

104TH CONGRESS
2^D SESSION

H. R. 2337

AN ACT

To amend the Internal Revenue Code of 1986 to provide for increased taxpayer protections.

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To amend the Internal Revenue Code of 1986 to provide
for increased taxpayer protections.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

1 **SECTION 1. SHORT TITLE; AMENDMENT OF 1986 CODE;**
 2 **TABLE OF CONTENTS.**

3 (a) SHORT TITLE.—This Act may be cited as the
 4 “Taxpayer Bill of Rights 2”.

5 (b) AMENDMENT OF 1986 CODE.—Except as other-
 6 wise expressly provided, whenever in this Act an amend-
 7 ment or repeal is expressed in terms of an amendment
 8 to, or repeal of, a section or other provision, the reference
 9 shall be considered to be made to a section or other provi-
 10 sion of the Internal Revenue Code of 1986.

11 (c) TABLE OF CONTENTS.—

Sec. 1. Short title; amendment of 1986 Code; table of contents.

TITLE I—TAXPAYER ADVOCATE

Sec. 101. Establishment of position of Taxpayer Advocate within Internal Revenue Service.

Sec. 102. Expansion of authority to issue Taxpayer Assistance Orders.

TITLE II—MODIFICATIONS TO INSTALLMENT AGREEMENT PROVISIONS

Sec. 201. Notification of reasons for termination of installment agreements.

Sec. 202. Administrative review of termination of installment agreement.

TITLE III—ABATEMENT OF INTEREST AND PENALTIES

Sec. 301. Expansion of authority to abate interest.

Sec. 302. Review of IRS failure to abate interest.

Sec. 303. Extension of interest-free period for payment of tax after notice and demand.

Sec. 304. Abatement of penalty for failure to make required deposits of payroll taxes in certain cases.

TITLE IV—JOINT RETURNS

Sec. 401. Studies of joint return-related issues.

Sec. 402. Joint return may be made after separate returns without full payment of tax.

Sec. 403. Disclosure of collection activities.

TITLE V—COLLECTION ACTIVITIES

Sec. 501. Modifications to lien and levy provisions.

Sec. 502. Modifications to certain levy exemption amounts.

Sec. 503. Offers-in-compromise.

TITLE VI—INFORMATION RETURNS

Sec. 601. Civil damages for fraudulent filing of information returns.

Sec. 602. Requirement to conduct reasonable investigations of information returns.

TITLE VII—AWARDING OF COSTS AND CERTAIN FEES

Sec. 701. United States must establish that its position in proceeding was substantially justified.

Sec. 702. Increased limit on attorney fees.

Sec. 703. Failure to agree to extension not taken into account.

Sec. 704. Award of litigation costs permitted in declaratory judgment proceedings.

TITLE VIII—MODIFICATION TO RECOVERY OF CIVIL DAMAGES FOR UNAUTHORIZED COLLECTION ACTIONS

Sec. 801. Increase in limit on recovery of civil damages for unauthorized collection actions.

Sec. 802. Court discretion to reduce award for litigation costs for failure to exhaust administrative remedies.

TITLE IX—MODIFICATIONS TO PENALTY FOR FAILURE TO COLLECT AND PAY OVER TAX

Sec. 901. Preliminary notice requirement.

Sec. 902. Disclosure of certain information where more than 1 person liable for penalty for failure to collect and pay over tax.

Sec. 903. Right of contribution where more than 1 person liable for penalty for failure to collect and pay over tax.

Sec. 904. Volunteer board members of tax-exempt organizations exempt from penalty for failure to collect and pay over tax.

TITLE X—MODIFICATIONS OF RULES RELATING TO SUMMONSES

Sec. 1001. Enrolled agents included as third-party recordkeepers.

Sec. 1002. Safeguards relating to designated summonses.

Sec. 1003. Annual report to Congress concerning designated summonses.

TITLE XI—RELIEF FROM RETROACTIVE APPLICATION OF TREASURY DEPARTMENT REGULATIONS

Sec. 1101. Relief from retroactive application of Treasury Department regulations.

TITLE XII—MISCELLANEOUS PROVISIONS

Sec. 1201. Phone number of person providing payee statements required to be shown on such statement.

Sec. 1202. Required notice of certain payments.

Sec. 1203. Unauthorized enticement of information disclosure.

Sec. 1204. Annual reminders to taxpayers with outstanding delinquent accounts.

Sec. 1205. 5-year extension of authority for undercover operations.

Sec. 1206. Disclosure of Form 8300 information on cash transactions.

- Sec. 1207. Disclosure of returns and return information to designee of taxpayer.
- Sec. 1208. Study of netting of interest on overpayments and liabilities.
- Sec. 1209. Expenses of detection of underpayments and fraud, etc.
- Sec. 1210. Use of private delivery services for timely-mailing-as-timely-filing rule.
- Sec. 1211. Reports on misconduct of IRS employees.

TITLE XIII—REVENUE OFFSETS

Subtitle A—Application of Failure-to-Pay Penalty to Substitute Returns

- Sec. 1301. Application of failure-to-pay penalty to substitute returns.

Subtitle B—Excise Taxes on Amounts of Private Excess Benefits

- Sec. 1311. Excise taxes for failure by certain charitable organizations to meet certain qualification requirements.
- Sec. 1312. Reporting of certain excise taxes and other information.
- Sec. 1313. Exempt organizations required to provide copy of return.
- Sec. 1314. Increase in penalties on exempt organizations for failure to file complete and timely annual returns.

1 **TITLE I—TAXPAYER ADVOCATE**

2 **SEC. 101. ESTABLISHMENT OF POSITION OF TAXPAYER AD-** 3 **VOCATE WITHIN INTERNAL REVENUE SERV-** 4 **ICE.**

5 (a) GENERAL RULE.—Section 7802 (relating to
 6 Commissioner of Internal Revenue; Assistant Commis-
 7 sioner (Employee Plans and Exempt Organizations)) is
 8 amended by adding at the end the following new sub-
 9 section:

10 “(d) OFFICE OF TAXPAYER ADVOCATE.—

11 “(1) IN GENERAL.—There is established in the
 12 Internal Revenue Service an office to be known as
 13 the ‘Office of the Taxpayer Advocate’. Such office
 14 shall be under the supervision and direction of an of-
 15 ficial to be known as the ‘Taxpayer Advocate’ who

1 shall be appointed by and report directly to the
2 Commissioner of Internal Revenue. The Taxpayer
3 Advocate shall be entitled to compensation at the
4 same rate as the highest level official reporting di-
5 rectly to the Deputy Commissioner of the Internal
6 Revenue Service.

7 “(2) FUNCTIONS OF OFFICE.—

8 “(A) IN GENERAL.—It shall be the func-
9 tion of the Office of Taxpayer Advocate to—

10 “(i) assist taxpayers in resolving prob-
11 lems with the Internal Revenue Service,

12 “(ii) identify areas in which taxpayers
13 have problems in dealings with the Internal
14 Revenue Service,

15 “(iii) to the extent possible, propose
16 changes in the administrative practices of
17 the Internal Revenue Service to mitigate
18 problems identified under clause (ii), and

19 “(iv) identify potential legislative
20 changes which may be appropriate to miti-
21 gate such problems.

22 “(B) ANNUAL REPORTS.—

23 “(i) OBJECTIVES.—Not later than
24 June 30 of each calendar year after 1995,
25 the Taxpayer Advocate shall report to the

1 Committee on Ways and Means of the
2 House of Representatives and the Commit-
3 tee on Finance of the Senate on the objec-
4 tives of the Taxpayer Advocate for the fis-
5 cal year beginning in such calendar year.
6 Any such report shall contain full and sub-
7 stantive analysis, in addition to statistical
8 information.

9 “(ii) ACTIVITIES.—Not later than De-
10 cember 31 of each calendar year after
11 1995, the Taxpayer Advocate shall report
12 to the Committee on Ways and Means of
13 the House of Representatives and the
14 Committee on Finance of the Senate on
15 the activities of the Taxpayer Advocate
16 during the fiscal year ending during such
17 calendar year. Any such report shall con-
18 tain full and substantive analysis, in addi-
19 tion to statistical information, and shall—

20 “(I) identify the initiatives the
21 Taxpayer Advocate has taken on im-
22 proving taxpayer services and Internal
23 Revenue Service responsiveness,

24 “(II) contain recommendations
25 received from individuals with the au-

1 thority to issue Taxpayer Assistance
2 Orders under section 7811,

3 “(III) contain a summary of at
4 least 20 of the most serious problems
5 encountered by taxpayers, including a
6 description of the nature of such prob-
7 lems,

8 “(IV) contain an inventory of the
9 items described in subclauses (I), (II),
10 and (III) for which action has been
11 taken and the result of such action,

12 “(V) contain an inventory of the
13 items described in subclauses (I), (II),
14 and (III) for which action remains to
15 be completed and the period during
16 which each item has remained on such
17 inventory,

18 “(VI) contain an inventory of the
19 items described in subclauses (II) and
20 (III) for which no action has been
21 taken, the period during which each
22 item has remained on such inventory,
23 the reasons for the inaction, and iden-
24 tify any Internal Revenue Service offi-

1 cial who is responsible for such inac-
2 tion,

3 “(VII) identify any Taxpayer As-
4 sistance Order which was not honored
5 by the Internal Revenue Service in a
6 timely manner, as specified under sec-
7 tion 7811(b),

8 “(VIII) contain recommendations
9 for such administrative and legislative
10 action as may be appropriate to re-
11 solve problems encountered by tax-
12 payers,

13 “(IX) describe the extent to
14 which regional problem resolution offi-
15 cers participate in the selection and
16 evaluation of local problem resolution
17 officers, and

18 “(X) include such other informa-
19 tion as the Taxpayer Advocate may
20 deem advisable.

21 “(iii) REPORT TO BE SUBMITTED DI-
22 RECTLY.—Each report required under this
23 subparagraph shall be provided directly to
24 the Committees referred to in clauses (i)
25 and (ii) without any prior review or com-

1 ment from the Commissioner, the Sec-
2 retary of the Treasury, any other officer or
3 employee of the Department of the Treas-
4 ury, or the Office of Management and
5 Budget.

6 “(3) RESPONSIBILITIES OF COMMISSIONER.—
7 The Commissioner of Internal Revenue shall estab-
8 lish procedures requiring a formal response to all
9 recommendations submitted to the Commissioner by
10 the Taxpayer Advocate within 3 months after sub-
11 mission to the Commissioner.”.

12 (b) CONFORMING AMENDMENTS.—

13 (1) Section 7811 (relating to Taxpayer Assist-
14 ance Orders) is amended—

15 (A) by striking “the Office of Ombuds-
16 man” in subsection (a) and inserting “the Of-
17 fice of the Taxpayer Advocate”, and

18 (B) by striking “Ombudsman” each place
19 it appears (including in the headings of sub-
20 sections (e) and (f)) and inserting “Taxpayer
21 Advocate”.

