
**DEPARTMENT
POLICY****FIP, SDA, MA and FAP**

DHS is required to match income information reported by third parties to IRS for all FIP, MA and FAP recipients. The data is compared to earned and unearned income for the recipient. This occurs at application and prior to each redetermination

Information provided with DHS applications (DHS-1010, -1171, -4574, -4574B and DCH-0373) inform clients of the data exchange process.

OVERVIEW**FIP, MA, FAP**

DHS conducts two data exchange processes with IRS. When a data match occurs, applicants or recipients are sent a notice informing them of the data obtained, the source and further instruction that their specialist will be contacting them.

IRS PENALTIES**FIP, MA, FAP**

The Internal Revenue Code contains criminal and civil penalties for unauthorized disclosure of tax return information:

- Per Section 7213(a), unauthorized disclosure of a federal tax return or return information is punishable by a \$5,000 fine and/or 5 years imprisonment; see **EXHIBIT I** in this item.
- Per Section 7431, such disclosure is also subject to a lawsuit, including punitive damages if the disclosure is willful or caused by gross neglect; see **EXHIBIT II** in this item.

These criminal and civil penalties apply even after leaving DHS employment.

IRS tape match information is always confidential whether or not the client has signed the release of information and should never be distributed by any means including email or fax for any reason.

**UNEARNED INCOME
MATCH****FIP, MA, FAP**

The IRS Unearned Income Match compares DHS recipient data with unearned income reported to IRS from sources such as bank account interest, lottery winnings and government subsidies. When the data exchange results in a recipient match, the client is sent a DHS-4487A, Unearned Income Notice, for applicants and DHS-4487 for active recipients.

Applicants**FIP, SDA, MA and FAP**

The DHS-4487A is mailed to applicants upon receipt of IRS data. Specialists are sent a task/reminder which identifies the applicant who received notices.

Active Recipients**FIP, MA, FAP**

The DHS-4487 is mailed during the month prior to the redetermination month for active recipients when a match is found with IRS. Specialists are sent a task/reminder which identifies the client who received notices.

**WAGE AND
PENSION MATCH****FIP, MA, (except for Healthy Kids), FAP**

The IRS Wage and Pension Match compares DHS recipient data with unearned income reported to IRS from sources such as agricultural and military pensions, unemployment compensation, self-employment and annualized out-of-state wages.

When a match is found on the Wage and Pension Match, the client is sent a DHS-4033, Tape Match Income Notice, in the month of August. Specialists are sent a task/reminder which identifies the client who received notice.

CLIENT NOTICE

FIP, MA, FAP

One notice is sent which includes each source of income that is reported for the recipient. The number of pages mailed to the group is shown at the top of each notice (such as page 1 of 3).

Each notice contains the following information:

- Recipient-identifying information.
- Name and address of third-party source reporting the income.
- Type and amount of income reported.
- Tax year for which the income was reported.
- Instructions to submit verification to his/her specialist.

The notice also informs the client that failure to provide the required information may result in benefit denial, reduction or closure.

SPECIALIST PROCESSING OF IRS MATCHES

FIP, MA, FAP

When you receive a task/reminder indicating a match notice was sent, take the following actions:

1. Request the client return all supporting verification.
2. When the client returns the notice, determine if additional verifications are needed. If so, have client sign the DHS-20, Verification of Assets, to allow for release of information from the institution on the notice.
3. If a notice is returned to the local office:
 - Send the form to the Designated Staff Person (DSP) for logging and destruction.
 - Document in the case record any actions taken regarding the notice.

Note: If the specialist, rather than the client, completes the name and/or address of the institution on any document pertaining to the IRS match, it must be sent to the DSP to be logged and destroyed.

