

105TH CONGRESS
2D SESSION

S. 1793

To amend the Internal Revenue Code of 1986 to reform the Internal Revenue Service, and for other purposes.

IN THE SENATE OF THE UNITED STATES

MARCH 18, 1998

Mr. GRAHAM introduced the following bill; which was read twice and referred to the Committee on Finance

A BILL

To amend the Internal Revenue Code of 1986 to reform the Internal Revenue Service, and for other purposes.

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

3 **SECTION 1. SHORT TITLE; AMENDMENT OF 1986 CODE;**

4 **TABLE OF CONTENTS.**

5 (a) SHORT TITLE.—This Act may be cited as the
6 “Taxpayer Fairness Act of 1998”.

7 (b) AMENDMENT OF 1986 CODE.—Except as other-
8 wise expressly provided, whenever in this Act an amend-
9 ment or repeal is expressed in terms of an amendment
10 to, or repeal of, a section or other provision, the reference

1 shall be considered to be made to a section or other provi-
 2 sion of the Internal Revenue Code of 1986.

3 (c) TABLE OF CONTENTS.—

- Sec. 1. Short title; amendment of 1986 Code; table of contents.
- Sec. 2. Reduction of statute of limitations for collections after assessments to 6 years.
- Sec. 3. Extension of statute of limitations for claims of credits or refunds to 6 years.
- Sec. 4. Listing of local IRS telephone numbers and addresses.
- Sec. 5. No failure-to-pay penalty during installment agreement.
- Sec. 6. Elimination of interest rate differential on overlapping periods of interest on tax overpayments and underpayments.
- Sec. 7. Increase in overpayment rate payable to taxpayers other than corporations.
- Sec. 8. Review of rejections of offers-in-compromise.
- Sec. 9. Tenure and evaluation of agents.
- Sec. 10. Expansion of pilot programs allowing alternative dispute resolution.
- Sec. 11. Safe harbor for qualification for installment agreements.
- Sec. 12. Acceptance of offers-in-compromise in cases where IRS can not locate taxpayer records.

4 **SEC. 2. REDUCTION OF STATUTE OF LIMITATIONS FOR**
 5 **COLLECTIONS AFTER ASSESSMENTS TO 6**
 6 **YEARS.**

7 (a) IN GENERAL.—Section 6502(a) (relating to
 8 length of period) is amended—

9 (1) by striking “10 years” in paragraph (1) and
 10 inserting “6 years”, and

11 (2) by striking “10-year period” each place it
 12 appears in paragraph (2) and inserting “6-year pe-
 13 riod”.

14 (b) CONFORMING AMENDMENT.—Section 6323(g)(3)
 15 is amended by striking “10 years” each place it appears
 16 and inserting “6 years”.

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

4 **SEC. 3. EXTENSION OF STATUTE OF LIMITATIONS FOR**
 5 **CLAIMS OF CREDITS OR REFUNDS TO 6**
 6 **YEARS.**

7 (a) IN GENERAL.—Section 6511(a) (relating to pe-
 8 riod of limitation on filing claim) is amended—

9 (1) by striking “3 years” each place it appears
 10 and inserting “6 years”, and

11 (2) by striking “2 years” and inserting “5
 12 years”.

13 (b) LIMIT ON AMOUNT OF CREDIT OR REFUND.—
 14 Section 6511(b)(2) (relating to limit on amount of credit
 15 or refund) is amended—

16 (1) by striking “3-year period” each place it ap-
 17 pears in subparagraphs (A) and (B) and inserting
 18 “6-year period”,

19 (2) by striking “3 years” each place it appears
 20 in subparagraph (A) and inserting “6 years”,

21 (3) by striking “2 years” in subparagraph (B)
 22 and inserting “5 years”, and

23 (4) by striking “3-YEAR PERIOD” in the head-
 24 ings of subparagraphs (A) and (B) and inserting “6-
 25 YEAR PERIOD”.

1 (c) CONFORMING AMENDMENTS.—

2 (1) Paragraphs (1), (2)(A), (3)(A), (4)(A), and
3 (6) of section 6511(d) are amended by striking “3-
4 year period” each place it appears and inserting “6-
5 year period”.

