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provide, or shall be amended to provide, that such person, and officers and employees of the person, shall comply with all such applicable conditions and restrictions as may be prescribed by the Service by regulation, published rules or procedures, or written communication to such person. If the Service determines that any person, or an officer or employee of any such person, to whom returns or return information has been disclosed as provided in paragraph (a) has failed to, or does not, satisfy such prescribed conditions or requirements, the Service may take such actions as are deemed necessary to ensure that such conditions or requirements are or will be satisfied, including—

(1) Suspension or termination of any duty or obligation arising under a contract with the Treasury Department referred to in this paragraph or suspension of disclosures by the Treasury Department otherwise authorized by paragraph (a) of this section, or

(2) Suspension of further disclosures of returns or return information by the Service to the State tax agency, or to the Department of Justice, until the Service determines that such conditions and requirements have been or will be satisfied.

(e) *Definitions.* For purposes of this section—

(1) The term *Treasury Department* includes the Internal Revenue Service and the Office of the Chief Counsel for the Internal Revenue Service;

(2) The term *State tax agency* means an agency, body, or commission described in section 6103(d) of the Code; and

(3) The term *Department of Justice* includes offices of the United States Attorneys.

[T.D. 7723, 45 FR 65573, Oct. 3, 1980, as amended by T.D. 8271, 54 FR 46383, Nov. 3, 1989; T.D. 8695, 61 FR 66218, Dec. 17, 1996]

§ 301.6103(p)(2)(B)-1 Disclosure of certain returns and return information by other Federal agencies.

(a) *General rule.* Subject to the requirements of this section, returns and return information disclosed by the Internal Revenue Service to officers and employees of another Federal agency (as defined in section 6103(b)(9) of the

Internal Revenue Code) as provided by section 6103 may, if the Commissioner of Internal Revenue determines that such returns or return information is more readily available from such Federal agency, be disclosed by such officers and employees to officers and employees of another Federal agency, the General Accounting Office, an agency, body, or commission described in section 6103(d) or (1)(6), or to a person described in section 6103 (c) or (e) for a purpose or use authorized or required by, but subject to any requirements imposed by, any other provision of section 6103 and the regulations thereunder. Any such disclosure may be made only as, to the extent, and to such persons as may be authorized in writing by the Commissioner pursuant to a written request for such disclosure by such person, and containing such information, as may be designated or provided by the applicable provisions of section 6103 and the regulations thereunder pursuant to which the disclosure is sought. Such disclosure authorization by the Commissioner shall be directed to the head of the Federal agency from which disclosure is sought and may contain such conditions or restrictions as the Commissioner may prescribe.

(b) *Records and reports of disclosure.* The Federal agency making a disclosure authorized by paragraph (a) of this section shall maintain to the satisfaction of the Service a permanent system of standardized records with respect to any disclosure authorization by the Commissioner described in paragraph (a) and any disclosure of returns or return information made pursuant to such authorization. In order to enable the Service to make a timely submission of the public report on disclosures to the Joint Committee on Taxation as required by section 6103(p)(3)(C) of the Code, the Federal agency shall, within 30 days after the close of each calendar year, furnish to the Commissioner a report with respect to such records which provides the number of—

(1) Disclosure authorizations by the Commissioner,

(2) Instances in which returns or return information was disclosed pursuant to such disclosure authorizations

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and to disclosure authorizations executed in prior calendar years, and

(3) Taxpayers whose returns or return information with respect to whom was disclosed pursuant to the disclosure authorization described in subparagraph (2).

In addition, in order to enable the Service to make a timely submission of the report to the Joint Committee on Taxation required by section 6103(p)(3)(B), the Federal agency shall furnish to the Commissioner a report with respect to, or summary of, the records at such time or times, in such form, and containing such information as the Commissioner may prescribe in a written request directed to the head of such Federal agency. The requirements of this paragraph do not apply to disclosures of taxpayer identity information described in section 6103(m) or to disclosures of returns and return information as provided by paragraph (a) which, had such disclosures been made directly by the Service, would not have been subject to the record-keeping requirements imposed by section 6103(p)(3)(A).

(Secs. 6103 and 7805 of the Internal Revenue Code of 1954 (90 Stat. 1667, 68A Stat. 917; 26 U.S.C. 6103 and 7805))

[T.D. 7723, 45 FR 65574, Oct. 3, 1980, as amended by T.D. 7824, 47 FR 33477, Aug. 2, 1982]

§ 301.6103(p)(7)-1 Procedures for administrative review of a determination that a State tax agency has failed to safeguard Federal tax returns or return information.

(a) *Notice of Service's intention to terminate disclosure to a State tax agency.* Notwithstanding subsection (d) of section 6103, the Internal Revenue Service may terminate disclosure of Federal returns and return information to a State agency, body, or commission described in section 6103(d) (hereinafter in this section referred to as a State tax agency) if the Service makes a determination that:

(1) A State tax agency has made unauthorized disclosure of Federal returns or return information received from the Service and that the State tax agency has not taken adequate corrective action to prevent repetition of the unauthorized disclosure, or

(2) A State tax agency does not satisfactorily maintain the safeguards described in subsection (p)(4) of section 6103, and has made no adequate plan to improve its system to maintain those safeguards satisfactorily. Prior to terminating disclosure, the Service will notify the State tax agency in writing of the Service's preliminary determination and of the Service's intention to discontinue disclosure of Federal returns and return information to the State tax agency. Upon so notifying the State tax agency, the Service, if it determines that Federal tax administration would otherwise be seriously impaired, may suspend further disclosure of Federal returns and return information to the State tax agency pending a final determination by the Commissioner or Deputy Commissioner described in subparagraph (2) of paragraph (c) of this section.

(b) *State tax agency's right to appeal.* A State tax agency shall have 30 days from the date of receipt of a notice described in paragraph (a) of this section to appeal the preliminary determination described in paragraph (a) of this section. The appeal shall be made directly to the Commissioner.

(c) *Procedures for administrative review.* (1) To appeal a preliminary determination described in paragraph (a) of this section, the State agency shall send a written request for a conference to: Commissioner of Internal Revenue (Attention: C), 1111 Constitution Avenue, NW., Washington, D.C. 20224. The request must include a complete description of the State tax agency's present system of safeguarding Federal returns or return information received from the Service. The request must then state the reason or reasons that the State agency believes that such system, including improvements, if any, to such system expected to be made in the near future, is or will be adequate to safeguard Federal returns or return information received from the Service.

(2) Within 45 days of the receipt of a request made in accordance with the provisions of subparagraph (1) of this paragraph, the Commissioner or Deputy Commissioner will personally hold a conference with representatives of the State tax agency, after which the