

APPENDIX 6
CONSIDERATIONS REGARDING OTA'S RESPONSE
TO CONGRESSIONAL COMMITTEE REQUEST TO REVIEW PROPOSED
COMPUTERIZED TAX ADMINISTRATION SYSTEM (TAS)*

June 8, 1976

I. SOCIAL AND POLITICAL IMPLICATIONS

- A. Is TAS consistent with a free society?
- B. What is new or unique about the capacity or potential of the system as a management support tool, as an operating mechanism, as a law enforcement tool, and as an instrument of surveillance?
- c. In those segments of the public and private sectors which are now affected by the IRS information policies, what trends and processes could be accelerated, aggregated, improved, or set in motion by instilling the new computerized System?
- D. What new groups will be brought more effectively into the administration of the tax laws who are currently under-audited, overlooked, ignored, under-represented or under-served? Who benefits and who stands to lose?
- E. What relationships among institutions might be established and what current ones affected?
- F. What are the political implications, beneficial as well as adverse, of the new system for governmental control over the individual and over the general population?
- G. What issues are raised involving use of a unique identifier, or one social security number for every taxpayer which would be required to administer TAS?

II. CONTROL AND ACCOUNTABILITY

- A. How can the Congress satisfy itself that the procedures initially proposed under the TAS are adequate with regard to security and confidentiality?
- B. How can the Congress monitor the operations of the system in order to satisfy itself that new opportunities to breach security and confidentiality have not developed or been created within the system? What review of the system should be planned, at what stage, and how frequently?
- c. How could the new system affect committee oversight and chances of satisfactory accountability to Congress by the Internal Revenue Service for the equitable administration of the tax laws and proper gathering, use, and management of taxpayer information?
 - (1) by the rest of the Executive Branch?
 - (2) by governmental contractors and other users?

*Some of these suggested issues, which are by no means inclusive, are standard ones which could be raised for any properly-constructed automated data processing system containing personal information; others might be standard for any governmental or federal system; others reflect possible special concerns of Congress as an institutional guardian of civil rights and liberties; others indicate possible concerns of individual legislative policy-makers with special constituency interests in privacy or fair administration of the tax laws.

III. FEDERALISM

- A. How will TAS affect the present Federal-State relationships in dealing with taxpayer information? Can or will TAS be used directly or indirectly to assist state income tax collection and their administration of other programs? Will development of TAS promote initiatives to combine or share state and local systems?

IV. PRIVATE SECTOR

- A. How could TAS, or future generations of TAS computers, affect the relationships between the IRS computerized system and those of private organizations, institutions, and businesses who want to reduce paperwork, provide data to IRS on tapes, or possibly access the system and retrieve from it by electronic funds transfer?

v. IMPLICATIONS FOR THE INDIVIDUAL TAXPAYER

- A. What could the new system mean for the potential of the IRS and the rest of government to investigate the individual?
- B. What could TAS, and future generations of TAS, mean in terms of the individual's ability to start anew in society?
- c. How may the new system affect the taxpayer's control over what personal and financial information is supplied to government and the person's participation in how it is shared, transferred, manipulated and managed?
- D. How may the new system affect, for better or worse, the quality of service to the taxpayer? Will increased speed in transactions and transfer of information necessarily mean improvement in protection of privacy, relevance of data maintained, confidentiality, and accuracy and timeliness of records?

VI. LEGAL IMPLICATIONS

- A. If the new system is installed, are existing statutory standards, guarantees, and sanctions governing federal information policy adequate to safeguard:
 - (1) the privacy of the individual?
 - (2) the confidentiality of taxpayer information?
 - (3) the security of the system?
- B. How could changing concepts of privacy and constitutional rights in the courts and Congress affect the system?

VII. ECONOMIC IMPLICATIONS

- A. Does TAS raise unexamined economic issues?

- B. Could intensified regulation mean increased control over the individual taxpayer, resulting in more coercion being applied to the system through comprehensive auditing, follow-Up techniques, and stepped-up prosecutions, with the possible consequence of reduction in the level of *voluntary* compliance?
- c. Is there a need for the application of a cost-benefit analysis involving factors other than those of cost, and efficiency involving the social and political trade-offs?

VIII. ADMINISTRATIVE AND MANAGERIAL ISSUES

- A. Does the proposed TAS raise issues of need for administrative and management changes in overall processing methods?
- B. Does the proposed TAS raise issues concerning the tolerance of the administrative structure and manpower capacity of the Internal Revenue Service to carry the load of technology involved? Can the system get too large, the data bank too unwieldy, for administrative purposes?
- c. What kinds of detailed management information does Congress need to know to evaluate the impact of the extended ADP System on the individual and groups it should serve?
Is there a need, for instance, to address such questions as:
 - (1) How many employees are in each Service Center now?
 - (2) How many more will be added at the:
 - (a) Service level?
 - (b) Supervisory level?
 - (c) Clerical level?
 - (d) ADP level?
 - (3) How many more in national office for each functional area?
 - (4) Where is responsibility for each stage of the system?
 - (5) What is the span of control?
- D. Does TAS raise issues of the accountability of the administration of the tax programs as they may bear on the privacy and other rights of taxpayers to:
 - (1) the Commissioner of the Internal Revenue Service?
 - (2) the Secretary of the Treasury?
 - (3) the President?
 Will they be able to keep track of what IRS and other government agencies are doing with the data, how they are aggregating, manipulating, and sharing it?
- E. What issues are raised by the network feature of the system?
- F. How will the proposed system relate administratively to other IRS and Treasury data systems and to other governmental data banks and systems? Who could access it, feed it, retrieve from it?
- G. Does TAS present issues of controlling abuses of authority by political administrators and management officials?
- H. Should these and other issues of administration and management be addressed in legislation as opposed to regulations?

IX. TECHNICAL ISSUES

- A. Do the size of the proposed system and its network features raise issues of the wisdom of it and its technical feasibility?
- B. Does the proposed system raise problems of guaranteeing sufficient technical safeguards for maintaining the integrity of taxpayer information and protecting it against unauthorized use?
 - (1) Has sufficient attention been accorded those various components of information management which are necessary for the type of personal and business information contained in the new system including such matters as:
 - (a) **partitioning and segmenting of files,**
 - (b) data input, storage, handling,
 - (c) record identification,
 - (d) media control,
 - (e) **programming techniques for security,**
 - (f) **software documentation,**
 - (g) data elements,
 - (2) Has sufficient attention been accorded the establishment of technical guidelines and administrative regulations to govern computer system and network controls including such matters as:
 - (a) user identification,
 - (b) terminal identification,
 - (c) data access **controls,**
 - (d) data encryption,
 - (e) security auditing,
 - (3) Has sufficient attention been accorded needed aspects of physical security?

X. OTHER ISSUES