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**A. SYSTEM DESCRIPTION**

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1. Enter the full name and acronym for the system, project, application and/or database. Chapter Three Withholding , CTW

2. Is this a new system? No

2a. If **no**, is there a PIA for this system? Yes

If **yes**, enter the full name, acronym, PIA ID Number and milestone of the most recent PIA.

Chapter Three Withholding (CTW), 1035, MS 4B

Next, enter the **date** of the most recent PIA. 11/18/2014

Indicate which of the following changes occurred to require this update (check all that apply).

- |    |                                                      |
|----|------------------------------------------------------|
| No | Addition of PII                                      |
| No | Conversions                                          |
| No | Anonymous to Non-Anonymous                           |
| No | Significant System Management Changes                |
| No | Significant Merging with Another System              |
| No | New Access by IRS employees or Members of the Public |
| No | Addition of Commercial Data / Sources                |
| No | New Interagency Use                                  |
| No | Internal Flow or Collection                          |

Were there other system changes not listed above? No

If yes, explain what changes were made.

3. Check the current ELC (Enterprise Life Cycle) Milestones (select all that apply)

- |     |                                                                  |
|-----|------------------------------------------------------------------|
| No  | Vision & Strategy/Milestone 0                                    |
| No  | Project Initiation/Milestone 1                                   |
| No  | Domain Architecture/Milestone 2                                  |
| No  | Preliminary Design/Milestone 3                                   |
| No  | Detailed Design/Milestone 4A                                     |
| Yes | System Development/Milestone 4B                                  |
| No  | System Deployment/Milestone 5                                    |
| Yes | Operations & Maintenance (i.e., system is currently operational) |

4. Is this a Federal Information Security Management Act (FISMA) reportable system? Yes

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**A.1 General Business Purpose**

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5. What is the general business purpose of this system? Provide a clear, concise description of the system, application or database, the reason for the system, and the benefits to the IRS to use the information, and how the information will be used. Chapter Three Withholding (CTW) processes forms that track withholding reported on payments of United States source income to foreign persons (Form 1042S and Form 1042T). Data is reformatted and downloaded to CTW from Filing Information Returns Electronically (FIRE) and Integrated Submissions Remittance Processing (ISRP). CTW will perform validation, consistency and math checks. Valid data posts to either the Payer Master File (PMF) or the Information Returns Master File (IRMF), Form 1042-T and Form 1042-S respectively. Form 1042-S records are extracted and sent to E-Trak Non-Resident Filing (NRF). The data is shared with the Department of Treasury for statistical purposes and is used as a negotiation tool with foreign countries in order to obtain information on U.S. persons earning foreign source income. Access to CTW data is given to the IRS Statistics of Income (SOI), the IRS US Competent Authority (International) or US Organization for Economic Cooperative Development (OECD) and the Integrated Production Model (IPM).

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## B. PII DETAIL

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6. Does the system use, collect, receive, display, store, maintain, or disseminate IR Code 6103 taxpayer information; or any type of Sensitive but Unclassified (SBU) or Personally Identifiable Information (PII)? Yes

6a. If **yes**, does the system use, collect, receive, display, store, maintain, or disseminate Social Security Numbers (SSNs) or tax identification numbers (i.e. last 4 digits, etc.)? Yes

If **yes**, check who the SSN (or tax identification number) is collected on.

Yes    On Primary    No    On Spouse    No    On Dependent

If **yes**, check all types SSN s (or tax identification numbers) that apply to this system:

No            Social Security Number (SSN)  
Yes            Employer Identification Number (EIN)  
No            Individual Taxpayer Identification Number (ITIN)  
No            Taxpayer Identification Number for Pending U.S. Adoptions (ATIN)  
No            Practitioner Tax Identification Number (PTIN)

Describe the planned mitigation strategy and forecasted implementation date to mitigate or eliminate the use of SSNs (or tax identification numbers). The Form 1042-S and Form 1042-T can be accessed only by Document Locator Number (DLN). The Withholding Agent's EIN, the Withholding Agent's foreign TIN, the Recipient's US TIN, the Recipient's foreign TIN, the Intermediary's EIN, the Intermediary's foreign TIN and the Payer's TIN is displayed on the CTW screens used by the Tax Examiners. There is no planned mitigation strategy or forecasted date to eliminate the use of the Withholding Agent's EIN.

6b. Does this system contain other (non-SSN) PII that it uses, collects, receives, displays, stores, maintains, or disseminates? (i.e. Names, addresses, etc.) Yes

If **yes**, specify the information.

