SECURITY OF E-FILING: SECURING TAX INFORMATION

June 28, 2005

- Are you properly securing taxpayer information?
- What guidelines must you adhere to protect taxpayer information?
- GLBA vs. 7216 & 6103
- What are the consequences of not protecting taxpayer data?

YOU MUST ABIDE BY THE GLBA & FTC RULES

- The Gramm Leach Bliley Act of 1999 affects businesses, regardless of size
- Federal Trade Commission rules apply if "Significantly engaged" in providing financial products or services to customers for compensation or
- Receiving or sharing information with other financial institutions or to affiliates

You Are a Financial Institution if You:

Are paid to:

- Receive
- Prepare
- Process
- Store, or
- Transmit financial and tax information

FTC PRIVACY AND SAFEGUARDS RULES

Financial Institutions Must

- Provide Privacy of Nonpublic Customer Information
- Provide Policy Notices to Customers
- Safeguard Customer Information

IRC 6103 AND 7216 DIFFER FROM FTC RULES

- You are subject to IRC 6103 Confidentiality rules and Disclosure rules of 7216 AND
- FTC Privacy and Safeguards Rules

HOW TO COMPLY

- Follow the FTC guidelines
- Avoid FTC fines, penalties, and notices about your business on the web
- See the FTC guidelines for businesses on privacy and safeguards at www.ftc.gov

REQUIRED SAFEGUARDS

- Designate a security administrator
- Assess risks of your office and systems
- Prepare written plan for administrative, technical, and physical safeguards
- Design and implement safeguards
- Test, monitor, adjust
- Manage and Train Employees

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HOW TO MANAGE EMPLOYEE SECURITY

- Check Employee References
- Require Employee Agreements
- Train Employees Periodically
- Limit Employee and Others Access
- Impose Disciplinary Measures

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PHYSICAL SAFEGUARDS

- Lock rooms and cabinets
- Store records in secured area
- Protect against destruction and damage
- Dispose of information securely
- Dispose of hardware securely
- Inventory hardware

SYSTEM SAFEGUARDS

- Use automated timed password-activated screen savers
- Use strong passwords
- Change passwords periodically
- Don’t post passwords
- Encrypt sensitive data when transmitting over networks

MORE SYSTEM SAFEGUARDS

- Don’t store sensitive data on machine with Internet connection
- Store encrypted customer data on secure server
- Backup periodically
- Maintain secure backup media
- Install security patches

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AND MORE SYSTEM SAFEGUARDS

- Maintain updated firewalls
- Provide central management of security tools and password/security protections
- Automate anti-virus software updates
- Block spy ware
- Block ad ware

WHAT TO DO IF YOU HAVE A SECURITY BREACH

- Notify local law enforcement
- Notify FTC – www.ftc.gov
- Notify IRS – 1-800-829-1040
- Notify customers and business partners
- Take corrective actions
- Prevent other breaches

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