

EXHIBIT N



COMMISSIONER

DEPARTMENT OF THE TREASURY
INTERNAL REVENUE SERVICE
WASHINGTON, D.C. 20224

September 16, 2013

The Honorable Tom Latham
U.S. House of Representatives
Washington, DC 20515

Dear Mr. Latham:

I am responding to your letter dated July 15, 2013, in which you and several members of Congress expressed concern about Social Security Numbers (SSNs) posted on our publicly accessible Political Organization Filing and Disclosure (POFD) database. You asked for an accounting of the circumstances surrounding the divulgence of SSNs on the POFD database.

By way of background, there are statutory provisions which require the IRS to publicly disclose the filings of section 527 political organizations (Title 26 of the United States Code sections 527(k) and 6104). In order to satisfy these statutory provisions, and based on longstanding procedures, the filings of the 527 political organizations received by the IRS were posted to the POFD database available on our website, www.irs.gov.

The previous position of the IRS was that there was no authority to withhold information contained in these filings from the public. The Treasury Inspector General for Tax Administration (TIGTA) reached the same conclusion in a 2012 report on this issue (TIGTA Reference Number 2012-10-046).

However, given the ongoing problems with identity theft, we have revisited our earlier position. We now believe that our obligation to publicly disclose the filings of 527 political organizations under sections 6104 and 527 is limited to the information that the Internal Revenue Code (the Code) requires. Because we do not require 527 political organizations to provide SSNs under the Code, we have the authority to redact this information before the filings become publicly available.

In July, the IRS received specific information that some section 527 political organizations improperly included SSNs in their filings. Because of our concerns regarding taxpayer privacy and the prevention of identity theft, we temporarily removed public access to the POFD database with these filings.

This summer, we worked aggressively to review the filings in the POFD database. Our internal review indicates that, despite frequent and routine reminders from us to the public during our outreach speeches and through our electronic newsletter, *EO Updates*, some section 527 political organizations improperly included SSNs on their filings. Most of the issues with SSNs involved older paper, i.e., hard copy filings

from 527 political organizations. Our internal review indicates that there is very low risk of SSNs being improperly included in new paper filings and electronic filings from 527 political organizations.

To be clear, the IRS frequently reminds section 527 political organizations not to provide the SSNs of their contributors. In addition, the POFD electronic filing application does not allow the 527 filer to upload or include attachments. The electronic filer is prompted to complete each specific field, and no field exists that requests SSNs.

Please find below my responses to your questions based on the information we have gathered to date.

Question 1: Who and what department within the IRS is responsible for maintaining the Section 527 database?

The Tax Exempt and Government Entities Division is responsible for maintaining the POFD database.

Question 2: What is the procedure for documenting and publishing the forms included in the database?

We post electronic filings made by section 527 political organizations to the POFD database automatically and almost immediately after they complete their filings. We image paper filings in Ogden, Utah, and then load them onto the database.

Question 3: It is our understanding that the IRS has taken the position that by law it cannot remove sensitive personal information before making it publicly available. How is this reconciled with the official statement of the Office of Management and Budget, which states: *As is required by the Privacy Act, the Federal Information Security Management Act (FISMA), and other laws and policies, each agency must take appropriate steps necessary to protect personal information from unauthorized use, access, disclosure or sharing*”? (Office of Management and Budget, M-05-08, Designation of Senior Agency Officials for Privacy).

Your understanding of the historical position of the IRS is correct. As stated above, we now believe that our obligation to publicly disclose the filings of 527 political organizations under sections 6104 and 527 is limited to the information that the Code requires. Because we do not require 527 political organizations to provide SSNs under the Code, we have the authority to redact this information before the filings become publicly available.

Importantly, I note that our position that public access to the filings of exempt organizations as provided by the IRS under sections 6104 and 527 of the Code, including those filings that included SSNs, is not an unauthorized disclosure under section 6103, the Privacy Act, the E-Government Act of 2002 or FISMA.

Question 4: Is there a policy in place to address the situation when SSNs are improperly disclosed on public filings? If not, will a policy be created in light of this situation? If so, will that policy be formulated by the IRS, or will another branch of government's oversight personnel be involved?

As discussed above, and in the abundance of caution, we have temporarily removed the POFD database from our website. We anticipate re-launching the database this fall at a date to be determined. As noted above, our internal review indicates that there is a very low risk of SSNs being improperly included in new paper filings and electronic filings from 527 political organizations. Given the very low risk, the IRS will post filings made electronically by 527 political organizations on the database without review. In the short term, despite the very low risk, the IRS will review new paper filings made by 527 political organizations and redact any SSNs found. Reviewing new paper filings made by 527 political organizations is possible in part because of the relatively low number of these types of filings we receive annually.

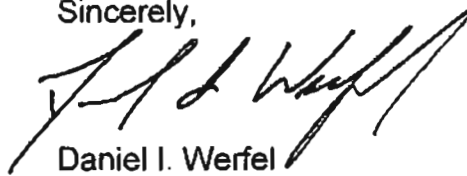
As a longer term solution, moving forward, we will periodically conduct a statistically valid sample of all new filings (both electronic and paper) made by 527 political organizations to ensure that the risk of SSN inclusion remains low. Based on this review, the IRS will periodically reassess its decision.

Question 5: Will the IRS be taking any actions to protect those individuals whose information was leaked? What is the potential risk for donors whose information was leaked, and will they be contacted regarding this issue? What recommendations would the IRS make for those individuals now at risk to actively protect themselves from identity theft or other types of fraud?

We have sought to warn tax practitioners and exempt organizations about the risks of including SSNs on filings that will be made public and we will continue to do so. While we have no direct indication that anyone has fraudulently used the information for identity theft purposes, we have several places on our website where individuals can find information on steps to protect themselves. Additionally, we will continue to partner with exempt organizations and the public to minimize the risk of identity theft while meeting our important, statutory disclosure requirements for section 527 political organizations.

I am also writing to your colleagues. If you have any questions, please contact me or a member of your staff may contact Catherine Barré, Director, Legislative Affairs, at (202) 622-3720.

Sincerely,



Daniel I. Werfel
Acting Commissioner