<u>Selected</u>	<u>PII Element</u>	<u>On Primary</u>	<u>On Spouse</u>	<u>On Dependent</u>
Yes	Name	Yes	No	No
Yes	Mailing address	No	No	No
No	Phone Numbers	No	No	No
No	E-mail Address	No	No	No
Yes	Date of Birth	Yes	No	No
No	Place of Birth	No	No	No
No	SEID	No	No	No
No	Mother's Maiden Name	No	No	No
No	Protection Personal Identification Numbers (IP PIN)	No	No	No
No	Internet Protocol Address (IP Address)	No	No	No
No	Criminal History	No	No	No
No	Medical Information	No	No	No
No	Certificate or License Numbers	No	No	No
No	Vehicle Identifiers	No	No	No
No	Passport Number	No	No	No
No	Alien (A-) Number	No	No	No
No	Financial Account Numbers	No	No	No
No	Photographic Identifiers	No	No	No
No	Biometric Identifiers	No	No	No
No	Employment (HR) Information	No	No	No
Yes	Tax Account Information	Yes	No	No

6c. Does this system contain SBU information that is not PII, it uses, collects, receives, displays, stores, maintains, or disseminates? Yes

If **yes**, select the types of SBU.

<u>Selected</u>	<u>SBU Name</u>	<u>SBU Description</u>
Yes	Agency Sensitive Information	Information which if improperly used or disclosed could adversely affect the ability of the agency to accomplish its mission
No	Procurement sensitive data	Contract proposals, bids, etc.
Yes	Official Use Only (OUO) or Limited Official Use (LOU)	Information designated as OUO or LOU is information that: is exempt under one of the statutory Freedom of Information Act exemptions; is prohibited by other laws or regulations; would significantly impede the agency in carrying out a responsibility or function; or would constitute an unwarranted invasion of privacy.
No	Proprietary data	Business information that does not belong to the IRS
Yes	Protected Information	Information which if modified, destroyed or disclosed in an unauthorized manner could cause: loss of life, loss of property or funds by unlawful means, violation of personal privacy or civil rights, gaining of an unfair procurement advantage by contractors bidding on government contracts, or disclosure of proprietary information entrusted to the Government
No	Physical Security Information	Security information containing details of serious weaknesses and vulnerabilities associated with specific systems and facilities
No	Criminal Investigation Information	Information concerning IRS criminal investigations or the agents conducting the investigations.

6d. Are there other types of SBU/PII used in the system? No

6e. Cite the authority for collecting SBU/PII (including SSN if relevant)

- Yes PII for federal tax administration is generally Internal Revenue Code Sections 6001, 6011, 6012e(a)
- No SSN for tax returns and return information is Internal Revenue Code Section 6109
- No SSN for personnel administration (IRS Employees) is 5 USC & Executive Order 9397
- No PII for personnel administration is 5 USC
- No PII about individuals for Bank Secrecy Act compliance 31 USC
- No Information by CI for certain money laundering cases may be 18 USC

6f. Has the authority been verified with the system owner? Yes

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## **B.1 BUSINESS NEEDS AND ACCURACY**

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7. Explain the detailed business needs and uses for the SBU/PII, and how the SBU/PII is limited only to that which is relevant and necessary to meet the mission requirements of the system. If SSNs (or tax identification numbers) are used, explicitly explain why use of SSNs meets this criteria. Be specific. Form 1042-S Foreign Person's U. S. Source Income Subject to Withholding captures recipient and withholding agent data; Form 1042-T Annual Summary and Transmittal of Form 1042-S references several Form 1042-S's and contains aggregate data, not individual taxpayer data; Withholding information about recipients for which monies are withheld may include Recipient TIN (not required), Recipient name, street, city, state, postal code and sometimes province and country code; Qualified Intermediaries (QI) and Non-Qualified Intermediaries (NQI) entity TIN, QI/NQI entity name, street, city, state, postal code and sometimes province and country code; Payer Name and Taxpayer Identification Number (TIN), the TIN is optional; Transmitter data is captured and stored within the CTW application and may be identified by Transmitter Control Code (TCC), Transmitter name, street, city, state and postal code.
8. How is the SBU/PII verified for accuracy, timeliness, and completeness? Explain how steps are taken to ensure that all information maintained by the system that is used by IRS to make any adverse determination about an individual's rights, benefits, and/or privileges is maintained with such accuracy, relevance, timeliness, and completeness as is reasonably necessary to assure fairness to the individual in the determination. Data submitted electronically is verified by initial 1042-S and 1042-T processing on the consolidated UNISYS. If fatal error checks are passed, valid data proceeds through the system. If the fatal error tests fail, data will be returned to the filer for correction and resubmission. The CTW-01 program run performs consistency and validity checks on the electronic data. Data submitted on paper is analyzed by the Code and Edit personnel at the service center. Instructions must be followed as stated in the Internal Revenue Manual (IRM) (3.21.111) before data is allowed to enter the CTW application. The CTW-03 and CTW-09 program runs perform consistency, validity and math error checks on the paper data.

