



## **IRS SECTION 132 COMPLIANT**

INDEPENDENT EXECUTIVE SECURITY STUDY



**CORPORATE SECURITY ADVISORS**

# IRS 132 Compliant Independent Executive Security Study Overview

An effective Physical Security Program protects a company's vital assets, including talent. If key talent is lost or degraded, the company's performance and market value can be negatively impacted. For that reason, many companies choose to incorporate the risk-based protection of select key officers within their Physical Security Program. Provision of security support or equipment to executives may be considered by the Internal Revenue Service as an extraordinary fringe benefit. When corporate executives receive extraordinary fringe benefits not provided to other employees of that same recognized corporate structure, they may be subject to tax. Under Section 132 of the tax code, the IRS allows for certain statutory exclusions. One requirement to qualify for these exclusions related to security support is to conduct an Independent Security Study (ISS). The ISS examines the Security Program protecting the executives who are, or may be receiving security support. More details about Section 132 are provided in Appendix A.

CSA will conduct an ISS to determine whether a "bona fide business-oriented security concern" exists for the identified company's in-scope executives. During the ISS, CSA will interview select vital senior leaders and support staff. CSA will also review existing programs, technologies, processes, and controls related to the security of the in-scope executives at their workplace and residence; while traveling between them or to other locations; the medical capabilities of healthcare facilities close to where the executives live and work; and the security vetting of household staff, if applicable.

The ISS is augmented by collecting intelligence from the open, deep, and dark web for corporate security and family office clients. This collected intelligence will help identify each executive's risk exposure by assessing threats directed toward them online and through various other channels. Intelligence analysts will also work to analyze publicly available information that a threat actor could use to target them.

Our deliverable will be a written report documenting the ISS. It will include an assessment of the need for and sufficiency of the overall Executive Security Program and any appropriate recommendations for improvement.

## Primary Residential Security Assessment

CSA will complete onsite assessments of the executive's residences. These assessments will include a focused review of the physical security aspects of each property, including:

- Existing alarm, camera, and access control systems.
- Door and window-locking devices.
- Lighting.
- Protective qualities of the glass and structural elements of the facade.
- Physical barriers used on the property/estate and the extent to which Crime Prevention Through Environmental Design principles have been incorporated.
- Safe rooms.
- Location-specific crime data.
- The presence of other High-Value Individuals/VIPs or public officials residing in the area.

- Deconfliction with other protective details in the area.
- Capabilities of medical facilities in the area.
- Emergency preparedness and response by the executives and their families.
- Emergency Relocation Plan.
- Notification of local police and fire departments, their response protocols, and establishing liaison with these first responders.

### Social Media and Open-Source Intelligence Review

CSA will perform an exhaustive review of open, deep, and dark web sources to identify threats directed toward the executives and their families. Our review will generally cover the following sources, in addition to information identified by the client:

- **News Media & Social Media Platforms** such as Facebook, Reddit, and X (Twitter)
- **Alternative Social Media Platforms** such as Rumble, Bitchute, Gab, Gettr, 4chan, and TruthSocial
- **Dark Web Marketplaces & Automated Vending Carts:** Underground e-commerce websites used for selling or trading illegal goods, including malware, cyber-attack tools, access to compromised networks, and PII
- **Hacker and Extremist Communities:** Forums, message boards and niche social media platforms where threat actors and political extremists discuss their malicious intentions and disclose stolen digital assets
- **Public Shaming Sites** created by various ransomware groups to publish data exfiltrated from their victims
- **Paste Sites** used by hackers to publish leaked credentials, excerpts of stolen data, and other compromised data from corporate networks (Includes “dox” sites)
- **Messaging Platforms:** Messages and images (OCR’d) posted to tens of thousands of open and invite-only groups on platforms like Telegram, Discord, IRC, & ICQ
- Threatening U.S. mail deliveries or concerning communications received through other channels.

### Travel and Transportation Security Review

CSA will complete an examination of the travel practices utilized by the in-scope executives and their families. This will include reviewing the processes for selecting itineraries, modes of travel, and accommodations, including:

- Travel routes between the residence, work, and other common destinations, including primary and alternate routes.
- Predictability of the times when “routine” travel occurs.
- Identification of Level I trauma centers and other medical facilities near the executive’s residences, work locations, and other common destinations. Route planning to those medical facilities.
- Emergency relocation locations along travel routes.

- Vehicles used and the level of training the drivers receive in their emergency operation.
- Aircraft security procedures.
- Hotel locations and floor selection.
- Hotel safety advisory briefs.
- Emergency evacuation plans.
- Medical considerations while traveling.

### **Executive Workspace Assessment**

CSA will conduct a focused evaluation of the executive workspace as part of the overall enterprise security assessment and will include analysis of office location, access control, hardened spaces, etc., including:

- Emergency and evacuation action plan - incident-specific.
- Office alarm and interior duress or knock-down alarms.
- Window and door composition, concealment, and resistance.
- Designated hospital and routes.
- Event attendance and security planning.

## Appendix A

### IRS 132 At A Glance

Corporate executives and high net-worth individuals within a recognized corporate structure often receive extraordinary fringe benefits not provided to other employees of that same recognized corporate structure that may be subject to tax. The Internal Revenue Code ("IRC") was amended in 1984 to include the term "fringe benefits" in the definition of gross income, which must be treated as compensation includible in income under § 61 unless there is a specific statutory exclusion that applies to the benefit.

Under § 1.132-5, certain statutory exclusions exist if a "bona fide business-oriented security concern" exists. A "bona fide business-oriented security concern" exists only if the facts and circumstances establish a specific basis for concern regarding the safety of an employee.

#### **Treas. Reg. § 1.132-5(m)(2)(i)**

Under Treasury Regulation § 1.132-1(b)(2), "employee" means: 1) any individual who is currently employed by the employer; 2) any partner who performs services for the partnership; 3) any director of the employer; and 4) any independent contractor who performs services for the employer.

No bona fide business-oriented security concern will exist unless the employer establishes to the satisfaction of the Commissioner of Internal Revenue that an "overall security program" has been provided with respect to the employee involved.

#### **Treas. Reg. § 1.132-5(m)(2)(ii)**

An "overall security program" is one in which security is provided to protect the employee on a 24-hour basis.

#### **Treas. Reg. § 1.132-5(m)(2)(iii)**

An overall security program will be deemed to exist in situations where the employer conducts and implements an "independent security study" with respect to the employee.

#### **Treas. Reg. § 1.132-5(m)(2)(iv)**

Some Examples Include:

- Estate Security
- Home Intrusion Detection Systems
- Residential Security Guards
- Safe Rooms
- Ground Transportation
- Security Drivers
- Chauffeurs
- Air Transportation
- Commercial and Private Flights
- Traveler Tracking
- Special Risk Insurance
- KR&E Insurance
- On-Going Threat Analysis
- Security Analyst
- Office Security
- Executive Suite Security