22 (2) The heading for section 7802 is amended to
23 read as follows:

1 **“SEC. 7802. COMMISSIONER OF INTERNAL REVENUE; AS-**
2 **SISTANT COMMISSIONERS; TAXPAYER ADVO-**
3 **CATE.”.**

4 (3) The table of sections for subchapter A of
5 chapter 80 is amended by striking the item relating
6 to section 7802 and inserting the following new
7 item:

“Sec. 7802. Commissioner of Internal Revenue; Assistant Commissioners; Tax-
payer Advocate.”.

8 (c) **EFFECTIVE DATE.**—The amendments made by
9 this section shall take effect on the date of the enactment
10 of this Act.

11 **SEC. 102. EXPANSION OF AUTHORITY TO ISSUE TAXPAYER**
12 **ASSISTANCE ORDERS.**

13 (a) **TERMS OF ORDERS.**—Subsection (b) of section
14 7811 (relating to terms of Taxpayer Assistance Orders)
15 is amended—

16 (1) by inserting “within a specified time pe-
17 riod” after “the Secretary”, and

18 (2) by inserting “take any action as permitted
19 by law,” after “cease any action,”.

20 (b) **LIMITATION ON AUTHORITY TO MODIFY OR RE-**
21 **SCIND.**—Section 7811(c) (relating to authority to modify
22 or rescind) is amended to read as follows:

1 “(c) AUTHORITY TO MODIFY OR RESCIND.—Any
2 Taxpayer Assistance Order issued by the Taxpayer Advo-
3 cate under this section may be modified or rescinded—

4 “(1) only by the Taxpayer Advocate, the Com-
5 missioner of Internal Revenue, or the Deputy Com-
6 missioner of Internal Revenue, and

7 “(2) only if a written explanation of the reasons
8 for the modification or rescission is provided to the
9 Taxpayer Advocate.”.

10 (c) EFFECTIVE DATE.—The amendments made by
11 this section shall take effect on the date of the enactment
12 of this Act.

13 **TITLE II—MODIFICATIONS TO**
14 **INSTALLMENT AGREEMENT**
15 **PROVISIONS**

16 **SEC. 201. NOTIFICATION OF REASONS FOR TERMINATION**
17 **OF INSTALLMENT AGREEMENTS.**

18 (a) TERMINATIONS.—Subsection (b) of section 6159
19 (relating to extent to which agreements remain in effect)
20 is amended by adding at the end the following new para-
21 graph:

22 “(5) NOTICE REQUIREMENTS.—The Secretary
23 may not take any action under paragraph (2), (3),
24 or (4) unless—

1 “(A) a notice of such action is provided to
2 the taxpayer not later than the day 30 days be-
3 fore the date of such action, and

4 “(B) such notice includes an explanation
5 why the Secretary intends to take such action.

6 The preceding sentence shall not apply in any case
7 in which the Secretary believes that collection of any
8 tax to which an agreement under this section relates
9 is in jeopardy.”.

10 (b) CONFORMING AMENDMENT.—Paragraph (3) of
11 section 6159(b) is amended to read as follows:

12 “(3) SUBSEQUENT CHANGE IN FINANCIAL CON-
13 DITIONS.—If the Secretary makes a determination
14 that the financial condition of a taxpayer with whom
15 the Secretary has entered into an agreement under
16 subsection (a) has significantly changed, the Sec-
17 retary may alter, modify, or terminate such agree-
18 ment.”.

19 (c) EFFECTIVE DATE.—The amendments made by
20 this section shall take effect on the date 6 months after
21 the date of the enactment of this Act.

22 **SEC. 202. ADMINISTRATIVE REVIEW OF TERMINATION OF**
23 **INSTALLMENT AGREEMENT.**

24 (a) GENERAL RULE.—Section 6159 (relating to
25 agreements for payment of tax liability in installments)

1 is amended by adding at the end the following new sub-
2 section:

3 “(c) ADMINISTRATIVE REVIEW.—The Secretary shall
4 establish procedures for an independent administrative re-
5 view of terminations of installment agreements under this
6 section for taxpayers who request such a review.”.

7 (b) EFFECTIVE DATE.—The amendment made by
8 subsection (a) shall take effect on January 1, 1997.

9 **TITLE III—ABATEMENT OF**
10 **INTEREST AND PENALTIES**

11 **SEC. 301. EXPANSION OF AUTHORITY TO ABATE INTEREST.**

12 (a) GENERAL RULE.—Paragraph (1) of section
13 6404(e) (relating to abatement of interest in certain cases)
14 is amended—

15 (1) by inserting “unreasonable” before “error”
16 each place it appears in subparagraphs (A) and (B),
17 and

18 (2) by striking “in performing a ministerial
19 act” each place it appears and inserting “in per-
20 forming a ministerial or managerial act”.

21 (b) CLERICAL AMENDMENT.—The subsection head-
22 ing for subsection (e) of section 6404 is amended—

23 (1) by striking “ASSESSMENTS” and inserting
24 “ABATEMENT”, and

1 (2) by inserting “UNREASONABLE” before “ER-
2 RORS”.

3 (c) EFFECTIVE DATE.—The amendments made by
4 this section shall apply to interest accruing with respect
5 to deficiencies or payments for taxable years beginning
6 after the date of the enactment of this Act.

7 **SEC. 302. REVIEW OF IRS FAILURE TO ABATE INTEREST.**

8 (a) IN GENERAL.—Section 6404 is amended by add-
9 ing at the end the following new subsection:

10 “(g) REVIEW OF DENIAL OF REQUEST FOR ABATE-
11 MENT OF INTEREST.—

12 “(1) IN GENERAL.—The Tax Court shall have
13 jurisdiction over any action brought by a taxpayer
14 who meets the requirements referred to in section
15 7430(c)(4)(A)(iii) to determine whether the Sec-
16 retary’s failure to abate interest under this section
17 was an abuse of discretion, and may order an abate-
18 ment, if such action is brought within 180 days after
19 the date of the mailing of the Secretary’s final deter-
20 mination not to abate such interest.

21 “(2) SPECIAL RULES.—

22 “(A) DATE OF MAILING.—Rules similar to
23 the rules of section 6213 shall apply for pur-
24 poses of determining the date of the mailing re-
25 ferred to in paragraph (1).

1 be imposed for the period after the date of such no-
2 tice and demand.”.

3 (b) CONFORMING AMENDMENTS.—

4 (1) Subparagraph (A) of section 6601(e)(2) is
5 amended by striking “10 days from the date of no-
6 tice and demand therefor” and inserting “21 cal-
7 endar days from the date of notice and demand
8 therefor (10 business days if the amount for which
9 such notice and demand is made equals or exceeds
10 \$100,000)”.

11 (2) Paragraph (3) of section 6651(a) is amend-
12 ed by striking “10 days of the date of the notice and
13 demand therefor” and inserting “21 calendar days
14 from the date of notice and demand therefor (10
15 business days if the amount for which such notice
16 and demand is made equals or exceeds \$100,000)”.

17 (c) EFFECTIVE DATE.—The amendments made by
18 this section shall apply in the case of any notice and de-
19 mand given after December 31, 1996.

20 **SEC. 304. ABATEMENT OF PENALTY FOR FAILURE TO MAKE**
21 **REQUIRED DEPOSITS OF PAYROLL TAXES IN**
22 **CERTAIN CASES.**

23 (a) IN GENERAL.—Section 6656 (relating to failure
24 to make deposit of taxes) is amended by adding at the
25 end the following new subsections:

1 “(c) EXCEPTION FOR FIRST-TIME DEPOSITORS OF
2 EMPLOYMENT TAXES.—The Secretary may waive the pen-
3 alty imposed by subsection (a) on a person’s inadvertent
4 failure to deposit any employment tax if—

5 “(1) such person meets the requirements re-
6 ferred to in section 7430(c)(4)(A)(iii),

7 “(2) such failure occurs during the 1st quarter
8 that such person was required to deposit any em-
9 ployment tax, and

10 “(3) the return of such tax was filed on or be-
11 fore the due date.

12 For purposes of this subsection, the term ‘employment
13 taxes’ means the taxes imposed by subtitle C.

14 “(d) AUTHORITY TO ABATE PENALTY WHERE DE-
15 POSIT SENT TO SECRETARY.—The Secretary may abate
16 the penalty imposed by subsection (a) with respect to the
17 first time a depositor is required to make a deposit if the
18 amount required to be deposited is inadvertently sent to
19 the Secretary instead of to the appropriate government de-
20 pository.”.

21 (b) EFFECTIVE DATE.—The amendment made by
22 subsection (a) shall apply to deposits required to be made
23 after the date of the enactment of this Act.

1 **TITLE IV—JOINT RETURNS**

2 **SEC. 401. STUDIES OF JOINT RETURN-RELATED ISSUES.**

3 The Secretary of the Treasury or his delegate and
4 the Comptroller General of the United States shall each
5 conduct separate studies of—

6 (1) the effects of changing the liability for tax
7 on a joint return from being joint and several to
8 being proportionate to the tax attributable to each
9 spouse,

10 (2) the effects of providing that, if a divorce de-
11 cree allocates liability for tax on a joint return filed
12 before the divorce, the Secretary may collect such li-
13 ability only in accordance with the decree,

14 (3) whether those provisions of the Internal
15 Revenue Code of 1986 intended to provide relief to
16 innocent spouses provide meaningful relief in all
17 cases where such relief is appropriate, and

18 (4) the effect of providing that community in-
19 come (as defined in section 66(d) of such Code)
20 which, in accordance with the rules contained in sec-
21 tion 879(a) of such Code, would be treated as the
22 income of one spouse is exempt from a levy for fail-
23 ure to pay any tax imposed by subtitle A by the
24 other spouse for a taxable year ending before their
25 marriage.

1 The reports of such studies shall be submitted to the Com-
2 mittee on Ways and Means of the House of Representa-
3 tives and the Committee on Finance of the Senate within
4 6 months after the date of the enactment of this Act.

5 **SEC. 402. JOINT RETURN MAY BE MADE AFTER SEPARATE**
6 **RETURNS WITHOUT FULL PAYMENT OF TAX.**

7 (a) GENERAL RULE.—Paragraph (2) of section
8 6013(b) (relating to limitations on filing of joint return
9 after filing separate returns) is amended by striking sub-
10 paragraph (A) and redesignating the following subpara-
11 graphs accordingly.

12 (b) EFFECTIVE DATE.—The amendment made by
13 subsection (a) shall apply to taxable years beginning after
14 the date of the enactment of this Act.

