# The Future of Tax Privacy

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## Final Summation

This essay considers the past, present, and future of tax privacy. Regarding the past, it took until 1976 for the concept of tax privacy to be explicitly established in statutory law. Congress established this concept in Section 6103 of the Internal Revenue Code, but has also made it subject to numerous exceptions. Release of tax information is now permitted for purposes such as criminal litigation, civil litigation, child support enforcement, and counterterrorism. The specific disclosure standards vary, but Congress generally crafts a given statutory test based on its sense of the necessary benefits and burdens of disclosure in a specific context.

In certain ways, tax information is less important than in the past. The government and curious members of the public have more chances and venues than before to gain access to financial information of the kind that is found in tax returns. At the same time, tax information is more important than in the past. Due to the preparation, filing, and storage of tax returns in electronic form, the security of tax return information is now a critical issue.

In the future, tax information in the electronic age will be subject to the same critical issues, such as those involving data security, as other personal information. The government, the private sector, and sometimes even the general public have numerous opportunities to gain access to the same types of information that in the past were found exclusively in tax returns.

The problems of data security for tax information are heightened by four developments of particular significance. First, more Americans file their tax returns with the IRS every year through e-filing. Second, tax preparation software, like other software, is subject to hacking, viruses, data security breaches, software failures, as well as use of online tracking tools by professional tax preparers. Third, tax returns may be prepared by U.S. firms that outsource work internationally. Fourth, the IRS already has faced the same problems as the private sector concerning data security. In sum, there are now threats of privacy meltdowns, or dramatic loss of gigabytes of personal information, in a way that was unthinkable in the age of paper tax returns.

The government in its tax administration follows a data processing model that it uses in other managerial areas. The IRS gathers information about income from employees, investments from financial service companies, outstanding government loans from other branches of the federal government, and a broad variety of other data points about financial events. Much of the essential regulation for personal financial information occurs outside of the tax content. In conclusion, one's tax information and tax privacy remain important, but are increasingly subject to the same forces, legal, social, and technical, as other personal information.