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## **C. PRIVACY ACT AND SYSTEM OF RECORDS**

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9. Are 10 or more records containing SBU/PII maintained, stored, and/or transmitted by or through this system? Yes

9a. If **yes**, are records in the system retrieved by any personal identifier (e.g., name, SSN, Photograph, IP Address) for an individual? Yes

If **yes**, is there a System of Records Notice(s) or SORNS that addresses the PII records in this system? Yes

If **yes**, enter the SORN number(s) and the complete the name of the SORN.

<u>SORNS Number</u>	<u>SORNS Name</u>
Treas/IRS 22.026	Form 1042S Index by Name of Recipient
Treas/IRS 22.061	Information Return Master File

If **yes**, does the System of Records Notice(s) (SORN) published in the Federal Register adequately describe the records as required by the Privacy Act? Yes

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#### D. RESPONSIBLE PARTIES

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10. Identify the individuals for the following system roles. ## Official Use Only

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#### E. INCOMING PII INTERFACES

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11. Does the system receive SBU/PII from other system or agencies? Yes

11a. If **yes**, does the system receive SBU/PII from IRS files and databases? Yes

If **yes**, enter the files and databases.

<u>System Name</u>	<u>Current PIA?</u>	<u>PIA Approval Date</u>	<u>SA &amp; A?</u>	<u>Authorization Date</u>
Electronic File Transfer Utility (EFTU)	No		No	
Integrated Submission Remittance Processing (ISRP)	Yes	04/18/2014	Yes	08/06/2014
Filing Information Returns Electronically (FIRE)	Yes	10/25/2011	Yes	05/11/2012

11b. Does the system receive SBU/PII from other federal agency or agencies? Yes

If **yes**, for each federal interface, identify the organization that sends the SBU/PII, how the SBU/PII is transmitted and if there is an Inter-Agency Agreement (ISA)/Memorandum of Understanding (MOU).

<u>Organization Name</u>	<u>Transmission method</u>	<u>ISA/MOU</u>
Social Security Administration Railroad Retirement Board	through the FIRE system	No

11c. Does the system receive SBU/PII from State or local agency(s)? No

11d. Does the system receive SBU/PII from other sources? Yes

If **yes**, identify the source that sends the SBU/PII, how the SBU/PII is transmitted and if there is an Inter-Agency Agreement (ISA) /Memorandum of Understanding (MOU).

<u>Organization Name</u>	<u>Transmission method</u>	<u>ISA/MOU</u>
Withholding agents	transmit to FIRE	No

11e. Does the system receive SBU/PII from **Taxpayer** forms? Yes

If **yes**, identify the forms

<u>Form Number</u>	<u>Form Name</u>
1042-S	Foreign Person's U.S. Source Income Subject to Withholding
1042-T	Annual Summary and Transmittal of Forms 1042-S

11f. Does the system receive SBU/PII from **Employee** forms (such as the I-9)? No

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## F. PII SENT TO EXTERNAL ORGANIZATIONS

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12. Does this system disseminate SBU/PII? Yes

12a. Does this system disseminate SBU/PII to other IRS Systems? Yes

If **yes**, identify the full name and acronym of the IRS system(s) that receive SBU/PII from this system.

<u>System Name</u>	<u>Current PIA?</u>	<u>PIA Approval Date</u>	<u>SA &amp; A?</u>	<u>Authorization Date</u>
Information Return Processing (IRP) preprocessing	Yes	03/09/2017	Yes	10/22/2015
Information Return Master File (IRMF)	Yes	03/09/2017	Yes	10/22/2015
Payment Master File (PMF)	Yes	03/09/2017	Yes	12/04/2015
Entellittrak Non-Resident Filing (E-Trak NRF)	Yes	05/02/2017	Yes	01/13/2017

Identify the authority and for what purpose? Each data item is required for the business purpose of the system. The data in CTW from the 1042-S and 1042-T forms are required to track withholding reporting on payments of U.S. source income to foreign persons. It is absolutely critical to tax administration in the international area that the IRS be able to effectively process: The information return (Form 1042-S) and the transmittal document for electronic and paper filed 1042-S information return (Form 1042-T).

