

What is Federal Tax Information?

Returned match files from the Internal Revenue Service (IRS) because of the monthly DIFSLA (Disclosure of Information to Federal, State, and Local Agencies) data match is Federal Tax Information (FTI).

This same information in whole or in part in any other forms, be it in electronic reports/written/spoken/photocopied/screen printed etc.

The Rule: The source of the information determines if the information is tax information. If the source of the data is the IRS **it is** tax information. If information from the IRS source is comingled with other data, **it remains** tax information and must be protected accordingly.

Example: An individual applies for TANF assistance and on their application or as a condition of eligibility they provide their name, DOB, SSN, Address, and household information. The IRS is not the source of that data, so it is not Federal Tax Information (FTI).

Example 2: Monthly, a file is sent to the IRS to match against the most current taxpayer information. Return files are sent back to DCF once a match is completed and investigative reports are created. Return match information about taxable income including amounts, sources, and source addresses is Federal Tax Information, because the IRS was the source of that information. Individual identifying data pulled from the eligibility system, sent to the IRS, and returned with the match information is not FTI, because the IRS is not the source of that data. However, because all this data is in the same file (comingled), the file is tax information and must be protected accordingly.

Example 3: Once an investigative report is created, using data from KAECSSES or KEES and the IRS, the report becomes tax information, because the IRS was the source of part of the data that was comingled with other information.

Who has the Authority to Access Tax Information?

Under the computer matching agreement between IRS and the Economic and Employment Services (EES) division of DCF, staff whose job duties include determining eligibility for and/or the correct benefit amounts for Temporary Assistance for Families (TANF) or the Supplemental Nutrition Assistance Program (SNAP) are authorized to access tax information on a need to know basis.

Staff who provide support to those who determine eligibility for and/or the correct benefit amount for these needs based programs are also authorized access to tax information on a need to know basis.

The Rule: EES has made the decision to centralize the processing of FTI to limit disclosure and reduce risks related to protection of Federal Tax Information received because of the DIFSLA match. As a result, only a limited number of staff members in EES Administration are approved to access FTI. Those staff members have had annual training specific to IRS Safeguards and have certified their understanding of the policies and procedures governing use, disclosure, destruction, and safeguarding of FTI. The Authorized Access List, a list of individuals who have completed this training and can access FTI, is posted on the door of the Tax Processing Room. Communication about FTI to anyone not on this list is strictly prohibited.

Example: Under the computer matching agreement, and EES worker in the field determining a households' eligibility for TANF could access FTI information as part of that determination process. However, because EES has made the decision to centralize FTI processing, the field workers have not completed IRS Safeguard training and have not certified their understanding of EES' FTI related policies and procedures. Therefore, field workers are not allowed access to FTI in any form.

Example 2: The EES Administration TANF Resource Verification unit is made up of individuals who have completed annual IRS Safeguard Training and are intimately familiar with EES' policies and procedures for the handling and processing of FTI. Because those staff members are trained, have certified their understanding of the policies and procedures, and understand what they can and cannot do with FTI, they are allowed access to FTI.

Why does the agency received Federal Tax Information?

The agency must conduct the match with the IRS as it is a requirement for the administration of the TANF program (Social Security Act, Title XI, Section 1137(a)(2)). This match, of unearned income sources reported to the IRS, ensures that TANF households do not have unreported resources or income sources and is a program integrity activity.

How does the agency use the Federal Tax information it receives?

The agency filters the match file to isolate the match results that may impact a household's TANF eligibility. Then, those matches are investigated to determine if the asset or income was correctly reported by the TANF household or correctly investigated by the agency when making the initial eligibility determination or redetermination for TANF. As a result, the TANF determination may have corrective action or overpayment action needed to correct the case.

EES' policies related to Federal Tax Information:

This document, located in the Kansas Economic and Employment Services Manual (KEESM) Appendix, contains all EES specific policies related to handling of FTI and staff members who are approved to access FTI must certify annually that they have completed IRS specific awareness training and understand all the agency and divisional policies related to the handling of FTI.