4. If the client claims a notice was lost or never received, or if you need a copy, the DSP can reproduce a copy for the client or you; see **OBTAINING IRS NOTICE COPIES** in this item.
5. The client must verify the information on the notice.
 - If the client **cannot** verify the notice information, have the client enter the name and address of the third party source and sign a DHS-20, Verification of Assets, to allow for release of information from the institution listed on the notice.
 - If the client refuses to verify the information, use appropriate BEM and BAM procedures to deny or close the case or reduce benefits.

VERIFICATIONS

FIP, MA, FAP

Information on IRS match notices is **unverified**. Do **not** take a negative action based solely on that information.

Seek verifications from the client or third party which establish factors such as the following:

- Time period involved.
- The asset that generated the income.
- Whether the asset and/or income was available to the client.

When verification is unavailable to both you and the client, use the best available information to determine current eligibility and document in the case record.

Once verification is received, use appropriate BEM and BAM processing procedures to determine past and current eligibility, benefit denial/closure/reduction.

FILING THE CLIENT NOTICE AND THIRD PARTY VERIFICATIONS

All Programs

Do not file the match notice in the case record. It must be treated as confidential and returned to the Designated Staff Person; see **SAFEGUARDING IRS INFORMATION**.

The verification received from the third party is **not** considered IRS confidential information if the client filled out the name and address of the institution and should be filed in the case record. If the specialist fills out the name and/or address of the institution on any document pertaining to the IRS match then it must be sent to the DSP to be logged and destroyed.

SAFEGUARDING IRS INFORMATION

FIP, MA, FAP

The local office or any other office holding these notices must do **all** of the following:

- Appoint a **DSP** to be responsible for the security of notices (safeguarding, release, destruction and log maintenance).
- Keep each notice to be retained in a **locked** place (for example, in a drawer or cabinet). When it is destroyed, destruction must be done by DHS staff **and** only by shredding.
- Keep visitor log to authenticate visitors before authorizing access to the area where the notices are kept. Visitor log shall contain the following information:
 - Name and organization of visitor.
 - Signature of visitor.
 - Form of identification.
 - Date of access.
 - Time of entry and departure.
 - Purpose of visit.
- Develop and follow procedures to ensure notices are not released.

DSP Duties**FIP, MA, FAP**

Only the DSP may retain a key to the place housing the notices. The key must be kept in a locked place. Any duplicate key(s) must be kept in the office safe.

The DSP must:

- Print notices for specialist or clients as described in **OBTAINING IRS NOTICE COPIES** in this item.
- Maintain a DHS-4488, Internal Revenue Service Data Control Sheet, to track notice copies released directly to specialists, clients, or mailed to the client.
- Log all notices sent to the DSP (undeliverable, forwarded or returned from specialists) on the DHS-4488 and treat them as confidential. Shred all notices returned and log the method and date of destruction.

The DHS-4488 must be retained for five years after the last notice is logged on it. It may then be destroyed by DHS staff **and** only by shredding.

**OBTAINING IRS
NOTICE COPIES****FIP, MA, FAP**

A copy of the notice may be obtained under certain circumstances from the DSP.

**Request for
Duplicate IRS
Notice**

If a client, his representative or a specialist requests a replacement of an IRS notice (for example lost or never received the original); the DSP can reprint through Central Print or Local Print from Bridges correspondence.

When the copy is printed locally, the DSP must:

- Log on DHS-4488.

- **Hand-deliver** it and request ID to ensure the appropriate client or representative or specialist receives the information.

**REPORTING
UNAUTHORIZED
FEDERAL TAX
INFORMATION (FTI)
ACCESS**

Upon discovery of a possible improper inspection or disclosure of federal tax information by a federal employee, a state employee or any other person, the individual making the observation or receiving information should, within 24 hours:

1. Contact the office of the appropriate Special Agent in Charge at the Field Division of Treasury Inspector General for Tax Administration (TIGTA).