12b. Does this system disseminate SBU/PII to other Federal agencies? Yes

If **yes** identify the full names of the federal agency(s) that receive SBU/PII from this system, and if there is an Inter-Agency Agreement (ISA) / Memorandum of Understanding (MOU)

<u>Organization Name</u>	<u>Transmission method</u>	<u>ISA/MOU</u>
Treasury Inspector General Tax Administration	Data Extraction - Work Request	No
General Accounting Office	Data Extraction	No

Identify the authority and for what purpose? TIGTA (under certain conditions) - IRC section 6103(h)(1) allows the IRS to disclose information to Treasury employees with a "need to know" for tax administration purposes. The authority for releasing information covered by the Privacy Act is 5 USC 552a (b)(1). It is also governed by the "need to know" conditions with respect to performance of auditor duties. The legislative history of RRA 98 states, "The Treasury Inspector General (IG) for Tax Administration has the same access to taxpayer returns and return information as does the Chief Inspector under present law." GAO -Internal Revenue Code (IRC) section 6103(f)(4).

12c. Does this system disseminate SBU/PII to State and local agencies? No

12d. Does this system disseminate SBU/PII to IRS or Treasury contractors? No

12e. Does this system disseminate SBU/PII to other Sources? Yes

If **yes**, identify the other source(s) that receive SBU/PII from this system, and if there is an Inter-Agency Agreement (ISA) /Memorandum of Understanding (MOU).

<u>Organization Name</u>	<u>Transmission method</u>	<u>ISA/MOU</u>
Treaty Countries	OECD sends a CD to each country	Yes

Identify the authority and for what purpose? Organization for Economic Cooperation and Development (OECD) shares the extract with Treaty countries to inform the countries of their citizens who have reported withholding.

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## **G. PRIVACY SENSITIVE TECHNOLOGY**

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13. Does this system use social media channels? No

14. Does this system use privacy-sensitive technologies such as mobile, global position system (GPS), biometrics, RFID, etc.? No

15. Does the system use cloud computing? No

16. Does this system/application interact with the public? No

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## **H. INDIVIDUAL NOTICE AND CONSENT**

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17. Was/is notice provided to the individual prior to collection of information? Yes

17a. If **yes**, how is notice provided? Was the individual notified about the authority to collect the information, whether such is mandatory or voluntary, the purpose for which the information will be used, with whom the information may be shared, and the effects, if any, if they decide not to provide any of the requested information?  
Form 1042-T and Form 1042-S instructions.

18. Do individuals have the opportunity to decline from providing information and/or from consenting to particular uses of the information? No

18b. If no, why not? • IRC §§ 1441 – 1442 - General rules on withholding under chapter 3 • IRC § 1446 – Withholding on foreign partner's share of ECI • IRC § 1462 – Withholding tax as credit to recipient • Reg. § 1.1461-1(b): General requirement to file form 1042 and 1042-S on or before March 15 of the calendar year following the year income was paid. • Reg. § 1.1461-1(c)(1) – Form 1042-S filing requirement. • IRC §1464 – Refund or credit for over withheld tax under chapter 3 • IRC §§1471-1474 – General chapter 4 requirements • Reg. § 1.5000C-3(c) -Form 1042-S reporting requirement for amounts withheld pursuant to section 5000C • IRC §6721 – failure to file correct information returns • IRC §6722 – failure to furnish correct payee statements • Reg. § 1.6049-4(b)(5)/ 1.6049-8(a) – Reporting interest payments to NRAs (see Rev. Proc. 2017-16) • Reg. § 1.6049-6(e)(4) – furnishing form 1042-S to NRAs.

19. How does the system or business process ensure due process regarding information access, correction and redress? When data is posted to the Master file, taxpayers have the right to appeal any determination made by the IRS. When applicable, the taxpayer is advised of their statutory appeal rights as a result of the IRMF and PMF applications.

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## **I. INFORMATION PROTECTION**

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20. Identify the owner and operator of the system (could be IRS owned and Operated; IRS owned, contractor operated; contractor owned and operated). IRS Owned and Operated

21. The following people have access to the system with the specified rights:

IRS Employees? Yes

<u>IRS Employees?</u>	Yes/No	Access Level(Read Only/Read Write/ Administrator)
Users	Yes	Read and Write
Managers	Yes	Read and Write
Sys. Administrators	Yes	Read and Write
Developers	No	

21a. How is access to SBU/PII determined and by whom? Access to the CTW application is determined by their job responsibilities. Access is authorized using an Online Form 5081, Information System User Registration/Change Request. A user's access to the application is terminated when it is no longer required. The Online Form 5081 process requires management approval prior to granting access to the CTW application.