6 (2) Sections 6511(d)(2), 6511(d)(4)(A), and
7 6512(b)(3) are amended by striking “3 years” each
8 place it appears and inserting “6 years”.

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

12 **SEC. 4. LISTING OF LOCAL IRS TELEPHONE NUMBERS AND**
13 **ADDRESSES.**

14 The Secretary of the Treasury or the Secretary’s del-
15 egate shall, as soon as practicable, but not later than 180
16 days after the date of the enactment of this Act, provide
17 that the local telephone numbers and addresses of all In-
18 ternal Revenue Service offices located in any particular
19 area be listed in the telephone book for that area.

20 **SEC. 5. NO FAILURE-TO-PAY PENALTY DURING INSTALL-**
21 **MENT AGREEMENT.**

22 (a) IN GENERAL.—Section 6651 (relating to failure
23 to file tax return or to pay tax) is amended by adding
24 at the end the following new subsection:

1 “(h) EXCEPTION FROM PENALTY ON INDIVIDUAL’S
2 FAILURE TO PAY DURING PERIOD OF INSTALLMENT
3 AGREEMENT.—

4 “(1) IN GENERAL.—No addition to the tax shall
5 be imposed under paragraph (2) or (3) of subsection
6 (a) with respect to the tax liability of an individual
7 for any month during which an installment agree-
8 ment under section 6159 is in effect for the payment
9 of such tax.

10 “(2) TERMINATION OF INSTALLMENT AGREE-
11 MENT.—If the Secretary terminates any installment
12 agreement under section 6159(b), the determination
13 of the rate of the penalty under paragraph (2) or (3)
14 of subsection (a) for months ending after such ter-
15 mination shall be made by treating months during
16 such agreement as months for which there was a
17 failure to pay.”.

18 “(b) EFFECTIVE DATE.—The amendment made by
19 this section shall apply for purposes of determining addi-
20 tions to tax for months beginning after the date of the
21 enactment of this Act.

1 **SEC. 6. ELIMINATION OF INTEREST RATE DIFFERENTIAL**
2 **ON OVERLAPPING PERIODS OF INTEREST ON**
3 **TAX OVERPAYMENTS AND UNDERPAYMENTS.**

4 (a) IN GENERAL.—Section 6621 of the Internal Rev-
5 enue Code of 1986 (relating to determination of rate of
6 interest) is amended by adding at the end the following
7 new subsection:

8 “(d) ELIMINATION OF INTEREST ON OVERLAPPING
9 PERIODS OF INCOME TAX OVERPAYMENTS AND UNDER-
10 PAYMENTS.—To the extent that, for any period, interest
11 is payable under subchapter A and allowable under sub-
12 chapter B on equivalent underpayments and overpayments
13 by the same taxpayer of tax imposed by this title, the net
14 rate of interest under this section on such amounts shall
15 be zero for such period.”.

16 (b) CONFORMING AMENDMENT.—Subsection (f) of
17 section 6601 (relating to satisfaction by credits) is amend-
18 ed by adding at the end the following new sentence: “The
19 preceding sentence shall not apply to the extent that sec-
20 tion 6621(d) applies.”.

21 (c) EFFECTIVE DATE.—

22 (1) IN GENERAL.—Except as provided under
23 paragraph (2), the amendments made by this section
24 shall apply to interest for periods beginning after the
25 date of the enactment of this Act.

1 (2) SPECIAL RULE.—Subject to any applicable
2 statute of limitation, the amendments made by this
3 section shall apply to interest for periods beginning
4 before the date of the enactment of this Act if the
5 taxpayer—

6 (A) reasonably identifies and establishes
7 periods of tax overpayments and underpay-
8 ments for which the zero rate applies, and

9 (B) not later than December 31, 1999, re-
10 quests the Secretary of the Treasury to apply
11 section 6621(d) of the Internal Revenue Code
12 of 1986, as added by subsection (a), to such pe-
13 riods.