Field Division	State Served by Field Division	Telephone
Chicago	Michigan	(312) 554-8751

The mailing address is:

Treasury Inspector General for Tax Administration
PO Box 589, Ben Franklin Station
Washington, DC 20044-0589

2. Take appropriate steps to contain the incident, if still in process. If uncertain what steps need to be taken to contain the incident, go directly to step 3.
3. Contact the DHS Bureau of Technology and Project Services at (517) 335-2742 to report the incident. Ask for the DHS information security officer and identify the purpose of the call as a report of breach of information.
4. Complete form DHS-0097, Breach of Federal Taxpayer Information Incident Report, as fully as possible and email the form to DHS-FTI-Disclosure@michigan.gov.

**EXHIBIT I – IRC
SEC. 7213
UNAUTHORIZED
DISCLOSURE OF
INFORMATION**

(a) RETURNS AND RETURN INFORMATION.-

(1) **FEDERAL EMPLOYEES AND OTHER PERSONS.-**It shall be unlawful for any officer or employee of the United States or any person described in section 6103(n) (or an officer or employee of any such person), or any former officer or employee, willfully to disclose to any person, except as authorized in this title, any return or return information [as defined in section 76103(b)]. Any violation of this paragraph shall be a felony punishable upon conviction by a fine in any amount not exceeding \$5,000, or imprisonment of not more than 5 years, or both, together with the costs of prosecution, and if such offense is committed by any officer or employee of the United States, he shall, in addition to any other punishment, be dismissed from office or discharged from employment upon conviction for such offense.

(2) **STATE AND OTHER EMPLOYEES.-**It shall be unlawful for any person [not described in paragraph (1)] willfully to disclose to any person, except as authorized in this title, any return or return information [as defined in section 6103(b)] acquired by him or another person under subsection (d), (i)(3)(B)(i), (1)(6), (7), (8), (9), (10), (12), (15) and (16) or (m)(2), (4), (5), (6), or (7) of section 6103. Any violation of this paragraph shall be a felony punishable by a fine in any amount not exceeding \$4,000, or imprisonment of not more than 5 years, or both, together with the cost of prosecution.

(3) **OTHER PERSONS.-** It shall be unlawful for any person to whom any return or return information [as defined in section 6103(b)] is disclosed in an manner unauthorized by this title thereafter willfully to print or publish in any manner not provided by law any such return or return information. Any violation of this paragraph shall be a felony punishable by a fine in any amount not exceeding \$5,000, or imprisonment of not more than 5 years, or both, together with the cost of prosecution.

(4) **SOLICITATION.-**It shall be unlawful for any person willfully to offer any item of material value in exchange for any return or return information [as defined in 6103(b)] and to receive as a result of such solicitation any such return or return information. Any viola-

tion of this paragraph shall be a felony punishable by a fine in any amount not exceeding \$5,000, or imprisonment of not more than 5 years, or both, together with the cost of prosecution.

(5) SHAREHOLDERS.--It shall be unlawful for any person to whom return or return information [as defined in 6103(b)] is disclosed pursuant to the provisions of 6103(e)(1)(D)(iii) willfully to disclose such return or return information in any manner not provided by law. Any violation of this paragraph shall be a felony punishable by a fine in any amount not exceeding \$3,000, or imprisonment of not more than 5 years, or both, together with the cost of prosecution.

**SEC. 7213A.
UNAUTHORIZED
INSPECTION OF
RETURNS OR
RETURN
INFORMATION**

(a) PROHIBITIONS.-

(1) FEDERAL EMPLOYEES AND OTHER PERSONS.-It shall be unlawful for-

- (A) any officer or employee of the United States, or
- (B) any person described in section 6103(n) or an officer willfully to inspect, except as authorized in this title, any return or return information

(2) STATE AND OTHER EMPLOYEES.-It shall be unlawful for any person [not described in paragraph (1)] willfully to inspect, except as authorized by this title, any return information acquired by such person or another person under a provision of section 6103 referred to in section 7213(a)(2).

(b) PENALTY.-

(1) IN GENERAL.-Any violation of subsection (a) shall be punishable upon conviction by a fine of any amount not exceeding \$1,000, or imprisonment of not more than 1 year, or both, together with the costs of prosecution.