21b. If computer matching occurs, can the business owner certify that it meets requirements of IRM 11.3.39 Disclosure of Official Information, Computer Matching & Privacy Protection Act?  
Not Applicable



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## I.1 RECORDS RETENTION SCHEDULE

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22. Are these records covered under the General Records Schedule (GRS), or have a National Archives and Records Administration (NARA) archivist approved a Record Control Schedule (RCS) for the retention and destruction of official agency records stored in this system? Yes
- 22a. If **yes**, how long are the records required to be held under the corresponding RCS and how are they disposed of? In your response, please include the complete IRM number 1.15.XX and specific item number and title. The National Archives and Records Administration (NARA) approved IRS request for CTW records/data disposition authority under NARA Job No. N1-58-11-20. Disposition instructions for CTW data and related records are published in Records Control Schedule (RCS) Document 12990 under RCS 19 for the Enterprise Computing Center – Martinsburg (ECC - MTB), Item 89. CTW is designed to correct Form 1042-T and 1042-S records that have failed validity, consistency checks, or math error computations. Unresolved electronic 1042-S information records are to be moved to the 1042-S "Junk" Table, and destroyed on or after January 15 of the year after processing. Backup tapes of resolved and corrected 1042-S information records are to be destroyed 6 years after year of processing. The Service Level Agreement Document between Wage and Investment (W&I), as the primary Business Unit responsible for the data collected and TCC, the production site, document the nightly database export procedures, as well as, offline storage/data archiving-backups procedures. The Technical Contingency Planning Document (TCPD) contains information concerning offline storage and the company that is responsible for it. If No, how long are you proposing to retain the records? Please note, if you answered no, you must contact the IRS Records and Information Management Program to initiate records retention scheduling before you dispose of any records in this system.

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## I.2 SA&A OR ECM-R

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23. Has the system been through SA&A (Security Assessment and Authorization) or ECM-R (Enterprise Continuous Monitoring Reauthorization)? Yes
- 23a. If **yes**, what date was it completed? 12/23/2016
- 23.1 Describe in detail the system's audit trail. Audit Trails of the users' activities are available to the managers through the CTW Action Tracking screen and the Action Summary screen.

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## J. PRIVACY TESTING

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24. Does the system require a System Test Plan? Yes
- 24b. If **yes**, Is the test plan in process or completed: In Process
- If **in process**, when is the test plan scheduled for completion? 10/6/2017

24.3 If **completed/ or in process**, describe what testing and validation activities have been conducted or are in progress to verify and validate that the applicable Privacy Requirements (listed in header) have been met? CTW users are audited by CTW managers through the Action Tracking screens and their respective database table. The screens provide the which CTW user accesses which record identified by DLN, Chat action and what date (Accountability). The developers test this function whenever the Oracle Forms are tested. The CTW user has no knowledge of which taxpayer record is accessed until he/she pulls up the record by the Document Locator Number. CTW developers have no access to production database tables and taxpayer records. CTW applications provide the physical security (i.e. server access, user access, intranet, etc.) which can be tested in development by adding and deleting users from the system user table (via a Database Administrator) and the CTW positions table which holds the Standard Employee Identifiers (SEID) of the users granted access to the system.

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**K. SBU Data Use**

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25. Does this system use, or plan to use SBU Data in Testing? No

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**L. NUMBER AND CATEGORY OF PII RECORDS**

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26. Identify the number of individual records in the system for each category:

26a. IRS Employees:	<u>Not Applicable</u>
26b. Contractors:	<u>Not Applicable</u>
26c. Members of the Public:	<u>More than 1,000,000</u>
26d. Other:	<u>No</u>

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**M. CIVIL LIBERTIES**

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27. Does the system maintain any information describing how any individual exercises their rights guaranteed by the First Amendment? No

28. Is the system information used to conduct data-mining as defined in the *Implementing the 9/11 Commission Recommendations Act of 2007, Public Law 110-53, Section 804*? No

29. Will this system have the capability to identify, locate, and monitor individuals or groups of people? No

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**N. ACCOUNTING OF DISCLOSURES**

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30. Does the system include or require disclosure of tax or employee information to anyone other than IRS employees in the performance of their duties, or to the person to whom the information pertains or to a 3rd party pursuant to a Power of Attorney, tax or Privacy Act consent? Yes

If **yes**, does the system have a process in place to account for such disclosures in compliance with IRC 6103 (p)(3)(A) or Subsection (c) of the Privacy Act? Contact Disclosure to determine if an accounting is required. Yes

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**End of Report**

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