15 **SEC. 403. DISCLOSURE OF COLLECTION ACTIVITIES.**

16 (a) IN GENERAL.—Subsection (e) of section 6103
17 (relating to disclosure to persons having material interest)
18 is amended by adding at the end the following new para-
19 graph:

20 “(8) DISCLOSURE OF COLLECTION ACTIVITIES
21 WITH RESPECT TO JOINT RETURN.—If any defi-
22 ciency of tax with respect to a joint return is as-
23 sessed and the individuals filing such return are no
24 longer married or no longer reside in the same
25 household, upon request in writing by either of such

1 individuals, the Secretary shall disclose in writing to
 2 the individual making the request whether the Sec-
 3 retary has attempted to collect such deficiency from
 4 such other individual, the general nature of such col-
 5 lection activities, and the amount collected. The pre-
 6 ceding sentence shall not apply to any deficiency
 7 which may not be collected by reason of section
 8 6502.”.

9 (b) EFFECTIVE DATE.—The amendment made by
 10 this section shall apply to requests made after the date
 11 of the enactment of this Act.

12 **TITLE V—COLLECTION** 13 **ACTIVITIES**

14 **SEC. 501. MODIFICATIONS TO LIEN AND LEVY PROVISIONS.**

15 (a) WITHDRAWAL OF CERTAIN NOTICES.—Section
 16 6323 (relating to validity and priority against certain per-
 17 sons) is amended by adding at the end the following new
 18 subsection:

19 “(j) WITHDRAWAL OF NOTICE IN CERTAIN CIR-
 20 CUMSTANCES.—

21 “(1) IN GENERAL.—The Secretary may with-
 22 draw a notice of a lien filed under this section and
 23 this chapter shall be applied as if the withdrawn no-
 24 tice had not been filed, if the Secretary determines
 25 that—

1 “(A) the filing of such notice was pre-
2 mature or otherwise not in accordance with ad-
3 ministrative procedures of the Secretary,

4 “(B) the taxpayer has entered into an
5 agreement under section 6159 to satisfy the tax
6 liability for which the lien was imposed by
7 means of installment payments, unless such
8 agreement provides otherwise,

9 “(C) the withdrawal of such notice will fa-
10 cilitate the collection of the tax liability, or

11 “(D) with the consent of the taxpayer or
12 the Taxpayer Advocate, the withdrawal of such
13 notice would be in the best interests of the tax-
14 payer (as determined by the Taxpayer Advo-
15 cate) and the United States.

16 Any such withdrawal shall be made by filing notice
17 at the same office as the withdrawn notice. A copy
18 of such notice of withdrawal shall be provided to the
19 taxpayer.

20 “(2) NOTICE TO CREDIT AGENCIES, ETC.—

21 Upon written request by the taxpayer with respect
22 to whom a notice of a lien was withdrawn under
23 paragraph (1), the Secretary shall promptly make
24 reasonable efforts to notify credit reporting agencies,
25 and any financial institution or creditor whose name

1 and address is specified in such request, of the with-
2 drawal of such notice. Any such request shall be in
3 such form as the Secretary may prescribe.”.

4 (b) RETURN OF LEVIED PROPERTY IN CERTAIN
5 CASES.—Section 6343 (relating to authority to release
6 levy and return property) is amended by adding at the
7 end the following new subsection:

8 “(d) RETURN OF PROPERTY IN CERTAIN CASES.—
9 If—

10 “(1) any property has been levied upon, and

11 “(2) the Secretary determines that—

12 “(A) the levy on such property was pre-
13 mature or otherwise not in accordance with ad-
14 ministrative procedures of the Secretary,

15 “(B) the taxpayer has entered into an
16 agreement under section 6159 to satisfy the tax
17 liability for which the levy was imposed by
18 means of installment payments, unless such
19 agreement provides otherwise,

20 “(C) the return of such property will facili-
21 tate the collection of the tax liability, or

22 “(D) with the consent of the taxpayer or
23 the Taxpayer Advocate, the return of such
24 property would be in the best interests of the

1 taxpayer (as determined by the Taxpayer Advoca-
2 cate) and the United States,
3 the provisions of subsection (b) shall apply in the same
4 manner as if such property had been wrongly levied upon,
5 except that no interest shall be allowed under subsection
6 (c).”.

7 (d) EFFECTIVE DATE.—The amendments made by
8 this section shall take effect on the date of the enactment
9 of this Act.

10 **SEC. 502. MODIFICATIONS TO CERTAIN LEVY EXEMPTION**
11 **AMOUNTS.**

12 (a) FUEL, ETC.—Paragraph (2) of section 6334(a)
13 (relating to fuel, provisions, furniture, and personal effects
14 exempt from levy) is amended—

15 (1) by striking “If the taxpayer is the head of
16 a family, so” and inserting “So”,

17 (2) by striking “his household” and inserting
18 “the taxpayer’s household”, and

19 (3) by striking “\$1,650 (\$1,550 in the case of
20 levies issued during 1989)” and inserting “\$2,500”.

21 (b) BOOKS, ETC.—Paragraph (3) of section 6334(a)
22 (relating to books and tools of a trade, business, or profes-
23 sion) is amended by striking “\$1,100 (\$1,050 in the case
24 of levies issued during 1989)” and inserting “\$1,250”.

1 (c) INFLATION ADJUSTMENT.—Section 6334 (relat-
2 ing to property exempt from levy) is amended by adding
3 at the end the following new subsection:

4 “(f) INFLATION ADJUSTMENT.—

5 “(1) IN GENERAL.—In the case of any calendar
6 year beginning after 1997, each dollar amount re-
7 ferred to in paragraphs (2) and (3) of subsection (a)
8 shall be increased by an amount equal to—

9 “(A) such dollar amount, multiplied by

10 “(B) the cost-of-living adjustment deter-
11 mined under section 1(f)(3) for such calendar
12 year, by substituting ‘calendar year 1996’ for
13 ‘calendar year 1992’ in subparagraph (B)
14 thereof.

15 “(2) ROUNDING.—If any dollar amount after
16 being increased under paragraph (1) is not a mul-
17 tiple of \$10, such dollar amount shall be rounded to
18 the nearest multiple of \$10.”.

19 (d) EFFECTIVE DATE.—The amendments made by
20 this section shall take effect with respect to levies issued
21 after December 31, 1996.

22 **SEC. 503. OFFERS-IN-COMPROMISE.**

23 (a) REVIEW REQUIREMENTS.—Subsection (b) of sec-
24 tion 7122 (relating to records) is amended by striking
25 “\$500.” and inserting “\$50,000. However, such com-

1 promise shall be subject to continuing quality review by
2 the Secretary.”.

3 (b) EFFECTIVE DATE.—The amendment made by
4 this section shall take effect on the date of the enactment
5 of this Act.

6 **TITLE VI—INFORMATION** 7 **RETURNS**

8 **SEC. 601. CIVIL DAMAGES FOR FRAUDULENT FILING OF IN-**
9 **FORMATION RETURNS.**

10 (a) GENERAL RULE.—Subchapter B of chapter 76
11 (relating to proceedings by taxpayers and third parties)
12 is amended by redesignating section 7434 as section 7435
13 and by inserting after section 7433 the following new
14 section:

15 **“SEC. 7434. CIVIL DAMAGES FOR FRAUDULENT FILING OF**
16 **INFORMATION RETURNS.**

17 “(a) IN GENERAL.—If any person willfully files a
18 fraudulent information return with respect to payments
19 purported to be made to any other person, such other per-
20 son may bring a civil action for damages against the per-
21 son so filing such return.

22 “(b) DAMAGES.—In any action brought under sub-
23 section (a), upon a finding of liability on the part of the
24 defendant, the defendant shall be liable to the plaintiff in
25 an amount equal to the greater of \$5,000 or the sum of—

1 “(1) any actual damages sustained by the plain-
2 tiff as a proximate result of the filing of the fraudu-
3 lent information return (including any costs attrib-
4 utable to resolving deficiencies asserted as a result
5 of such filing),

6 “(2) the costs of the action, and

7 “(3) in the court’s discretion, reasonable attor-
8 neys fees.

9 “(c) PERIOD FOR BRINGING ACTION.—Notwith-
10 standing any other provision of law, an action to enforce
11 the liability created under this section may be brought
12 without regard to the amount in controversy and may be
13 brought only within the later of—

14 “(1) 6 years after the date of the filing of the
15 fraudulent information return, or

16 “(2) 1 year after the date such fraudulent in-
17 formation return would have been discovered by ex-
18 ercise of reasonable care.

19 “(d) COPY OF COMPLAINT FILED WITH IRS—Any
20 person bringing an action under subsection (a) shall pro-
21 vide a copy of the complaint to the Internal Revenue Serv-
22 ice upon the filing of such complaint with the court.

23 “(e) FINDING OF COURT TO INCLUDE CORRECT
24 AMOUNT OF PAYMENT.—The decision of the court award-
25 ing damages in an action brought under subsection (a)

1 shall include a finding of the correct amount which should
2 have been reported in the information return.

3 “(f) INFORMATION RETURN.—For purposes of this
4 section, the term ‘information return’ means any state-
5 ment described in section 6724(d)(1)(A).”.

6 (b) CLERICAL AMENDMENT.—The table of sections
7 for subchapter B of chapter 76 is amended by striking
8 the item relating to section 7434 and inserting the follow-
9 ing:

“Sec. 7434. Civil damages for fraudulent filing of information returns.
“Sec. 7435. Cross references.”.

10 (c) EFFECTIVE DATE.—The amendments made by
11 this section shall apply to fraudulent information returns
12 filed after the date of the enactment of this Act.

13 **SEC. 602. REQUIREMENT TO CONDUCT REASONABLE IN-**
14 **VESTIGATIONS OF INFORMATION RETURNS.**

15 (a) GENERAL RULE.—Section 6201 (relating to as-
16 sessment authority) is amended by redesignating sub-
17 section (d) as subsection (e) and by inserting after sub-
18 section (c) the following new subsection:

19 “(d) REQUIRED REASONABLE VERIFICATION OF IN-
20 FORMATION RETURNS.—In any court proceeding, if a tax-
21 payer asserts a reasonable dispute with respect to any
22 item of income reported on an information return filed
23 with the Secretary under subpart B or C of part III of
24 subchapter A of chapter 61 by a third party and the tax-

1 payer has fully cooperated with the Secretary (including
2 providing, within a reasonable period of time, access to
3 and inspection of all witnesses, information, and docu-
4 ments within the control of the taxpayer as reasonably re-
5 quested by the Secretary), the Secretary shall have the
6 burden of producing reasonable and probative information
7 concerning such deficiency in addition to such information
8 return.”.

9 (b) EFFECTIVE DATE.—The amendment made by
10 subsection (a) shall take effect on the date of the enact-
11 ment of this Act.