(2) FEDERAL OFFICERS OR EMPLOYEES.-An officer or employee of the United States who is convicted of any violation of subsection (a) shall, in addition to any other punishment, be dismissed from office or discharged from employment.

(c) DEFINITIONS.-For purposes of this section, the terms “inspect”, “return”, and “return information” have respective meanings given such terms by section 6103(b).

**EXHIBIT II - IRC
SEC.7431 CIVIL
DAMAGES FOR
UNAUTHORIZED
DISCLOSURE OF
RETURNS AND
RETURN
INFORMATION**

(a) IN GENERAL.-

(1) INSPECTION OR DISCLOSURE BY EMPLOYEE OF UNITED STATES.-If any officer or employee of the United States knowingly, or by reason of negligence, inspects or discloses any return or return information with respect to a taxpayer in violation of any provision of section 6103, such taxpayer may bring a civil action for damages against the United States in a district court of the United States.

(2) INSPECTION OR DISCLOSURE BY A PERSON WHO IS NOT AN EMPLOYEE OF UNITED STATES.-If any person who is not an officer or employee of the United States knowingly, or by reason of negligence, inspects or discloses any return or return information with respect to a taxpayer in violation of any provision of section 6103, such taxpayer may bring a civil action for damages against such person in a district court of the United States.

(b) EXCEPTIONS.-No liability shall arise under this section with respect to any inspection or disclosure-

(1) which results from good faith, but erroneous, interpretation of section 6103, or

(2) which is requested by the taxpayer.

(c) DAMAGES.-In any action brought under subsection (a), upon a finding of liability on the part of the defendant, the defendant shall be liable to the plaintiff in an amount equal to the sum of-

(1) the greater of-

(A) \$1,000 for each act of unauthorized inspection or disclosure of a return or return information with respect to which such defendant is found liable, or

(B) the sum of-

(i) the actual damages sustained by the plaintiff as a result of such unauthorized inspection or disclosure, plus

(ii) in the case of a willful inspection or disclosure or an inspection or disclosure which is the result of gross negligence, punitive damages, plus

(2) the cost of the action.

(d) PERIOD FOR BRING ACTION.-Notwithstanding any other provision of law, an action to enforce any liability created under this section may be brought, without regard to the amount in controversy, at any time within 2 years after the date of discovery by the plaintiff of the unauthorized inspection or disclosure.

(e) NOTIFICATION OF UNLAWFUL INSPECTION AND DISCLOSURE.-If any person is criminally charged by indictment of information with inspection or disclosure of a taxpayer's return or return information in violation of-

(1) paragraph (1) or (2) of section 7213(a),

(2) section 7213A9(a), or

(3) subparagraph (B) of section 1030(a)(2) of title 18, United States Code, the Secretary shall notify such taxpayer as soon as practicable of such inspection or disclosure.

(f) DEFINITIONS.-For purposes of this section, the terms "inspect", "inspection", "return", and "return information" have respective meanings given such terms by section 6103(b).

(g) EXTENSION TO INFORMATION OBTAINED UNDER SECTION 3406.-For purposes of this section-

(1) any information obtained under section 3406 (including information with respect to any payee certification failure under subsection (d) thereof) shall be treated as return information, and

(2) any inspection or use of such information other than for purposes of meeting any requirement under section 3406 or (sub-

ject to the safeguards set forth in 6103) for purposes permitted under section 6103 shall be treated as a violation of section 6103.

For purposes of subsection (b), the reference to section 6103 shall be treated as including a reference to section 3406.

