

APPENDIX 4

COMMENTS BY PANEL MEMBERS REGARDING SYSTEM DATA AND IRS COMMENTS

PANEL DISCUSSION

Contents

Panel members agreed that in order to allay various fears, there was a need for an inventory of just what would go into the TAS files. It was noted that in the original ambitious plans for the TAS as developed in the 1960's, it was proposed to gather in as part of the recording process everything available in the IRS, whether it was audit, intelligence, alcohol and tobacco tax, or any other program. This was found not practical, however, according to IRS officials, and there was a decision to have a file with simple accounting information in it, with the basic data from tax returns. Questions were raised by individual panelists about the reasons underlying this decision — whether, for instance, they related to costs, software, legal, or administrative problems.

Under this later plan, it was thought that if a person paid taxes and was not audited, nothing else would be entered in that file until the next payment. The argument was that it would be only the person who continued to have a tax problem whose record would continue to be flashed on the screen someplace for further attention, and that if it could somehow be recognized that this will be a pure accounting operation, and that there are not agents who are feeding information into or getting information out of the file on a daily basis, there would be no alarm about the TAS. There was an argument that the TAS has been overly dramatized as something with a potential for mischief, but that this was not the case at all. part of the problem, according to this IRS-backed argument, is that people don't know what is in the file.

TAS is, according to one IRS official, a matter of tax accounting, of "dusty old account records," and "not the intelligence information which the Watergate people were talking about. "

Yet questions arose from the panel as to precisely where intelligence files will be under the TAS. The answer was that this type of information would be in individual district offices primarily in manual form, and that the intelligence files that are presently computerized will not reside in the same computers. However, people doing investigative work would use the TAS.

As a result of these and other concerns raised by individual panelists, a questionnaire was addressed to the IRS. The IRS was asked to indicate as precisely as possible what items of information under the new TAS will be placed in the taxpayer's file and thereby linked to the taxpayer's name, beyond the standard identifying items of address and social security number.

The response stated that the "Tax Administration Service will enable the Service to computerize in one system data which presently exists in microfilm records and various other manual files, the Master File System, and the Integrated Data Retrieval System. "

It then provided the following "listing and brief description of the possible types and elements of data":

Identification Data – Account number, spouse's social security number and marital status, current name and home address, including county; business address, and **prior** names and addresses, if any; the type of tax, tax period or accounting year; date account established; date of death (establishes filing date for estate tax returns); business activity code and cross-references to tax related taxpayers (includes spouses, principal officers in a corporation, and partners in a partnership). For exempt organizations, data concerning:

date exemption ruling was issued, issuing office, and applicable IR code section; group exemption number and number of locals; activity code and latest year return filed.

- *Accounting Data* — Account balances, transaction codes and document locator numbers; posting dates and amount of assessment, credit, payment, refund or balance due. If balance due: amount of tax, penalty and interest, date bills were issued, issuing office, date next bill should be issued or referred to field collection office if account is not satisfied.
- *Delinquent Collection Data* — If installment agreement made: amount and frequency of payments due and paid; phone number of delinquent taxpayer; the name and number of attorney and accountant; occupation of primary taxpayer and spouse, assets from financial statement submitted with agreement; date of Certificate of Non-attachment of Lien; delinquency prevention information (eg., Federal Tax Deposit Alerts and Mr. Businessman's Kit).

If service of levy becomes necessary to enforce collection of unpaid tax: institution or person served (bank, employer, etc.), and date served; how served (in person or by mail); and proceeds of levy.

If service of lien becomes necessary: date served; date recorded, released, modified, refiled or subordinated; county or office of recordation; lien serial number.

If *sale* of property becomes necessary: date of sale; type property sold; amount of redemption, proceeds of sale and amount released; minimum bid; and costs of sale.

- *Return and Audit Data* — Line items from tax returns needed to math verify and match entries, and those used in the identification of tax returns having a high probability of omissions or errors; prior year issues examined for tax years open under the statute of limitations; amount of change; type of examination (i.e., field, office, correspondence); level of closing (i.e., group, conference, Appellate, etc.); type of closing (i.e., agreed, unagreed); transactions or adjustments affecting subsequent year returns (e.g., net operating loss carryover or adjustments to basis of depreciable assets); special situations encountered in audit (e.g., taxpayer records in machine sensible form or inadequate records notice issued); name of examiner, examining district, and taxpayer representative, if any.
- *Investigation Data* — Indicators to other IRS functions that an investigation has been initiated; aliases or other names used; business names and addresses; home addresses; financial institution; occupation; industry; tax years of investigation; taxes per original returns; agent assigned, location, and grade; disposition of case; reason closed; method of evasions; disposition by Regional Counsel, Justice Department, and U.S. Attorney; trial results; sentence; and judicial district.
- *Statistical Data* — The "Taxpayer Compliance Measurement Program" requires in-depth evaluations of a random sample of specific types of returns filed. This section contains line item totals from the sample returns that are not recorded elsewhere. After examination, items adjusted and other compliance characteristics are tabulated and analyzed to determine voluntary compliance levels. The analysis is based on summary data obtained from examinations and it cannot be related to specific taxpayers whose returns were in the sample.

Statistics of Income data consisted of selected line items from randomly selected tax returns which is required for compilation of Statistics of Income Reports.
- *Assignment and Control Data* — Type of assignment; employee making assignment; employee to whom case assigned; date assigned; code to identify action being taken;

date correspondence received from taxpayer; status code (i.e., open, closed, in suspense). When data is removed: type of tax, tax period, date data removed from computer processing system, and location of hard copy.

- *Miscellaneous Data* — County and state of residence and amount for revenue sharing purposes; and indication that election was made for presidential election campaign fund.

Following are other OTA questions and IRS responses about the contents of TAS, together with comments on the responses.

Matching and Interlocking Files:

“What data elements in matching or interlocking files will be automated?”

“Under the Tax Administration System, we do not **anticipate automating** matching or interlocking files beyond those existing in the present system. Data elements planned for all the TAS files are described in Answer 1 above.”

Comment: It was not clear to some panelists whether this meant there can be interlocked files which are not part of another system, inasmuch as the data entry system is defined as a separate system.

Exempt Organizations:

“Will information on exempt Organizations, including Contributors, be automated and available for audit?”

“Exempt organizations data will be **part** of the TAS files as described in the answer to Question 1. Information on specific contributors will not be input nor will it be automated in any other way.”

Comment: This response might be clarified. Read one way, it does not seem to allow for entry of such information as a “line item” from a taxpayer return, or its retrieval for use in an audit. Does it mean this will not be taken from the tax return? Otherwise, it would be a simple matter to go through the files and compile a list of contributors. Does it mean there is actually no list of contributors in the computerized file, or that it is kept elsewhere?

Private Rulings:

“Will private rulings go on the TAS computers?”

“Although the text of the ruling will not be in the Tax Administration System, the Service may input identifying and control data to monitor the status of cases for management purposes.”

Comment: It is not clear how the new tax privacy legislation may affect the IRS plans on private rulings.