DCF Network, Multi-Functional Devices, & E-mails or Fax Communications –

EES strictly prohibits FTI from being introduced to the network, such as saving to network drives or sending via the network FTI to multi-functional devices. The exchange of Federal Tax Information via both e-mail and facsimile are strictly prohibited. This includes e-mail communications within network (within DCF or within the State of Kansas) as well as those outside the network. FTI shall not be saved electronically in any manner except for the secured mainframe files and processing of mainframe files or the secured, encrypted USB devices specifically dedicated to FTI processing and procedures described within this document.

Visitors -

Any person who is not listed on the "Authorized Access List" is considered a "visitor", even if they are another EES coworker, and must not have unescorted access to the tax processing area. Visitors to this area are to sign in and remain escorted by authorized staff at all times.

Labeling FTI -

FTI in either electronic or paper forms shall be labeled "Federal Tax Information". Handling of this information is to be logged. Each secured encrypted USB has its own log form. In addition, there is a log form for paper FTI as well. Logging the creation or, access to, and destruction of FTI is required. FTI must always have two barriers between it and unauthorized staff. Investigative match reports stored on the secured encrypted USB devices will be named in a manner consistent with the unit's naming convention policy.

Training -

EES authorized tax processing staff are to complete annual security awareness training. The EES tax investigator position is responsible for informing staff, the first quarter or each year or upon hire, to complete the training. All staff will also complete a quiz to test comprehension of key elements in the training and must have a satisfactory score to have fulfilled this training requirement. All staff will also sign a form certifying their completion of the training and agreement to adhere to the requirements within.

Incident Response –

Any breach or suspected breach of FTI information is to be reported immediately to both the tax processing unit supervisor and to DCF- IT Security (via email to DCF.ITSecurity@ks.gov) for investigation and handling.

Safeguarding Printed Federal Tax Information -

Any piece of paper whether it be the case log, a piece of scrap paper or hard copy notice to the client where the source of any of the information within is tax information and must be safeguarded as such. Authorized staff that process FTI must log the creation of any paper document containing FTI and keep those documents secured within the tax processing area when not in use. Once investigation is complete and the paper FTI is no longer needed, it should be destroyed via shredding and the FTI log documentation updated to reflect the destruction.

Hard copy tax information is time consuming to secure and track. Therefore, unless it is necessary, tax information should not be printed or written down. When tax information must be in paper form, the dedicated printer within the tax processing area is to be used for the creation of the document. Shared printers are prohibited from being used for FTI, because unauthorized staff members also have access to these machines.

FTI processing staff will be responsible for verifying to the IRS how the DCF office's perimeter, interior area and the containers used to store this information meet IRS requirements for the protection of tax information. These requirements can be found in the latest version of Publication 1075, Tax Information Security Guidelines for Federal, State, and Local Agencies, on the IRS' Safeguards Program website: <http://www.irs.gov/uac/Safeguards-Program>.

The following requirements also apply to the safeguarding of all hard copy tax information:

Documents containing tax information must be kept separate from other case materials in a locked container such as a metal desk or metal filing cabinet. Tax information must never be kept in a case file.

The creation, handling/possession, and destruction of all hard copy FTI shall be logged in accordance with IRS requirements.

Any correspondence that will include tax information must be locally produced. Copies of such correspondence must be safeguarded as tax information. Shared printers are prohibited from being used for FTI, because unauthorized staff members have access to those printers.

The container for securing tax information must be clearly marked "Federal Tax Information."

Access must be limited to employees requiring the information to do their jobs and only those EES Administration employees that have completed IRS Security Awareness annual training and have certified their understanding of the training and agency/divisional policies related to FTI (see "Authorized Access List").

Printed taxpayer reports as well as hard copy printouts from other interfaces must be destroyed as soon as investigations have been completed (usually within 30 days). According to IRS requirements, taxpayer information must be shredded to 5/16-inch wide or smaller strips.

Contractors are not allowed access to FTI at any time. This includes contracted employees of the agency, contracted cleaning staff, contracted moving companies, and contracts related to document shredding or storage.

Correspondence to and from the EES Administration TANF Resource Verification unit is to be sealed and unopened in transit to prevent access to FTI by unauthorized staff members. Training will be given and reminder notices posted for mail handlers that correspondence addressed to the EES Administration TANF Resource Verification unit is to remain sealed and only opened by addressee.

Any questions about the EES Tax Processing Room, Policies, or Procedures can be sent to the EES Data Exchange Manager and Subject Matter Expert, Kristi Scheve, via email to Kristi.Scheve@ks.gov.