**EXHIBIT III - SEC
6103(P)(4)
SAFEGUARDS**

(4) SAFEGUARDS.-Any federal agency described in subsection (h)(2), (h)(5), (i)(1), (2), (3), or (5), (j)(1), (2), or (5), (k)(8), (1)(1), (2), (3), (5), (10), (11), (13), (14), (15), or (17) or (o)(1), the General Accounting Office, or any agency, body, or commission described in subsection (d), (i)(3) (B)(i) or (1)(6), (7), (8), (9), (12) or (15), or (16), or any other person described in subsection (1)(16) shall, as a condition for receiving returns or return information-

(A) establish and maintain, to the satisfaction of the Secretary, a permanent system of standardized records with respect to any request, the reason for such request, and the date of such request made by or of it and any disclosure of return or return information made by or to it;

(B) establish and maintain, to the satisfaction of the Secretary, a secure area or place in which such returns or return information shall be stored;

(C) restrict, to the satisfaction of the Secretary, access to the returns or return information only to persons whose duties or responsibilities require access and to whom disclosure may be made under the provisions of this title;

(D) provide such other safeguards with the Secretary determines (and which he prescribes in regulations) to be necessary or appropriate to protect the confidentiality of the returns and return information;

(E) furnish a report to the Secretary, at such time and containing such information as the Secretary may prescribe, which describes the procedures established and utilized by such agency, body, or commission or the General Accounting Office for ensuring the confidentiality of returns and return information required by this paragraph; and

(F) upon completion of use of such returns or return information-

(i) in the case of agency, body or commission described in subsection (d), (i)(3)(B)(i), or (1)(6), (7), (8), (9) or (16) or any other person described in subsection (1)(16) return to the Secretary such returns or return information (along with any copies made there from) or make such return information undisclosable in any manner and furnish a written report to the Secretary describing such manner

(ii) in the case of an agency described in subsection (h)(2), (h)(5), (i)(1), (2), (3), or (5), (j)(1), (2), or (5), (1)(1), (2), (3), (5), (10), (11), (12), (13), (14), (15), or (17), or (o)(1), or the General Accounting Office, either-

(1) return to the Secretary such returns or return information (along with any copies made there from)

(2) otherwise make such returns or return information undisclosable, or

(3) to the extent not so returned or made undisclosable, ensure that the conditions of subparagraphs (A), (B), (C), (D), and (E) of this paragraph continue to be met with respect to such returns or return information, and

(iii) in the case of the Department of Health and Human Services for purposes of subsection (m) (6), destroy all such return information upon completion of its use in providing the notification for which the information was obtained, so as to make such information undisclosable;

except that conditions of subparagraph (A), (B), (C), (D), and (E) shall cease to apply with respect to any return or return information if, and to the extent that, such return or return information is disclosed in the course of any judicial or administrative proceedings and made a part of the public record thereof. If the Secretary determines that any such agency, body, or commission including an agency or any other person described in subsection (1)(16) or the General Accounting Office has failed to, or does not, meet requirements of this paragraph, he may, after any proceedings for review established under paragraph (7), take such actions as are necessary to ensure such requirements are met, including refusing to disclose returns, or return information to such agency, body, or commission including an agency or any other person described in subsection (1)(16) or the General Accounting Office until he determines that such requirements have been or will be met. In the case of any agency which receives any mailing address under paragraph

(2), (4), (6) or (7) of subsection (m) and which discloses any such mailing address to any agent, or which receives any information under paragraph (6)(A), 12(B) or 16 of subsection (1) and which discloses any such information to any agent or any person including an agent described in subsection (1)(16) this paragraph shall apply to such agency and each such agent or other person (except that, in the case of an agent, or any person including an agent described in subsection (1)(16), any report to the Secretary or other action with respect to the Secretary shall be made or taken through such agency). For purposes of applying this paragraph in any case to which subsection (m)(6) applies, the term "return information" includes related blood donor records (as defined in section 114(h)(2) of the Social Security Act).

LEGAL BASE

FIP

45 CFR 205.56-.58
MCL 400.83

MA

MCL 400.10,.83

SDA

Annual Appropriations Act
Michigan Administrative Code; R 400.3151-400.3180

FAP

7 CFR 273.2 (f) (1) (r) (a)