12 **TITLE VII—AWARDING OF COSTS** 13 **AND CERTAIN FEES**

14 **SEC. 701. UNITED STATES MUST ESTABLISH THAT ITS POSI-** 15 **TION IN PROCEEDING WAS SUBSTANTIALLY** 16 **JUSTIFIED.**

17 (a) GENERAL RULE.—Subparagraph (A) of section
18 7430(c)(4) (defining prevailing party) is amended by
19 striking clause (i) and by redesignating clauses (ii) and
20 (iii) as clauses (i) and (ii), respectively.

21 (b) BURDEN OF PROOF ON UNITED STATES.—Para-
22 graph (4) of section 7430(c) is amended by redesignating
23 subparagraph (B) as subparagraph (C) and by inserting
24 after subparagraph (A) the following new subparagraph:

1 “(B) EXCEPTION IF UNITED STATES ES-
2 TABLISHES THAT ITS POSITION WAS SUBSTAN-
3 TIALY JUSTIFIED.—

4 “(i) GENERAL RULE.—A party shall
5 not be treated as the prevailing party in a
6 proceeding to which subsection (a) applies
7 if the United States establishes that the
8 position of the United States in the pro-
9 ceeding was substantially justified.

10 “(ii) PRESUMPTION OF NO JUSTIFICA-
11 TION IF INTERNAL REVENUE SERVICE DID
12 NOT FOLLOW CERTAIN PUBLISHED GUID-
13 ANCE.—For purposes of clause (i), the po-
14 sition of the United States shall be pre-
15 sumed not to be substantially justified if
16 the Internal Revenue Service did not follow
17 its applicable published guidance in the ad-
18 ministrative proceeding. Such presumption
19 may be rebutted.

20 “(iii) APPLICABLE PUBLISHED GUID-
21 ANCE.—For purposes of clause (ii), the
22 term ‘applicable published guidance’
23 means—

24 “(I) regulations, revenue rulings,
25 revenue procedures, information re-

1 leases, notices, and announcements,
2 and

3 “(II) any of the following which
4 are issued to the taxpayer: private let-
5 ter rulings, technical advice memo-
6 randa, and determination letters.”.

7 (c) CONFORMING AMENDMENTS.—

8 (1) Subparagraph (B) of section 7430(c)(2) is
9 amended by striking “paragraph (4)(B)” and insert-
10 ing “paragraph (4)(C)”.

11 (2) Subparagraph (C) of section 7430(c)(4), as
12 redesignated by subsection (b), is amended by strik-
13 ing “subparagraph (A)” and inserting “this para-
14 graph”.

15 (3) Sections 6404(g) and 6656(c)(1), as amend-
16 ed by this Act, are each amended by striking “sec-
17 tion 7430(c)(4)(A)(iii)” and inserting “section
18 7430(c)(4)(A)(ii)”.

19 (d) EFFECTIVE DATE.—The amendments made by
20 this section shall apply in the case of proceedings com-
21 menced after the date of the enactment of this Act.

22 **SEC. 702. INCREASED LIMIT ON ATTORNEY FEES.**

23 (a) IN GENERAL.—Paragraph (1) of section 7430(c)
24 (defining reasonable litigation costs) is amended—

1 (1) by striking “\$75” in clause (iii) of subpara-
2 graph (B) and inserting “\$110”,

3 (2) by striking “an increase in the cost of living
4 or” in clause (iii) of subparagraph (B), and

5 (3) by adding after clause (iii) the following:

6 “In the case of any calendar year beginning after
7 1996, the dollar amount referred to in clause (iii)
8 shall be increased by an amount equal to such dollar
9 amount multiplied by the cost-of-living adjustment
10 determined under section 1(f)(3) for such calendar
11 year, by substituting ‘calendar year 1995’ for ‘cal-
12 endar year 1992’ in subparagraph (B) thereof. If
13 any dollar amount after being increased under the
14 preceding sentence is not a multiple of \$10, such
15 dollar amount shall be rounded to the nearest mul-
16 tiple of \$10.”.

17 (b) EFFECTIVE DATE.—The amendment made by
18 this section shall apply in the case of proceedings com-
19 menced after the date of the enactment of this Act.

20 **SEC. 703. FAILURE TO AGREE TO EXTENSION NOT TAKEN**
21 **INTO ACCOUNT.**

22 (a) IN GENERAL.—Paragraph (1) of section 7430(b)
23 (relating to requirement that administrative remedies be
24 exhausted) is amended by adding at the end the following
25 new sentence: “Any failure to agree to an extension of the

1 time for the assessment of any tax shall not be taken into
 2 account for purposes of determining whether the prevail-
 3 ing party meets the requirements of the preceding sen-
 4 tence.”.

5 (b) EFFECTIVE DATE.—The amendment made by
 6 this section shall apply in the case of proceedings com-
 7 menced after the date of the enactment of this Act.

8 **SEC. 704. AWARD OF LITIGATION COSTS PERMITTED IN DE-**
 9 **CLARATORY JUDGMENT PROCEEDINGS.**

10 (a) IN GENERAL.—Subsection (b) of section 7430 is
 11 amended by striking paragraph (3) and by redesignating
 12 paragraph (4) as paragraph (3).

13 (b) EFFECTIVE DATE.—The amendment made by
 14 this section shall apply in the case of proceedings com-
 15 menced after the date of the enactment of this Act.

16 **TITLE VIII—MODIFICATION TO**
 17 **RECOVERY OF CIVIL DAM-**
 18 **AGES FOR UNAUTHORIZED**
 19 **COLLECTION ACTIONS**

20 **SEC. 801. INCREASE IN LIMIT ON RECOVERY OF CIVIL DAM-**
 21 **AGES FOR UNAUTHORIZED COLLECTION AC-**
 22 **TIONS.**

23 (a) GENERAL RULE.—Subsection (b) of section 7433
 24 (relating to damages) is amended by striking “\$100,000”
 25 and inserting “\$1,000,000”.

1 (b) EFFECTIVE DATE.—The amendment made by
2 subsection (a) shall apply to actions by officers or employ-
3 ees of the Internal Revenue Service after the date of the
4 enactment of this Act.

5 **SEC. 802. COURT DISCRETION TO REDUCE AWARD FOR**
6 **LITIGATION COSTS FOR FAILURE TO EX-**
7 **HAUST ADMINISTRATIVE REMEDIES.**

8 (a) GENERAL RULE.—Paragraph (1) of section
9 7433(d) (relating to civil damages for certain unauthor-
10 ized collection actions) is amended to read as follows:

11 “(1) AWARD FOR DAMAGES MAY BE REDUCED
12 IF ADMINISTRATIVE REMEDIES NOT EXHAUSTED.—
13 The amount of damages awarded under subsection
14 (b) may be reduced if the court determines that the
15 plaintiff has not exhausted the administrative rem-
16 edies available to such plaintiff within the Internal
17 Revenue Service.”.

18 (b) EFFECTIVE DATE.—The amendment made by
19 this section shall apply in the case of proceedings com-
20 menced after the date of the enactment of this Act.

1 **TITLE IX—MODIFICATIONS TO**
2 **PENALTY FOR FAILURE TO**
3 **COLLECT AND PAY OVER TAX**

4 **SEC. 901. PRELIMINARY NOTICE REQUIREMENT.**

5 (a) IN GENERAL.—Section 6672 (relating to failure
6 to collect and pay over tax, or attempt to evade or defeat
7 tax) is amended by redesignating subsection (b) as sub-
8 section (c) and by inserting after subsection (a) the follow-
9 ing new subsection:

10 “(b) PRELIMINARY NOTICE REQUIREMENT.—

11 “(1) IN GENERAL.—No penalty shall be im-
12 posed under subsection (a) unless the Secretary noti-
13 fies the taxpayer in writing by mail to an address as
14 determined under section 6212(b) that the taxpayer
15 shall be subject to an assessment of such penalty.

16 “(2) TIMING OF NOTICE.—The mailing of the
17 notice described in paragraph (1) shall precede any
18 notice and demand of any penalty under subsection
19 (a) by at least 60 days.

20 “(3) STATUTE OF LIMITATIONS.—If a notice
21 described in paragraph (1) with respect to any pen-
22 alty is mailed before the expiration of the period
23 provided by section 6501 for the assessment of such
24 penalty (determined without regard to this para-
25 graph), the period provided by such section for the

1 assessment of such penalty shall not expire before
2 the later of—

3 “(A) the date 90 days after the date on
4 which such notice was mailed, or

5 “(B) if there is a timely protest of the pro-
6 posed assessment, the date 30 days after the
7 Secretary makes a final administrative deter-
8 mination with respect to such protest.

9 “(4) EXCEPTION FOR JEOPARDY.—This sub-
10 section shall not apply if the Secretary finds that the
11 collection of the penalty is in jeopardy.”.

12 (b) EFFECTIVE DATE.—The amendment made by
13 subsection (a) shall apply to proposed assessments made
14 after June 30, 1996.

15 **SEC. 902. DISCLOSURE OF CERTAIN INFORMATION WHERE**
16 **MORE THAN 1 PERSON LIABLE FOR PENALTY**
17 **FOR FAILURE TO COLLECT AND PAY OVER**
18 **TAX.**

19 (a) IN GENERAL.—Subsection (e) of section 6103
20 (relating to disclosure to persons having material interest),
21 as amended by section 403, is amended by adding at the
22 end the following new paragraph:

23 “(9) DISCLOSURE OF CERTAIN INFORMATION
24 WHERE MORE THAN 1 PERSON SUBJECT TO PEN-
25 ALTY UNDER SECTION 6672.—If the Secretary deter-

1 mines that a person is liable for a penalty under sec-
2 tion 6672(a) with respect to any failure, upon re-
3 quest in writing of such person, the Secretary shall
4 disclose in writing to such person—

5 “(A) the name of any other person whom
6 the Secretary has determined to be liable for
7 such penalty with respect to such failure, and

8 “(B) whether the Secretary has attempted
9 to collect such penalty from such other person,
10 the general nature of such collection activities,
11 and the amount collected.”.

12 (b) EFFECTIVE DATE.—The amendment made by
13 subsection (a) shall take effect on the date of the enact-
14 ment of this Act.

15 **SEC. 903. RIGHT OF CONTRIBUTION WHERE MORE THAN 1**
16 **PERSON LIABLE FOR PENALTY FOR FAILURE**
17 **TO COLLECT AND PAY OVER TAX.**

18 (a) IN GENERAL.—Section 6672 (relating to failure
19 to collect and pay over tax, or attempt to evade or defeat
20 tax) is amended by adding at the end the following new
21 subsection:

22 “(d) RIGHT OF CONTRIBUTION WHERE MORE THAN
23 1 PERSON LIABLE FOR PENALTY.—If more than 1 person
24 is liable for the penalty under subsection (a) with respect
25 to any tax, each person who paid such penalty shall be

1 entitled to recover from other persons who are liable for
2 such penalty an amount equal to the excess of the amount
3 paid by such person over such person's proportionate
4 share of the penalty. Any claim for such a recovery may
5 be made only in a proceeding which is separate from, and
6 is not joined or consolidated with—

7 “(1) an action for collection of such penalty
8 brought by the United States, or

9 “(2) a proceeding in which the United States
10 files a counterclaim or third-party complaint for the
11 collection of such penalty.”.

