Trail Information – Master files by definition do not have an audit trail. They are defined as having interfaces to systems that maintain their own audit trails. There is no direct access to PMF data. All access is through batch files. The data is loaded into any of a number of other systems that have a user interface. These systems maintain the authentication and authorization required, including the use of audit trail information. Resource Access Control Facility (RACF) and the Integrated Data Retrieval System (IDRS) provide auditing capability.

2. Describe/identify which data elements are obtained from files, databases, individuals, or any other sources.
   A. IRS – All taxpayer data is transmitted from various IRS remote campuses/service centers to the PMF using two primary methods:
   - Electronically through Electronic Filing (ELF) runs; or
   - Via traditional paper forms.

   Using the electronic method, data is input into the PMF. The PMF receives data elements from the following four IRS systems:
   - Business Master File (BMF)
   - Combined Annual Wage Reporting (CAWR)
   - Individual Master File (IMF)
   - Information Returns Processing (IRP)

   The data in the PMF is reported by the taxpayer on various returns. The traditional paper method relies on the Service Center Automatic Mail Processing System (SCAMPS) to enable W–3 data to be loaded onto tape cartridges using the Automated Magnetic Media Processing System (AMMPS) by authorized personnel at remote campuses. The tapes are then sent to the Enterprise Computing Center – Martinsburg (ECC–MTB), where data contained on the tapes is posted to the PMF. Typical data elements contained in these forms include:
   - TIN
   - SSN
   - EIN
   - Establishment number
   - Employer's name
   - Employer's address
   - Employer's state ID number
   - Contact person
   - Contact person's email
   - Contact person's phone
   - Contact person's fax
   - Employer's territorial ID number
   - Filer's name
   - Filer's Address
   - Federal income information
   - Payer's name
   - Payer's address

   B. Other Federal Agencies – The PMF receives W–3 data elements (summary data about that shipment) from the Social Security Administration (SSA)). This data is obtained via a flat file

that is transmitted from SSA to the IBM Mainframe. A PMF batch process then pulls what data is needed from the flat file for importing into the PMF application.

3. Is each data item required for the business purpose of the system? Explain.
Yes. The TIN, name, and address are required to identify the taxpayer's account. After the initial filing of the informational return, any changes or updates (adjustments) to an account, whether initiated by the taxpayer or the IRS, is submitted as a transaction to post to the master file so that the file reflects a continuously updated and current record of each taxpayer's account.

4. How will each data item be verified for accuracy, timeliness, and completeness?
PMF is a read only repository for information. PMF users do not input information into the PMF. All data is received via batch processing. There are several validation procedures to ensure that batches have run properly, and contain properly formatted information. Some of these are:
- Daily vouchers are used to verify that all data sent from the service centers has been received;
- Control codes are used to verify complete files are transmitted;
- The Log Analysis and Reporting Services (LARS) system performs run–to–run balancing for each batch job run to ensure that no data is lost;
- Run to run balancing is used to verify that all files are processed through the complete input system and extract system as appropriate;
- Unit testing, system acceptability testing, and integration testing are used to ensure runs process data correctly; and
- Validity checks are in place using the previously mentioned entity data to insure that if multiple taxpayers have the same first and last name that they are properly distinguished one from the other via the entity check information.

Common fields validated in the PMF:
- TIN is valid (common program outside the bounds of PMF)
- TAX Year is valid/numeric (common program)
- Plan Number is valid
- Definer code is valid (internal validation)

5. Is there another source for the data? Explain how that source is or is not used.
No other source is used.

6. Generally, how will data be retrieved by the user?
PMF data is extracted on a weekly basis for reports and for loading into other IRS systems, which provide read–only access to the data (on a need to know basis). Users do not have direct access to PMF data, and can only retrieve data through IDRS.

7. Is the data retrievable by a personal identifier such as name, SSN, or other unique identifier?
Yes, data can only be retrieved by TIN, EIN, or SSN.

Access to the Data

8. Who will have access to the data in the system (Users, Managers, System Administrators, Developers, Others)?
PMF–related duties are separated and disbursed among various IRS organizations. PMF developers' create/test/debug application code, and maintain the PMF production data. PMF programmers are only given access rights necessary to complete the tasks associated with their job. User access is

dictated by local/national oversight, which is beyond the boundaries of the PMF application. Only PMF programs in the production environment have data–altering functionality, users are, by definition, granted only limited privileges (read data access only).

