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Reminder: Tax preparers must have written plan to protect client data

Take time to review safeguards before filing season starts next month, Security Summit says

PROVIDENCE — The Rhode Island Division of Taxation, the Internal Revenue Service, and other partners in the Security Summit today reminded tax professionals that federal law requires them to create and follow a written information security plan to protect their clients' data.



The reminder came as the Security Summit partners completed “National Tax Security Awareness Week”. The purpose of the week-long educational effort is to encourage individuals, businesses, and tax professionals to take steps to protect sensitive data, including their identities and personal information.

“The Security Summit partners have made great progress against tax-related identity theft,” said IRS Commissioner Chuck Rettig. “But we need to do more, and we need the help of taxpayers and tax professionals to continue our momentum. We all have a role to play, especially tax professionals that remain among the most coveted of targets by identity thieves.”

Earlier this year, the Security Summit partners offered tax professionals a [Taxes-Security-Together Checklist](#) to consider. Today, the Security Summit partners renewed their call for tax professionals to take time to review the safeguards prior to the start of the 2020 filing season and to take appropriate steps, said Rhode Island Tax Administrator Neena Savage.

With the filing season just weeks away, tax professionals who have a data security plan should review it for updates. Those who don't have a plan should create one. Having an information security plan is not just a good idea, it's federal law.

Identity thieves target tax professionals because of the client data they hold. Thieves use stolen data from tax practitioners to create fraudulent returns with more realistic data -- that can be harder for the IRS and the Security Summit partners to detect.

To get started on an information security plan, tax professionals can review [Publication 4557](#) -- “Safeguarding Taxpayer Data” -- which provides details on critical security measures that all tax professionals should enact.

The publication also includes information on how to comply with the FTC Safeguards Rule, including a checklist of items for a prospective data security plan. Tax professionals are asked to focus on key areas such as employee management and training; information systems; and detecting and managing system failures.

The FTC-required information security plan must be appropriate to the company's size and complexity, the nature and scope of its activities, and the sensitivity of the customer information it handles. According to the FTC, each company, as part of its plan, must:

- Designate one or more employees to coordinate its information security program;
- Identify and assess the risks to customer information in each relevant area of the company's operation and evaluate the effectiveness of the current safeguards for controlling these risks;
- Design and implement a safeguards program and regularly monitor and test it;
- Select service providers that can maintain appropriate safeguards, make sure the contract requires them to maintain safeguards and oversee their handling of customer information; and
- Evaluate and adjust the program in light of relevant circumstances, including changes in the firm's business or operations, or the results of security testing and monitoring.



The FTC says the requirements are designed to be flexible so that companies can implement safeguards appropriate to their own circumstances.

The Safeguards Rule requires companies to assess and address the risks to customer information in all areas of their operations.

(Note: The FTC currently is re-evaluating the Safeguards Rule and has proposed new regulations. Tax professionals should be alert to any changes in the Safeguards Rule and its effect on the tax preparation community.)

About the Security Summit

The Security Summit consists of the IRS, state tax agencies, and the tax community -- including tax preparation firms, software developers, processors of payroll and tax financial products, tax professional organizations, and financial institutions.

Partners in the Security Summit work together to combat identity theft and fight other scams to protect the nation's taxpayers. To learn more, click [here](#).

The Rhode Island Division of Taxation office is at One Capitol Hill in Providence, R.I., diagonally across from the Smith Street entrance of the State House, and is open to the public 8:30 a.m. to 3:30 p.m. business days. To learn more, see the agency's website: www.tax.ri.gov.