12 (b) EFFECTIVE DATE.—The amendment made by
13 subsection (a) shall apply to penalties assessed after the
14 date of the enactment of this Act.

15 **SEC. 904. VOLUNTEER BOARD MEMBERS OF TAX-EXEMPT**
16 **ORGANIZATIONS EXEMPT FROM PENALTY**
17 **FOR FAILURE TO COLLECT AND PAY OVER**
18 **TAX.**

19 (a) IN GENERAL.—Section 6672 is amended by add-
20 ing at the end the following new subsection:

21 “(e) EXCEPTION FOR VOLUNTARY BOARD MEMBERS
22 OF TAX-EXEMPT ORGANIZATIONS.—No penalty shall be
23 imposed by subsection (a) on any unpaid, volunteer mem-
24 ber of any board of trustees or directors of an organization
25 exempt from tax under subtitle A if such member—

1 “(1) is solely serving in an honorary capacity,

2 “(2) does not participate in the day-to-day or
3 financial operations of the organization, and

4 “(3) does not have actual knowledge of the fail-
5 ure on which such penalty is imposed.

6 The preceding sentence shall not apply if it results in no
7 person being liable for the penalty imposed by subsection
8 (a).”.

9 (b) PUBLIC INFORMATION REQUIREMENTS.—

10 (1) IN GENERAL.—The Secretary of the Treas-
11 ury or the Secretary’s delegate (hereafter in this
12 subsection referred to as the “Secretary”) shall take
13 such actions as may be appropriate to ensure that
14 employees are aware of their responsibilities under
15 the Federal tax depository system, the circumstances
16 under which employees may be liable for the penalty
17 imposed by section 6672 of the Internal Revenue
18 Code of 1986, and the responsibility to promptly re-
19 port to the Internal Revenue Service any failure re-
20 ferred to in subsection (a) of such section 6672.
21 Such actions shall include—

22 (A) printing of a warning on deposit cou-
23 pon booklets and the appropriate tax returns
24 that certain employees may be liable for the
25 penalty imposed by such section 6672, and

1 (B) the development of a special informa-
2 tion packet.

3 (2) DEVELOPMENT OF EXPLANATORY MATE-
4 RIALS.—The Secretary shall develop materials ex-
5 plaining the circumstances under which board mem-
6 bers of tax-exempt organizations (including vol-
7 untary and honorary members) may be subject to
8 penalty under section 6672 of such Code. Such ma-
9 terials shall be made available to tax-exempt organi-
10 zations.

11 (3) IRS INSTRUCTIONS.—The Secretary shall
12 clarify the instructions to Internal Revenue Service
13 employees on the application of the penalty under
14 section 6672 of such Code with regard to voluntary
15 members of boards of trustees or directors of tax-ex-
16 empt organizations.

17 **TITLE X—MODIFICATIONS OF**
18 **RULES RELATING TO SUM-**
19 **MONSES**

20 **SEC. 1001. ENROLLED AGENTS INCLUDED AS THIRD-PARTY**
21 **RECORDKEEPERS.**

22 (a) IN GENERAL.—Paragraph (3) of section 7609(a)
23 (relating to third-party recordkeeper defined) is amended
24 by striking “and” at the end of subparagraph (G), by
25 striking the period at the end of subparagraph (H) and

1 inserting “; and”, and by adding at the end the following
2 the subparagraph:

3 “(I) any enrolled agent.”.

4 (b) EFFECTIVE DATE.—The amendment made by
5 subsection (a) shall apply to summonses issued after the
6 date of the enactment of this Act.

7 **SEC. 1002. SAFEGUARDS RELATING TO DESIGNATED SUM-**
8 **MONSES.**

9 (a) STANDARD OF REVIEW.—Subparagraph (A) of
10 section 6503(k)(2) (defining designated summons) is
11 amended by redesignating clauses (i) and (ii) as clauses
12 (ii) and (iii), respectively, and by inserting before clause
13 (ii) (as so redesignated) the following new clause:

14 “(i) the issuance of such summons is
15 preceded by a review of such issuance by
16 the regional counsel of the Office of Chief
17 Counsel for the region in which the exam-
18 ination of the corporation is being con-
19 ducted,”.

20 (b) LIMITATION ON PERSONS TO WHOM DES-
21 IGNATED SUMMONS MAY BE ISSUED.—Paragraph (1) of
22 section 6503(k) is amended by striking “with respect to
23 any return of tax by a corporation” and inserting “to a
24 corporation (or to any other person to whom the corpora-
25 tion has transferred records) with respect to any return

1 of tax by such corporation for a taxable year (or other
2 period) for which such corporation is being examined
3 under the coordinated examination program (or any suc-
4 cessor program) of the Internal Revenue Service”.

5 (c) CLERICAL AMENDMENT.—Section 6503 is
6 amended by redesignating subsections (k) and (l) (as
7 amended by this section) as subsections (j) and (k), re-
8 spectively.

9 (d) EFFECTIVE DATE.—The amendments made by
10 this section shall apply to summonses issued after the date
11 of the enactment of this Act.

12 **SEC. 1003. ANNUAL REPORT TO CONGRESS CONCERNING**
13 **DESIGNATED SUMMONSES.**

14 Not later than December 31 of each calendar year
15 after 1995, the Secretary of the Treasury or his delegate
16 shall report to the Committee on Ways and Means of the
17 House of Representatives and the Committee on Finance
18 of the Senate on the number of designated summonses (as
19 defined in section 6503(j) of the Internal Revenue Code
20 of 1986) which were issued during the preceding 12
21 months.

1 **TITLE XI—RELIEF FROM RETRO-**
2 **ACTIVE APPLICATION OF**
3 **TREASURY DEPARTMENT**
4 **REGULATIONS**

5 **SEC. 1101. RELIEF FROM RETROACTIVE APPLICATION OF**
6 **TREASURY DEPARTMENT REGULATIONS.**

7 (a) IN GENERAL.—Subsection (b) of section 7805
8 (relating to rules and regulations) is amended to read as
9 follows:

10 “(b) RETROACTIVITY OF REGULATIONS.—

11 “(1) IN GENERAL.—Except as otherwise pro-
12 vided in this subsection, no temporary, proposed, or
13 final regulation relating to the internal revenue laws
14 shall apply to any taxable period ending before the
15 earliest of the following dates:

16 “(A) The date on which such regulation is
17 filed with the Federal Register.

18 “(B) In the case of any final regulation,
19 the date on which any proposed or temporary
20 regulation to which such final regulation relates
21 was filed with the Federal Register.

22 “(C) The date on which any notice sub-
23 stantially describing the expected contents of
24 any temporary, proposed, or final regulation is
25 issued to the public.

1 “(2) EXCEPTION FOR PROMPTLY ISSUED REGU-
2 LATIONS.—Paragraph (1) shall not apply to regula-
3 tions filed or issued within 18 months of the date of
4 the enactment of the statutory provision to which
5 the regulation relates.

6 “(3) PREVENTION OF ABUSE.—The Secretary
7 may provide that any regulation may take effect or
8 apply retroactively to prevent abuse.

9 “(4) CORRECTION OF PROCEDURAL DE-
10 FECTS.—The Secretary may provide that any regu-
11 lation may apply retroactively to correct a proce-
12 dural defect in the issuance of any prior regulation.

13 “(5) INTERNAL REGULATIONS.—The limitation
14 of paragraph (1) shall not apply to any regulation
15 relating to internal Treasury Department policies,
16 practices, or procedures.

17 “(6) CONGRESSIONAL AUTHORIZATION.—The
18 limitation of paragraph (1) may be superseded by a
19 legislative grant from Congress authorizing the Sec-
20 retary to prescribe the effective date with respect to
21 any regulation.

22 “(7) ELECTION TO APPLY RETROACTIVELY.—
23 The Secretary may provide for any taxpayer to elect
24 to apply any regulation before the dates specified in
25 paragraph (1).

1 “(8) APPLICATION TO RULINGS.—The Sec-
2 retary may prescribe the extent, if any, to which any
3 ruling (including any judicial decision or any admin-
4 istrative determination other than by regulation) re-
5 lating to the internal revenue laws shall be applied
6 without retroactive effect.”.

7 (b) EFFECTIVE DATE.—The amendment made by
8 subsection (a) shall apply with respect to regulations
9 which relate to statutory provisions enacted on or after
10 the date of the enactment of this Act.

11 **TITLE XII—MISCELLANEOUS** 12 **PROVISIONS**

13 **SEC. 1201. PHONE NUMBER OF PERSON PROVIDING PAYEE** 14 **STATEMENTS REQUIRED TO BE SHOWN ON** 15 **SUCH STATEMENT.**

16 (a) GENERAL RULE.—The following provisions are
17 each amended by striking “name and address” and insert-
18 ing “name, address, and phone number of the information
19 contact”:

20 (1) Section 6041(d)(1).

21 (2) Section 6041A(e)(1).

22 (3) Section 6042(c)(1).

23 (4) Section 6044(e)(1).

24 (5) Section 6045(b)(1).

25 (6) Section 6049(c)(1)(A).

1 (7) Section 6050B(b)(1).

2 (8) Section 6050H(d)(1).

3 (9) Section 6050I(e)(1).

4 (10) Section 6050J(e).

5 (11) Section 6050K(b)(1).

6 (12) Section 6050N(b)(1).

7 (b) EFFECTIVE DATE.—The amendments made by
8 subsection (a) shall apply to statements required to be fur-
9 nished after December 31, 1996 (determined without re-
10 gard to any extension).

11 **SEC. 1202. REQUIRED NOTICE OF CERTAIN PAYMENTS.**

12 If any payment is received by the Secretary of the
13 Treasury or his delegate from any taxpayer and the Sec-
14 retary cannot associate such payment with such taxpayer,
15 the Secretary shall make reasonable efforts to notify the
16 taxpayer of such inability within 60 days after the receipt
17 of such payment.

18 **SEC. 1203. UNAUTHORIZED ENTICEMENT OF INFORMATION**

19 **DISCLOSURE.**

20 (a) IN GENERAL.—Subchapter B of chapter 76 (re-
21 lating to proceedings by taxpayers and third parties), as
22 amended by section 601(a), is amended by redesignating
23 section 7435 as section 7436 and by inserting after section
24 7434 the following new section:

1 **“SEC. 7435. CIVIL DAMAGES FOR UNAUTHORIZED ENTICE-**
2 **MENT OF INFORMATION DISCLOSURE.**

3 “(a) IN GENERAL.—If any officer or employee of the
4 United States intentionally compromises the determina-
5 tion or collection of any tax due from an attorney, certified
6 public accountant, or enrolled agent representing a tax-
7 payer in exchange for information conveyed by the tax-
8 payer to the attorney, certified public accountant, or en-
9 rolled agent for purposes of obtaining advice concerning
10 the taxpayer’s tax liability, such taxpayer may bring a civil
11 action for damages against the United States in a district
12 court of the United States. Such civil action shall be the
13 exclusive remedy for recovering damages resulting from
14 such actions.