Role: Customer Service Representatives (CSRs) / Auditors – PMFOL User
Permission: Read only access to database

Role: Developers and Schedulers – Privileged User
Permission: Access to development Logical Partitions (LPARs) and Endevor development libraries. Read only access to production environments

Role: SA/DBA – Privileged User
Permission: Full access to the z990 mainframes, z/OS operating system, Virtual Storage Access Method (VSAM) database, and Automated Tape Library (ATL) storage area.

Note: The PMF does not outsource development or maintenance activities to third–party providers. Development and maintenance of the application is performed by IRS employees only.

9. How is access to the data by a user determined and by whom?

Data access to the PMF and PMF storage libraries is restricted based on the principles of least privilege and separation of duties; access is granted on a need–to–know basis. PMF personnel are required to apply for access using the Online (OL) 5081 form. The OL5081 enrollment process requires that an authorized manager approve access requests on a case by case basis. Upon approval, PMF users are assigned user accounts based on their role(s) and responsibilities. Access to the PMF mainframe and production/ development libraries and tools is restricted by RACF permissions maintained by MITS–21 administrators. Each sub–application in PMF requires that a user complete a separate OL5081 for the component they are requesting access to. Based on the individual's role(s) and responsibilities, access is either approved or denied, and the appropriate corresponding changes are made to the Resource Access Control Facility (RACF) access control list by EOps and/or PMF administrative staff. RACF security administrators provide initial UserID and password access to the Master File. This is managed by placing users into assigned groups. Each group is assigned the minimum user rights and permissions to perform their function. Users are restricted from changing the boundaries of their access. PMF user accounts require annual management recertification. Employees that no longer require access are required to be removed by management. Account revocation is also performed through OL5081. The PMF contains read–only business informational return data. By design, PMF users are restricted from inputting data into the application by Role Based Access Controls (RBAC), and are given the minimum set of privileges required to perform their regular and recurring work assignments.

10. Do other IRS systems provide, receive, or share data in the system? If YES, list the system(s) and describe which data is shared.

Yes. Inputs can originate in any number of IRS processing systems. Generally these systems interface with the Integrated Data Retrieval System (IDRS)/ Integrated Case Processing (ICP) system processing runs which include End–of–Day (EOD) runs. EOD runs validate the data before submitting to the PMF for posting. Posted data is replicated for use in other IRS processing systems. The entire PMF is replicated for Payer Master File On–line (PMFOL), which provides online read–only access for authorized IRS users.

PMF receives data from the following four systems. These systems interface with the Generalized Mainline Framework (GMF), which provides the data to the PMF processing system. Subsequent inputs can originate from any number of IRS processing systems. These four systems include:

- Business Master File Outputs (BMF) – BMF sends and receives business–related entity data to and from PMF via a batch process. This includes various forms of information about the business, including their Taxpayer Identification Number (TIN), Employer Identification Number, Employer Name, Employer Address, and Employer State ID Number, etc. PMF sends BMF a tickler file containing the TINs present within PMF. This allows for updates to be sent back to PMF from BMF that allows for updates to be made to the entity file.

- Combined Annual Wage Reporting (CAWR) – CAWR sends and receives taxpayer data in relation to the I Record and W–3 data elements. Data is received via a standard batch process. Once PMF is done with the I Record and W–3 data elements, a file is placed on the mainframe for CAWR to extract updates to the I Record and W–3 data for proper processing.

- Individual Master File (IMF) – IMF sends and receives individual–related entity data to and from PMF via a batch process. This includes various forms of information about the individual, including their Taxpayer Identification Number, Social Security Number, Address, etc. PMF sends IMF a tickler file containing the TINs present within PMF. This allows for updates to be sent back to PMF from IMF that allows for updates to be made to the entity file.

- Information Returns Processing (IRP) – IRP sends and receives taxpayer shipment information, including information return documentation data to and from PMF via a batch process.

PMF provides data to the following 6 systems:

- Business Master File (BMF) – BMF sends and receives business–related entity data to and from PMF via a batch process. This includes various forms of information about the business, including their Taxpayer Identification Number (TIN), Employer Identification Number, Employer Name, Employer Address, and Employer State ID Number, etc... PMF sends BMF a tickler file containing the TINs present within PMF. This allows for updates to be sent back to PMF from BMF that allows for updates to be made to the entity file.

- Combined Annual Wage Reporting (CAWR) – CAWR sends and receives taxpayer data in relation to the I Record and W–3 data elements. Data is received via a standard batch process. Once PMF is done with the I Record and W–3 data elements, a file is placed on the mainframe for CAWR to extract updates to the I Record and W–3 data for proper processing.

