



State of South Carolina

Office of the Governor

NIKKI R. HALEY
GOVERNOR

1205 PENDLETON STREET
COLUMBIA 29201

November 20, 2012

VIA ELECTRONIC MAIL

Acting Commissioner Steven Miller
United States Internal Revenue Service
1111 Constitution Avenue, NW
Washington, D.C. 20224

Dear Acting Commissioner Miller:

I write to you today to strongly encourage the Internal Revenue Service (IRS) to require all states to have stronger security measures for handling federal tax information, particularly encryption of tax information that is stored or "at rest".

As I am sure you are aware, an international hacker recently breached the South Carolina Department of Revenue's computer system exposing the personal information of all electronic tax filers in my State. While this incident was entirely caused by a malicious criminal hacker, the investigation of how this breach occurred has unfortunately revealed that the IRS does not require encryption of stored tax data, only transmitted data.

IRS Publication 1075, "Tax Information Security Guidelines for all Federal, State, and Local Agencies" **sets forth 128 pages of detailed "Safeguards for Protecting Federal Tax Returns and Tax Information" and yet it does not unequivocally require states to encrypt tax information that is stored or "at rest"**. What is even more troubling is that it appears that federal agencies, including the IRS, may also not be required to encrypt stored federal tax information.

It must be the responsibility of – not only the states, but also – the federal government to ensure that personal, sensitive information required to be provided to government by our citizens be vigorously protected to deter cyber-attacks and minimize exposure. I have copied South Carolina's Congressional Delegation on this letter to ensure that our federal partners convey the impact and importance of this request to the IRS.

Sincerely,

A handwritten signature in black ink, appearing to read "Nikki R. Haley".

Nikki R. Haley

cc: South Carolina Congressional Delegation