15 “(b) DAMAGES.—In any action brought under sub-
16 section (a), upon a finding of liability on the part of the
17 defendant, the defendant shall be liable to the plaintiff in
18 an amount equal to the lesser of \$500,000 or the sum
19 of—

20 “(1) actual, direct economic damages sustained
21 by the plaintiff as a proximate result of the informa-
22 tion disclosure, and

23 “(2) the costs of the action.

24 Damages shall not include the taxpayer’s liability for any
25 civil or criminal penalties, or other losses attributable to
26 incarceration or the imposition of other criminal sanctions.

1 “(c) PAYMENT AUTHORITY.—Claims pursuant to
2 this section shall be payable out of funds appropriated
3 under section 1304 of title 31, United States Code.

4 “(d) PERIOD FOR BRINGING ACTION.—Notwith-
5 standing any other provision of law, an action to enforce
6 liability created under this section may be brought without
7 regard to the amount in controversy and may be brought
8 only within 2 years after the date the actions creating such
9 liability would have been discovered by exercise of reason-
10 able care.

11 “(e) MANDATORY STAY.—Upon a certification by the
12 Commissioner or the Commissioner’s delegate that there
13 is an ongoing investigation or prosecution of the taxpayer,
14 the district court before which an action under this section
15 is pending shall stay all proceedings with respect to such
16 action pending the conclusion of the investigation or pros-
17 ecution.

18 “(f) CRIME-FRAUD EXCEPTION.—Subsection (a)
19 shall not apply to information conveyed to an attorney,
20 certified public accountant, or enrolled agent for the pur-
21 pose of perpetrating a fraud or crime.”.

22 (b) CLERICAL AMENDMENT.—The table of sections
23 for subchapter B of chapter 76, as amended by section
24 601(b), is amended by striking the item relating to section
25 7435 and by adding at the end the following new items:

“Sec. 7435. Civil damages for unauthorized enticement of information disclosure.

“Sec. 7436. Cross references.”.

1 (c) EFFECTIVE DATE.—The amendments made by
2 this section shall apply to actions after the date of the
3 enactment of this Act.

4 **SEC. 1204. ANNUAL REMINDERS TO TAXPAYERS WITH OUT-**
5 **STANDING DELINQUENT ACCOUNTS.**

6 (a) IN GENERAL.—Chapter 77 (relating to mis-
7 cellaneous provisions) is amended by adding at the end
8 the following new section:

9 **“SEC. 7524. ANNUAL NOTICE OF TAX DELINQUENCY.**

10 “Not less often than annually, the Secretary shall
11 send a written notice to each taxpayer who has a tax delin-
12 quent account of the amount of the tax delinquency as
13 of the date of the notice.”.

14 (b) CLERICAL AMENDMENT.—The table of sections
15 for chapter 77 is amended by adding at the end the follow-
16 ing new item:

“Sec. 7524. Annual notice of tax delinquency.”.

17 (c) EFFECTIVE DATE.—The amendments made by
18 this section shall apply to calendar years after 1996.

19 **SEC. 1205. 5-YEAR EXTENSION OF AUTHORITY FOR UNDER-**
20 **COVER OPERATIONS.**

21 (a) IN GENERAL.—Paragraph (3) of section 7601(c)
22 of the Anti-Drug Abuse Act of 1988 is amended by strik-
23 ing all that follows “this Act” and inserting a period.

1 (b) RESTORATION OF AUTHORITY FOR 5 YEARS.—
2 Subsection (c) of section 7608 is amended by adding at
3 the end the following new paragraph:

4 “(6) APPLICATION OF SECTION.—The provi-
5 sions of this subsection—

6 “(A) shall apply after November 17, 1988,
7 and before January 1, 1990, and

8 “(B) shall apply after the date of the en-
9 actment of this paragraph and before January
10 1, 2001.

11 All amounts expended pursuant to this subsection
12 during the period described in subparagraph (B)
13 shall be recovered to the extent possible, and depos-
14 ited in the Treasury of the United States as mis-
15 cellaneous receipts, before January 1, 2001.”.

16 (c) ENHANCED OVERSIGHT.—

17 (1) ADDITIONAL INFORMATION REQUIRED IN
18 REPORTS TO CONGRESS.—Subparagraph (B) of sec-
19 tion 7608(c)(4) is amended—

20 (A) by striking “preceding the period” in
21 clause (ii),

22 (B) by striking “and” at the end of clause
23 (ii), and

24 (C) by striking clause (iii) and inserting
25 the following:

1 “(iii) the number, by programs, of un-
2 dercover investigative operations closed in
3 the 1-year period for which such report is
4 submitted, and

5 “(iv) the following information with
6 respect to each undercover investigative op-
7 eration pending as of the end of the 1-year
8 period for which such report is submitted
9 or closed during such 1-year period—

10 “(I) the date the operation began
11 and the date of the certification re-
12 ferred to in the last sentence of para-
13 graph (1),

14 “(II) the total expenditures
15 under the operation and the amount
16 and use of the proceeds from the op-
17 eration,

18 “(III) a detailed description of
19 the operation including the potential
20 violation being investigated and
21 whether the operation is being con-
22 ducted under grand jury auspices, and

23 “(IV) the results of the operation
24 including the results of criminal pro-
25 ceedings.”.

1 (2) AUDITS REQUIRED WITHOUT REGARD TO
2 AMOUNTS INVOLVED.—Subparagraph (C) of section
3 7608(c)(5) is amended to read as follows:

4 “(C) UNDERCOVER INVESTIGATIVE OPER-
5 ATION.—The term ‘undercover investigative op-
6 eration’ means any undercover investigative op-
7 eration of the Service; except that, for purposes
8 of subparagraphs (A) and (C) of paragraph (4),
9 such term only includes an operation which is
10 exempt from section 3302 or 9102 of title 31,
11 United States Code.”.

12 (3) EFFECTIVE DATE.—The amendments made
13 by this subsection shall take effect on the date of the
14 enactment of this Act.

15 **SEC. 1206. DISCLOSURE OF FORM 8300 INFORMATION ON**
16 **CASH TRANSACTIONS.**

17 (a) IN GENERAL.—Subsection (l) of section 6103 (re-
18 lating to disclosure of returns and return information for
19 purposes other than tax administration) is amended by
20 adding at the end the following new paragraph:

21 “(15) DISCLOSURE OF RETURNS FILED UNDER
22 SECTION 6050I.—The Secretary may, upon written
23 request, disclose to officers and employees of—

24 “(A) any Federal agency,

1 “(B) any agency of a State or local govern-
2 ment, or

3 “(C) any agency of the government of a
4 foreign country,

5 information contained on returns filed under section
6 6050I. Any such disclosure shall be made on the
7 same basis, and subject to the same conditions, as
8 apply to disclosures of information on reports filed
9 under section 5313 of title 31, United States Code;
10 except that no disclosure under this paragraph shall
11 be made for purposes of the administration of any
12 tax law.”.

13 (b) CONFORMING AMENDMENTS.—

14 (1) Subsection (i) of section 6103 is amended
15 by striking paragraph (8).

16 (2) Subparagraph (A) of section 6103(p)(3) is
17 amended—

18 (A) by striking “(7)(A)(ii), or (8)” and in-
19 serting “or (7)(A)(ii)”, and

20 (B) by striking “or (14)” and inserting
21 “(14), or (15)”.

22 (3) The material preceding subparagraph (A) of
23 section 6103(p)(4) is amended—

24 (A) by striking “(5), or (8)” and inserting
25 “or (5)”,

1 (B) by striking “(i)(3)(B)(i), or (8)” and
2 inserting “(i)(3)(B)(i),” and

3 (C) by striking “or (12)” and inserting
4 “(12), or (15)”.

5 (4) Clause (ii) of section 6103(p)(4)(F) is
6 amended—

7 (A) by striking “(5), or (8)” and inserting
8 “or (5)”, and

9 (B) by striking “or (14)” and inserting
10 “(14), or (15)”.

11 (5) Paragraph (2) of section 7213(a) is amend-
12 ed by striking “or (12)” and inserting “(12), or
13 (15)”.

14 (c) EFFECTIVE DATE.—The amendments made by
15 this section shall take effect on the date of the enactment
16 of this Act.

17 **SEC. 1207. DISCLOSURE OF RETURNS AND RETURN INFOR-**
18 **MATION TO DESIGNEE OF TAXPAYER.**

19 Subsection (c) of section 6103 (relating to disclosure
20 of returns and return information to designee of taxpayer)
21 is amended by striking “written request for or consent to
22 such disclosure” and inserting “request for or consent to
23 such disclosure”.

1 **SEC. 1208. STUDY OF NETTING OF INTEREST ON OVERPAY-**
2 **MENTS AND LIABILITIES.**

3 (a) IN GENERAL.—The Secretary of the Treasury or
4 his delegate shall—

5 (1) conduct a study of the manner in which the
6 Internal Revenue Service has implemented the net-
7 ting of interest on overpayments and underpayments
8 and of the policy and administrative implications of
9 global netting, and

10 (2) before submitting the report of such study,
11 hold a public hearing to receive comments on the
12 matters included in such study.

13 (b) REPORT.—The report of such study shall be sub-
14 mitted not later than 6 months after the date of the enact-
15 ment of this Act to the Committee on Ways and Means
16 of the House of Representatives and the Committee on
17 Finance of the Senate.

18 **SEC. 1209. EXPENSES OF DETECTION OF UNDERPAYMENTS**
19 **AND FRAUD, ETC.**

20 (a) IN GENERAL.—Section 7623 (relating to ex-
21 penses of deduction and punishment of frauds) is amended
22 to read as follows:

1 **“SEC. 7623. EXPENSES OF DETECTION OF UNDERPAYMENTS**
2 **AND FRAUD, ETC.**

3 “The Secretary, under regulations prescribed by the
4 Secretary, is authorized to pay such sums as he deems
5 necessary for—

6 “(1) detecting underpayments of tax, and

7 “(2) detecting and bringing to trial and punish-
8 ment persons guilty of violating the internal revenue
9 laws or conniving at the same,

10 in cases where such expenses are not otherwise provided
11 for by law. Any amount payable under the preceding sen-
12 tence shall be paid from the proceeds of amounts (other
13 than interest) collected by reason of the information pro-
14 vided, and any amount so collected shall be available for
15 such payments.”.

16 (b) CLERICAL AMENDMENT.—The table of sections
17 for subchapter B of chapter 78 is amended by striking
18 the item relating to section 7623 and inserting the follow-
19 ing new item:

“Sec. 7623. Expenses of detection of underpayments and fraud, etc.”.