14 **SEC. 7. INCREASE IN OVERPAYMENT RATE PAYABLE TO**
15 **TAXPAYERS OTHER THAN CORPORATIONS.**

16 (a) IN GENERAL.—Subparagraph (B) of section
17 6621(a)(1) of the Internal Revenue Code of 1986 (defin-
18 ing overpayment rate) is amended to read as follows:

19 “(B) 3 percentage points (2 percentage
20 points in the case of a corporation).”.

21 (b) EFFECTIVE DATE.—The amendment made by
22 this section shall apply to interest for calendar quarters
23 beginning after the date of the enactment of this Act.

1 **SEC. 8. REVIEW OF REJECTIONS OF OFFERS-IN-COM-**
2 **PROMISE.**

3 (a) IN GENERAL.—Section 7122 (relating to com-
4 promises) is amended by adding at the end the following:

5 “(c) ADMINISTRATIVE REVIEW.—The Secretary shall
6 establish procedures for an independent administrative re-
7 view of rejections by the Secretary of offers-in-compromise
8 made by taxpayers under this section for taxpayers who
9 request such a review.”.

10 (b) EFFECTIVE DATE.—The amendment made by
11 this section shall apply with respect to offers-in-com-
12 promise made after the date of the enactment of this Act.

13 **SEC. 9. TENURE AND EVALUATION OF AGENTS.**

14 The Secretary of the Treasury shall establish proce-
15 dures for—

16 (1) the periodic rotation of Internal Revenue
17 Service employees among the various divisions of the
18 Internal Revenue Service, and

19 (2) the inclusion of criteria regarding coopera-
20 tion with other divisions and customer service in In-
21 ternal Revenue Service employee evaluations.

22 **SEC. 10. EXPANSION OF PILOT PROGRAMS ALLOWING AL-**
23 **TERNATIVE DISPUTE RESOLUTION.**

24 The Secretary of the Treasury, through the National
25 Office Appeals, Internal Revenue Service, and pursuant
26 to the Administrative Dispute Resolution Act of 1996,

1 shall expand the elective mediation pilot program to in-
2 clude taxpayers with less than \$10,000,000 tax liability
3 in dispute, and shall implement an arbitration pilot pro-
4 gram for individual taxpayers.

5 **SEC. 11. SAFE HARBOR FOR QUALIFICATION FOR INSTALL-**
6 **MENT AGREEMENTS.**

7 (a) IN GENERAL.—Subsection (a) of section 6159
8 (relating to agreements for payment of tax liability in in-
9 stallments) is amended—

10 (1) by striking “The Secretary is” and inserting
11 the following:

12 “(1) IN GENERAL.—The Secretary is”,

13 (2) by moving the text 2 ems to the right, and

14 (3) by adding at the end the following new
15 paragraph:

16 “(2) SAFE HARBOR.—The Secretary shall enter
17 into an agreement to accept the payment of a tax li-
18 ability in installments if—

19 “(A) the amount of such liability does not
20 exceed \$10,000,

21 “(B) the taxpayer has not failed to file any
22 tax return or pay any tax required to be shown
23 thereon during the immediately preceding 5
24 years, and

1 “(C) the taxpayer has not entered into any
2 prior installment agreement under this para-
3 graph.”

4 (b) **EFFECTIVE DATE.**—The amendments made by
5 this section shall apply to agreements entered into after
6 the date of the enactment of this Act.

7 **SEC. 12. ACCEPTANCE OF OFFERS-IN-COMPROMISE IN**
8 **CASES WHERE IRS CAN NOT LOCATE TAX-**
9 **PAYER RECORDS.**

10 (a) **IN GENERAL.**—Section 7122 (relating to com-
11 promises), as amended by section 8, is amended by adding
12 at the end the following:

13 “(d) **ACCEPTANCE OF OFFERS-IN-COMPROMISE.**—
14 The Secretary shall accept an offer-in-compromise if—

15 “(1) such offer by the taxpayer proposes to set-
16 tle all issues of liability, and

17 “(2) the Secretary is unable to locate the tax-
18 payer’s return or return information for verification
19 of such liability within 90 days of the date of such
20 offer.”

21 (b) **EFFECTIVE DATE.**—The amendment made by
22 this section shall apply with respect to offers-in-com-
23 promise made after the date of the enactment of this Act.

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