

*A Preliminary Analysis of the IRS Tax
Administration System*

March 1977

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A Preliminary Analysis of the
IRS TAX ADMINISTRATION SYSTEM



UNITED STATES CONGRESS
Office of Technology Assessment

March 1977

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Honorable Al Unman
Chairman
Committee on Ways and Means
U. S. House of Representatives
Washington, D. C. 20515

Dear Mr. Chairman:

On behalf of the Office of Technology Assessment, we are pleased to forward the analysis of issues: A Preliminary Analysis of the IRS Tax Administration System.

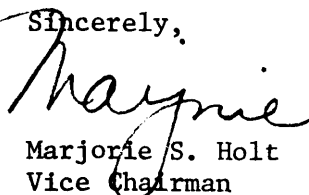
This preliminary analysis identifies issues and poses questions regarding the opportunities for oversight of the system as it affects due process, privacy, confidentiality and security as you requested.

Sincerely ,

^P Edward M. Kennedy
Chairman

Enclosure

Sincerely,



Marjorie S. Holt
Vice Chairman

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Honorable Edward M. Kennedy
Chairman of the Board
Office of Technology Assessment
Congress of the United States
Washington, D. C. 20510

Dear Mr. Chairman:

The Office of Technology Assessment has been asked by the Chairman of the House Ways and Means Committee and the Chairman of the Subcommittee on Oversight to review the Internal Revenue Service proposal for a new computerized Tax Administration System (TAS) to assure that the safeguards are sufficient to prevent the TAS from becoming "a system of harassment, surveillance, and political manipulation."

Under the TAS proposal, the present centralized IRS computer system whose master tapes are updated and queried on a weekly basis would be replaced by a network of ten regional systems, each with Master Files that could be accessed instantaneously from terminals in local Internal Revenue Offices throughout the regions. Computerization of some manual files and new applications of the technology are anticipated.

To assist in making a determination as to how best to proceed with the Committee request, OTA convened a panel of expert consultants from the fields of computer science, sociology, public law, management science, civil liberties and taxation. Discussions were also held with a number of other knowledgeable people concerned with these issues. Documents, reports, and other relevant materials were reviewed pertaining to the proposed TAS technology, to the current issues bearing on the effective administration of the tax laws, and to principal current concerns about adequate protection for the privacy, due process, property and other constitutional rights of taxpayers as citizens.

The charge of the panel was to advise OTA on how to proceed with developing a response to the Committee's request in light of questions which might be raised about possible need for additional safeguards when the system is implemented.

The panel discussed issues which might be raised by the establishment of TAS on the basis of the available information. They met with Internal Revenue Service officials in charge of developing TAS. Subsequently, a questionnaire was addressed to the IRS to acquire additional information and clarification of factual points deemed necessary for making judgments as to what, if any, major issues might be presented by the system.

OTA reviewed the TAS proposal in light of (1) recent heightened public concern for the privacy and confidentiality afforded personal financial activities, (2) perceived threats from past and present problems in the operations and management of similar large computerized systems, (3) perceived threats from past abuses in IRS information practices and due process guarantees, and (4) the current debates over the proper statutory, administrative and technical means of revealing misuse and abuses of information in the future and of lessening the chances of their reoccurrence.

The panel has identified a number of important questions that may be raised about the scope and application of the proposed Tax Administration System, as described to Congress, and about the opportunities for oversight of the system as it affects due process, privacy, confidentiality and security. The questions are of such a nature that answers to them, when related to other facts and trends, would provide a basis for judgments about principal advantages or disadvantages of the system and its proposed safeguards. These questions are discussed in this report to the Board.

Our preliminary investigation of this request suggests that before OTA proceeds further, hearings addressing these questions be held before the Ways and Means Committee Subcommittee on Oversight at an early date to consider the potential impact of the interrelationship of the technology, law and public policy in this major governmental information system. Continued OTA participation will be evaluated as the Committee proceeds with its deliberations.

Sincerely,

EMILIO Q. DADDARIO
Director

Enclosure

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