20 (c) EFFECTIVE DATE.—The amendments made by
21 this section shall take effect on the date which is 6 months
22 after the date of the enactment of this Act.

23 (d) REPORT.—The Secretary of the Treasury or his
24 delegate shall submit an annual report to the Committee
25 on Ways and Means of the House of Representatives and

1 the Committee on Finance of the Senate on the payments
2 under section 7623 of the Internal Revenue Code of 1986
3 during the year and on the amounts collected for which
4 such payments were made.

5 **SEC. 1210. USE OF PRIVATE DELIVERY SERVICES FOR TIME-**
6 **LY-MAILING-AS-TIMELY-FILING RULE.**

7 Section 7502 (relating to timely mailing treated as
8 timely filing and paying) is amended by adding at the end
9 the following new subsection:

10 “(f) TREATMENT OF PRIVATE DELIVERY SERV-
11 ICES.—

12 “(1) IN GENERAL.—Any reference in this sec-
13 tion to the United States mail shall be treated as in-
14 cluding a reference to any designated delivery serv-
15 ice, and any reference in this section to a postmark
16 by the United States Postal Service shall be treated
17 as including a reference to any date recorded or
18 marked as described in paragraph (2)(C) by any
19 designated delivery service.

20 “(2) DESIGNATED DELIVERY SERVICE.—For
21 purposes of this subsection, the term ‘designated de-
22 livery service’ means any delivery service provided by
23 a trade or business if such service is designated by
24 the Secretary for purposes of this section. The Sec-
25 retary may designate a delivery service under the

1 preceding sentence only if the Secretary determines
2 that such service—

3 “(A) is available to the general public,

4 “(B) is at least as timely and reliable on
5 a regular basis as the United States mail,

6 “(C) records electronically to its data base,
7 kept in the regular course of its business, or
8 marks on the cover in which any item referred
9 to in this section is to be delivered, the date on
10 which such item was given to such trade or
11 business for delivery, and

12 “(D) meets such other criteria as the Sec-
13 retary may prescribe.

14 “(3) EQUIVALENTS OF REGISTERED AND CER-
15 TIFIED MAIL.—The Secretary may provide a rule
16 similar to the rule of paragraph (1) with respect to
17 any service provided by a designated delivery service
18 which is substantially equivalent to United States
19 registered or certified mail.”.

20 **SEC. 1211. REPORTS ON MISCONDUCT OF IRS EMPLOYEES.**

21 On or before June 1 of each calendar year after 1996,
22 the Secretary of the Treasury shall submit to the Commit-
23 tee on Ways and Means of the House of Representatives
24 and the Committee on Finance of the Senate a report
25 on—

1 (1) all categories of instances involving the mis-
2 conduct of employees of the Internal Revenue Serv-
3 ice during the preceding calendar year, and

4 (2) the disposition during the preceding cal-
5 endar year of any such instances (without regard to
6 the year of the misconduct).

7 **TITLE XIII—REVENUE OFFSETS**

8 **Subtitle A—Application of Failure-** 9 **to-Pay Penalty to Substitute Re-** 10 **turns**

11 **SEC. 1301. APPLICATION OF FAILURE-TO-PAY PENALTY TO** 12 **SUBSTITUTE RETURNS.**

13 (a) GENERAL RULE.—Section 6651 (relating to fail-
14 ure to file tax return or to pay tax) is amended by adding
15 at the end the following new subsection:

16 “(g) TREATMENT OF RETURNS PREPARED BY SEC-
17 RETARY UNDER SECTION 6020(b).—In the case of any
18 return made by the Secretary under section 6020(b)—

19 “(1) such return shall be disregarded for pur-
20 poses of determining the amount of the addition
21 under paragraph (1) of subsection (a), but

22 “(2) such return shall be treated as the return
23 filed by the taxpayer for purposes of determining the
24 amount of the addition under paragraphs (2) and
25 (3) of subsection (a).”.

1 (b) EFFECTIVE DATE.—The amendment made by
 2 subsection (a) shall apply in the case of any return the
 3 due date for which (determined without regard to exten-
 4 sions) is after the date of the enactment of this Act.

5 **Subtitle B—Excise Taxes on**
 6 **Amounts of Private Excess Benefits**

7 **SEC. 1311. EXCISE TAXES FOR FAILURE BY CERTAIN CHARITABLE ORGANIZATIONS TO MEET CERTAIN QUALIFICATION REQUIREMENTS.**

10 (a) IN GENERAL.—Chapter 42 (relating to private
 11 foundations and certain other tax-exempt organizations)
 12 is amended by redesignating subchapter D as subchapter
 13 E and by inserting after subchapter C the following new
 14 subchapter:

15 **“Subchapter D—Failure by Certain Charitable Organizations To Meet Certain Qualification Requirements**

“Sec. 4958. Taxes on excess benefit transactions.

18 **“SEC. 4958. TAXES ON EXCESS BENEFIT TRANSACTIONS.**

19 “(a) INITIAL TAXES.—

20 “(1) ON THE DISQUALIFIED PERSON.—There is
 21 hereby imposed on each excess benefit transaction a
 22 tax equal to 25 percent of the excess benefit. The
 23 tax imposed by this paragraph shall be paid by any

1 disqualified person referred to in subsection (f)(1)
2 with respect to such transaction.

3 “(2) ON THE MANAGEMENT.—In any case in
4 which a tax is imposed by paragraph (1), there is
5 hereby imposed on the participation of any organiza-
6 tion manager in the excess benefit transaction,
7 knowing that it is such a transaction, a tax equal to
8 10 percent of the excess benefit, unless such partici-
9 pation is not willful and is due to reasonable cause.
10 The tax imposed by this paragraph shall be paid by
11 any organization manager who participated in the
12 excess benefit transaction.

13 “(b) ADDITIONAL TAX ON THE DISQUALIFIED PER-
14 SON.—In any case in which an initial tax is imposed by
15 subsection (a)(1) on an excess benefit transaction and the
16 excess benefit involved in such transaction is not corrected
17 within the taxable period, there is hereby imposed a tax
18 equal to 200 percent of the excess benefit involved. The
19 tax imposed by this subsection shall be paid by any dis-
20 qualified person referred to in subsection (f)(1) with re-
21 spect to such transaction.

22 “(c) EXCESS BENEFIT TRANSACTION; EXCESS BEN-
23 EFIT.—For purposes of this section—

24 “(1) EXCESS BENEFIT TRANSACTION.—

1 “(A) IN GENERAL.—The term ‘excess ben-
2 efit transaction’ means any transaction in
3 which an economic benefit is provided by an ap-
4 plicable tax-exempt organization directly or in-
5 directly to or for the use of any disqualified
6 person if the value of the economic benefit pro-
7 vided exceeds the value of the consideration (in-
8 cluding the performance of services) received
9 for providing such benefit. For purposes of the
10 preceding sentence, an economic benefit shall
11 not be treated as consideration for the perform-
12 ance of services unless such organization clearly
13 indicated its intent to so treat such benefit.

14 “(B) EXCESS BENEFIT.—The term ‘excess
15 benefit’ means the excess referred to in sub-
16 paragraph (A).

17 “(2) AUTHORITY TO INCLUDE CERTAIN OTHER
18 PRIVATE INUREMENT.—To the extent provided in
19 regulations prescribed by the Secretary, the term
20 ‘excess benefit transaction’ includes any transaction
21 in which the amount of any economic benefit pro-
22 vided to or for the use of a disqualified person is de-
23 termined in whole or in part by the revenues of 1
24 or more activities of the organization but only if
25 such transaction results in inurement not permitted

1 under paragraph (3) or (4) of section 501(c), as the
2 case may be. In the case of any such transaction,
3 the excess benefit shall be the amount of the
4 inurement not so permitted.

5 “(d) SPECIAL RULES.—For purposes of this sec-
6 tion—

7 “(1) JOINT AND SEVERAL LIABILITY.—If more
8 than 1 person is liable for any tax imposed by sub-
9 section (a) or subsection (b), all such persons shall
10 be jointly and severally liable for such tax.

11 “(2) LIMIT FOR MANAGEMENT.—With respect
12 to any 1 excess benefit transaction, the maximum
13 amount of the tax imposed by subsection (a)(2) shall
14 not exceed \$10,000.

15 “(e) APPLICABLE TAX-EXEMPT ORGANIZATION.—
16 For purposes of this subchapter, the term ‘applicable tax-
17 exempt organization’ means—

18 “(1) any organization which (without regard to
19 any excess benefit) would be described in paragraph
20 (3) or (4) of section 501(c) and exempt from tax
21 under section 501(a), and

22 “(2) any organization which was described in
23 paragraph (1) at any time during the 5-year period
24 ending on the date of the transaction.

1 Such term shall not include a private foundation (as de-
2 fined in section 509(a)).

3 “(f) OTHER DEFINITIONS.—For purposes of this sec-
4 tion—

5 “(1) DISQUALIFIED PERSON.—The term ‘dis-
6 qualified person’ means, with respect to any trans-
7 action—

8 “(A) any person who was, at any time dur-
9 ing the 5-year period ending on the date of
10 such transaction, in a position to exercise sub-
11 stantial influence over the affairs of the organi-
12 zation,

13 “(B) a member of the family of an individ-
14 ual described in subparagraph (A), and

15 “(C) a 35-percent controlled entity.

16 “(2) ORGANIZATION MANAGER.—The term ‘or-
17 ganization manager’ means, with respect to any ap-
18 plicable tax-exempt organization, any officer, direc-
19 tor, or trustee of such organization (or any individ-
20 ual having powers or responsibilities similar to those
21 of officers, directors, or trustees of the organiza-
22 tion).

23 “(3) 35-PERCENT CONTROLLED ENTITY.—

24 “(A) IN GENERAL.—The term ‘35-percent
25 controlled entity’ means—

1 “(i) a corporation in which persons
2 described in subparagraph (A) or (B) of
3 paragraph (1) own more than 35 percent
4 of the total combined voting power,

5 “(ii) a partnership in which such per-
6 sons own more than 35 percent of the
7 profits interest, and

8 “(iii) a trust or estate in which such
9 persons own more than 35 percent of the
10 beneficial interest.

11 “(B) CONSTRUCTIVE OWNERSHIP
12 RULES.—Rules similar to the rules of para-
13 graphs (3) and (4) of section 4946(a) shall
14 apply for purposes of this paragraph.

15 “(4) FAMILY MEMBERS.—The members of an
16 individual’s family shall be determined under section
17 4946(d); except that such members also shall in-
18 clude the brothers and sisters (whether by the whole
19 or half blood) of the individual and their spouses.