- Integrated Production Model (IPM) – IPM receives payer document records for storage in their strategy warehouse from PMF via an extract process. Once available, IPM pulls the data that is needed from PMF.

- Generalized Unpostable Framework (GUF) – GUF is sent error files that state a validation has failed on a particular TIN and name combination. Manual resolution will then occur within GUF to determine why the failure occurred. Once the resolution is completed, the change will be sent back through to PMF through normal processing.

- Individual Master File (IMF) – IMF sends and receives individual–related entity data to and from PMF via a batch process. This includes various forms of information about the individual, including their Taxpayer Identification Number, Social Security Number, Address, etc... PMF

sends IMF a tickler file containing the TINs present within PMF. This allows for updates to be sent back to PMF from IMF that allows for updates to be made to the entity file.

- Information Returns Processing (IRP) – IRP sends and receives taxpayer shipment information, including information return documentation data to and from PMF via a batch process.

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

Business Master File (BMF)
- Authority to Operate (ATO) – June 14, 2007
- Privacy Impact Assessment (PIA) – April 10, 2007

Combined Annual Wage Reporting (CAWR)
- Authority to Operate (ATO) – June 14, 2007
- Privacy Impact Assessment (PIA) – November 30, 2007

Integrated Production Model (IPM)
- Authority to Operate (ATO) – June 12, 2008
- Privacy Impact Assessment (PIA) – September 12, 2008

Generalized Unpostable Framework (GUF)
- Authority to Operate (ATO) – May 11, 2009
- Privacy Impact Assessment (PIA) – February 23, 2009

Individual Master File (IMF)
- Authority to Operate (ATO) – June 21, 2007
- Privacy Impact Assessment (PIA) – June 07, 2007

Information Returns Processing (IRP)
- Authority to Operate (ATO) – June 21, 2007
- Privacy Impact Assessment (PIA) – June 05, 2007

12. Will other agencies provide, receive, or share data in any form with this system?
No. While the Social Security Administration provides data that is utilized for PMF, it is provided directly to the IBM Mainframe and not the PMF application. When requested, IRS shares PMF information with Treasury Inspector General for Tax Administration (TIGTA) and Government Accountability Office (GAO) for auditing purposes.

Administrative Controls of Data

13. What are the procedures for eliminating the data at the end of the retention period?
PMF data elements for five tax years are current, and are processing year specific. Each year the oldest tax year data is overwritten and deleted by the new incoming data for the current year.

IRS follows disk sanitization procedures for destruction of discarded media. IRM 2.7.4, Management of Magnetic Media (Purging of SBU Data and Destruction of Computer Media) provides those procedures used for sanitizing electronic media for reuse (e.g., overwriting) and for controlled

storage, handling, or destruction of spoiled media or media that cannot be effectively sanitized for reuse (e.g., degaussing).

14. Will this system use technology in a new way?
No. PMF will not use technology in a new way.

15. Will this system be used to identify or locate individuals or groups? If so, describe the business purpose for this capability.
Yes. The business purpose is to store accounts of informational return filers and identify and locate taxpayers who are not in compliance with federal informational return filing and payment requirements. The system accepts queries from other systems based on criteria that may indicate cases at high risk for non–compliance. The data are further analyzed by these other systems, and the results posted back to the PMF application.

16. Will this system provide the capability to monitor individuals or groups? If yes, describe the business purpose for this capability and the controls established to prevent unauthorized monitoring.
Yes. This system does not itself monitor individuals or groups; however, it provides the capability to other systems. Other systems extract data from this repository. Extracts are performed only based on an approved work request.

17. Can use of the system allow IRS to treat taxpayers, employees, or others, differently?
No. The master file data allows IRS to ensure that taxpayers are treated equally. The automated method of generating notices based on specific criteria eliminates the possibility of one taxpayer receiving preferential treatment over another or one taxpayer unfairly singled out for special scrutiny.

18. Does the system ensure "due process" by allowing affected parties to respond to any negative determination, prior to final action?
Not Applicable. The PMF does not have the capability to independently make any determinations. The PMF records the issuance of statutory notices. These notices may include math errors on a return, and other procedural notices sent to the taxpayer on initial processing. If another system accesses data in the PMF, and subsequent processing by that other system results in a notice to the taxpayer, the notice is recorded on the PMF, which serves as the master repository. The other systems have procedures to ensure due process.

19. If the system is web–based, does it use persistent cookies or other tracking devices to identify web visitors?
Not Applicable. PMF is not web–based and therefore, does not use persistent cookies or other tracking devices to identify web visitors.