20 “(5) TAXABLE PERIOD.—The term ‘taxable pe-
21 riod’ means, with respect to any excess benefit
22 transaction, the period beginning with the date on
23 which the transaction occurs and ending on the ear-
24 liest of—

1 “(A) the date of mailing a notice of defi-
2 ciency under section 6212 with respect to the
3 tax imposed by subsection (a)(1), or

4 “(B) the date on which the tax imposed by
5 subsection (a)(1) is assessed.

6 “(6) CORRECTION.—The terms ‘correction’ and
7 ‘correct’ mean, with respect to any excess benefit
8 transaction, undoing the excess benefit to the extent
9 possible, and taking any additional measures nec-
10 essary to place the organization in a financial posi-
11 tion not worse than that in which it would be if the
12 disqualified person were dealing under the highest fi-
13 duciary standards.”.

14 (b) APPLICATION OF PRIVATE INUREMENT RULE TO
15 TAX-EXEMPT ORGANIZATIONS DESCRIBED IN SECTION
16 501(c)(4).—

17 (1) IN GENERAL.—Paragraph (4) of section
18 501(c) is amended by inserting “(A)” after “(4)”
19 and by adding at the end the following:

20 “(B) Subparagraph (A) shall not apply to an
21 entity unless no part of the net earnings of such en-
22 tity inures to the benefit of any private shareholder
23 or individual.”.

24 (2) SPECIAL RULE FOR CERTAIN COOPERA-
25 TIVES.—In the case of an organization operating on

1 a cooperative basis which, before the date of the en-
2 actment of this Act, was determined by the Sec-
3 retary of the Treasury or his delegate, to be de-
4 scribed in section 501(c)(4) of the Internal Revenue
5 Code of 1986 and exempt from tax under section
6 501(a) of such Code, the allocation or return of net
7 margins or capital to the members of such organiza-
8 tion in accordance with its incorporating statute and
9 bylaws shall not be treated for purposes of such
10 Code as the inurement of the net earnings of such
11 organization to the benefit of any private share-
12 holder or individual. The preceding sentence shall
13 apply only if such statute and bylaws are substan-
14 tially as such statute and bylaws were in existence
15 on the date of the enactment of this Act.

16 (c) TECHNICAL AND CONFORMING AMENDMENTS.—

17 (1) Subsection (e) of section 4955 is amend-
18 ed—

19 (A) by striking “SECTION 4945” in the
20 heading and inserting “SECTIONS 4945 AND
21 4958”, and

22 (B) by inserting before the period “or an
23 excess benefit for purposes of section 4958”.

1 (2) Subsections (a), (b), and (c) of section 4963
2 are each amended by inserting “4958,” after
3 “4955,”.

4 (3) Subsection (e) of section 6213 is amended
5 by inserting “4958 (relating to private excess bene-
6 fit),” before “4971”.

7 (4) Paragraphs (2) and (3) of section 7422(g)
8 are each amended by inserting “4958,” after
9 “4955,”.

10 (5) Subsection (b) of section 7454 is amended
11 by inserting “or whether an organization manager
12 (as defined in section 4958(f)(2)) has ‘knowingly’
13 participated in an excess benefit transaction (as de-
14 fined in section 4958(e)),” after “section 4912(b),”.

15 (6) The table of subchapters for chapter 42 is
16 amended by striking the last item and inserting the
17 following:

 “SUBCHAPTER D. Failure by certain charitable organizations to
 meet certain qualification requirements.

 “SUBCHAPTER E. Abatement of first and second tier taxes in cer-
 tain cases.”.

18 (d) EFFECTIVE DATES.—

19 (1) IN GENERAL.—The amendments made by
20 this section (other than subsection (b)) shall apply
21 to excess benefit transactions occurring on or after
22 September 14, 1995.

1 (2) BINDING CONTRACTS.—The amendments
2 referred to in paragraph (1) shall not apply to any
3 benefit arising from a transaction pursuant to any
4 written contract which was binding on September
5 13, 1995, and at all times thereafter before such
6 transaction occurred.

7 (3) APPLICATION OF PRIVATE INUREMENT
8 RULE TO TAX-EXEMPT ORGANIZATIONS DESCRIBED
9 IN SECTION 501(c)(4).—

10 (A) IN GENERAL.—The amendment made
11 by subsection (b) shall apply to inurement oc-
12 ccurring on or after September 14, 1995.

13 (B) BINDING CONTRACTS.—The amend-
14 ment made by subsection (b) shall not apply to
15 any inurement occurring before January 1,
16 1997, pursuant to a written contract which was
17 binding on September 13, 1995, and at all
18 times thereafter before such inurement oc-
19 curred.

20 **SEC. 1312. REPORTING OF CERTAIN EXCISE TAXES AND**
21 **OTHER INFORMATION.**

22 (a) REPORTING BY ORGANIZATIONS DESCRIBED IN
23 SECTION 501(c)(3).—Subsection (b) of section 6033 (re-
24 lating to certain organizations described in section
25 501(c)(3)) is amended by striking “and” at the end of

1 paragraph (9), by redesignating paragraph (10) as para-
2 graph (14), and by inserting after paragraph (9) the fol-
3 lowing new paragraphs:

4 “(10) the respective amounts (if any) of the
5 taxes paid by the organization during the taxable
6 year under the following provisions:

7 “(A) section 4911 (relating to tax on ex-
8 cess expenditures to influence legislation),

9 “(B) section 4912 (relating to tax on dis-
10 qualifying lobbying expenditures of certain or-
11 ganizations), and

12 “(C) section 4955 (relating to taxes on po-
13 litical expenditures of section 501(c)(3) organi-
14 zations),

15 “(11) the respective amounts (if any) of the
16 taxes paid by the organization, or any disqualified
17 person with respect to such organization, during the
18 taxable year under section 4958 (relating to taxes on
19 private excess benefit from certain charitable organi-
20 zations),

21 “(12) such information as the Secretary may
22 require with respect to any excess benefit trans-
23 action (as defined in section 4958),

24 “(13) such information with respect to disquali-
25 fied persons as the Secretary may prescribe, and”.

1 (b) ORGANIZATIONS DESCRIBED IN SECTION
2 501(c)(4).—Section 6033 is amended by redesignating
3 subsection (f) as subsection (g) and by inserting after sub-
4 section (e) the following new subsection:

5 “(f) CERTAIN ORGANIZATIONS DESCRIBED IN SEC-
6 TION 501(c)(4).—Every organization described in section
7 501(c)(4) which is subject to the requirements of sub-
8 section (a) shall include on the return required under sub-
9 section (a) the information referred to in paragraphs (11),
10 (12) and (13) of subsection (b) with respect to such orga-
11 nization.”.

12 (c) EFFECTIVE DATE.—The amendments made by
13 this section shall apply to returns for taxable years begin-
14 ning after the date of the enactment of this Act.

15 **SEC. 1313. EXEMPT ORGANIZATIONS REQUIRED TO PRO-**
16 **VIDE COPY OF RETURN.**

17 (a) REQUIREMENT TO PROVIDE COPY.—

18 (1) Subparagraph (A) of section 6104(e)(1) (re-
19 lating to public inspection of annual returns) is
20 amended to read as follows:

21 “(A) IN GENERAL.—During the 3-year pe-
22 riod beginning on the filing date—

23 “(i) a copy of the annual return filed
24 under section 6033 (relating to returns by
25 exempt organizations) by any organization

1 to which this paragraph applies shall be
2 made available by such organization for in-
3 spection during regular business hours by
4 any individual at the principal office of
5 such organization and, if such organization
6 regularly maintains 1 or more regional or
7 district offices having 3 or more employees,
8 at each such regional or district office, and

9 “(ii) upon request of an individual
10 made at such principal office or such a re-
11 gional or district office, a copy of such an-
12 nual return shall be provided to such indi-
13 vidual without charge other than a reason-
14 able fee for any reproduction and mailing
15 costs.

16 The request described in clause (ii) must be
17 made in person or in writing. If the request
18 under clause (ii) is made in person, such copy
19 shall be provided immediately and, if made in
20 writing, shall be provided within 30 days.”.

21 (2) Clause (ii) of section 6104(e)(2)(A) is
22 amended by inserting before the period at the end
23 the following: “(and, upon request of an individual
24 made at such principal office or such a regional or
25 district office, a copy of the material requested to be

1 available for inspection under this subparagraph
2 shall be provided (in accordance with the last sen-
3 tence of paragraph (1)(A)) to such individual with-
4 out charge other than reasonable fee for any repro-
5 duction and mailing costs”).

6 (3) Subsection (e) of section 6104 is amended
7 by adding at the end the following new paragraph:

8 “(3) LIMITATION.—Paragraph (1)(A)(ii) (and
9 the corresponding provision of paragraph (2)) shall
10 not apply to any request if, in accordance with regu-
11 lations promulgated by the Secretary, the organiza-
12 tion has made the requested documents widely avail-
13 able, or, the Secretary determines, upon application
14 by an organization, that such request is part of a
15 harassment campaign and that compliance with such
16 request is not in the public interest.”.

17 (b) INCREASE IN PENALTY FOR WILLFUL FAILURE
18 TO ALLOW PUBLIC INSPECTION OF CERTAIN RETURNS,
19 ETC.—Section 6685 is amended by striking “\$1,000” and
20 inserting “\$5,000”.

21 (c) EFFECTIVE DATE.—The amendments made by
22 this section shall apply to requests made on or after the
23 60th day after the Secretary of the Treasury first issues
24 the regulations referred to section 6104(e)(3) of the Inter-
25 nal Revenue Code of 1986 (as added by subsection (a)(3)).

1 **SEC. 1314. INCREASE IN PENALTIES ON EXEMPT ORGANIZA-**
2 **TIONS FOR FAILURE TO FILE COMPLETE AND**
3 **TIMELY ANNUAL RETURNS.**

4 (a) IN GENERAL.—Subparagraph (A) of section
5 6652(c)(1) (relating to annual returns under section
6 6033) is amended by striking “\$10” and inserting “\$20”
7 and by striking “\$5,000” and inserting “\$10,000”.

8 (b) LARGER PENALTY ON ORGANIZATIONS HAVING
9 GROSS RECEIPTS IN EXCESS OF \$1,000,000.—Subpara-
10 graph (A) of section 6652(c)(1) is amended by adding at
11 the end the following new sentence: “In the case of an
12 organization having gross receipts exceeding \$1,000,000
13 for any year, with respect to the return required under
14 section 6033 for such year, the first sentence of this sub-
15 paragraph shall be applied by substituting ‘\$100’ for ‘\$20’
16 and, in lieu of applying the second sentence of this sub-
17 paragraph, the maximum penalty under this subparagraph
18 shall not exceed \$50,000.”.

19 (c) EFFECTIVE DATE.—The amendments made by
20 this section shall apply to returns for taxable years ending
21 on or after the date of the enactment of this Act.

Passed the House of Representatives April 16, 1996.

Attest:

Clerk.