

107TH CONGRESS  
2D SESSION

# H. R. 3991

To amend the Internal Revenue Code of 1986 to protect taxpayers and ensure accountability of the Internal Revenue Service.

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IN THE HOUSE OF REPRESENTATIVES

MARCH 19, 2002

Mr. HOUGHTON introduced the following bill; which was referred to the Committee on Ways and Means

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## A BILL

To amend the Internal Revenue Code of 1986 to protect taxpayers and ensure accountability of the Internal Revenue Service.

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; ETC.**

4 (a) SHORT TITLE.—This Act may be cited as the  
5 “Taxpayer Protection and IRS Accountability Act of  
6 2002”.

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; etc.

TITLE I—PENALTIES AND INTEREST

- Sec. 101. Reduction of Federal tax deposit penalty.
- Sec. 102. Failure to pay estimated tax penalty converted to interest charge on accumulated unpaid balance.
- Sec. 103. Exclusion from gross income for interest on overpayments of income tax by individuals.
- Sec. 104. Abatement of interest.
- Sec. 105. Deposits made to suspend running of interest on potential underpayments.
- Sec. 106. Expansion of interest netting for individuals.
- Sec. 107. Waiver of certain penalties for first-time unintentional minor errors.
- Sec. 108. Frivolous tax submissions.

TITLE II—FAIRNESS OF COLLECTION PROCEDURES

- Sec. 201. Partial payment of tax liability in installment agreements.
- Sec. 202. Additional considerations to be taken into account as bases for accepting offer-in-compromise.
- Sec. 203. Extension of time for return of property.
- Sec. 204. Seven-day threshold on tolling of statute of limitations during tax review.
- Sec. 205. Study of liens and levies.

TITLE III—EFFICIENCY OF TAX ADMINISTRATION

- Sec. 301. Revisions relating to termination of employment of Internal Revenue Service employees for misconduct.
- Sec. 302. Confirmation of authority of Tax Court to apply doctrine of equitable recoupment.
- Sec. 303. Jurisdiction of Tax Court over collection due process cases.
- Sec. 304. Office of Chief Counsel review of offers in compromise.
- Sec. 305. Study of taxpayer notification alternatives.

TITLE IV—CONFIDENTIALITY AND DISCLOSURE

- Sec. 401. Collection activities with respect to joint return disclosable to either spouse based on oral request.
- Sec. 402. Taxpayer representatives not subject to examination on sole basis of representation of taxpayers.
- Sec. 403. Disclosure in judicial or administrative tax proceedings of return and return information of persons who are not party to such proceedings.
- Sec. 404. Prohibition of disclosure of taxpayer identification information with respect to disclosure of accepted offers-in-compromise.
- Sec. 405. Compliance by contractors with confidentiality safeguards.
- Sec. 406. Higher standards for requests for and consents to disclosure.



1 **SEC. 102. FAILURE TO PAY ESTIMATED TAX PENALTY CON-**  
2 **VERTED TO INTEREST CHARGE ON ACCUMU-**  
3 **LATED UNPAID BALANCE.**

4 (a) PENALTY MOVED TO INTEREST CHAPTER OF  
5 CODE.—The Internal Revenue Code of 1986 is amended  
6 by redesignating section 6654 as section 6641 and by  
7 moving section 6641 (as so redesignated) from part I of  
8 subchapter A of chapter 68 to the end of subchapter E  
9 of chapter 67 (as added by subsection (e)(1) of this sec-  
10 tion).

11 (b) PENALTY CONVERTED TO INTEREST CHARGE.—  
12 The heading and subsections (a) and (b) of section 6641  
13 (as so redesignated) are amended to read as follows:

14 **“SEC. 6641. INTEREST ON FAILURE BY INDIVIDUAL TO PAY**  
15 **ESTIMATED INCOME TAX.**

16 “(a) IN GENERAL.—Interest shall be paid on any un-  
17 derpayment of estimated tax by an individual for a taxable  
18 year for each day of such underpayment. The amount of  
19 such interest for any day shall be the product of the un-  
20 derpayment rate established under subsection (b)(2) mul-  
21 tiplied by the amount of the underpayment.

22 “(b) AMOUNT OF UNDERPAYMENT; INTEREST  
23 RATE.—For purposes of subsection (a)—

24 “(1) AMOUNT.—The amount of the under-  
25 payment on any day shall be the excess of—

1           “(A) the sum of the required installments  
2 for the taxable year the due dates for which are  
3 on or before such day, over

4           “(B) the sum of the amounts (if any) of  
5 estimated tax payments made on or before such  
6 day on such required installments.

7           “(2) DETERMINATION OF INTEREST RATE.—

8           “(A) IN GENERAL.—The underpayment  
9 rate with respect to any day in an installment  
10 underpayment period shall be the under-  
11 payment rate established under section 6621  
12 for the first day of the calendar quarter in  
13 which such installment underpayment period  
14 begins.

15           “(B) INSTALLMENT UNDERPAYMENT PE-  
16 RIOD.—For purposes of subparagraph (A), the  
17 term ‘installment underpayment period’ means  
18 the period beginning on the day after the due  
19 date for a required installment and ending on  
20 the due date for the subsequent required in-  
21 stallment (or in the case of the 4th required in-  
22 stallment, the 15th day of the 4th month fol-  
23 lowing the close of a taxable year).

24           “(C) DAILY RATE.—The rate determined  
25 under subparagraph (A) shall be applied on a

1           daily basis and shall be based on the assump-  
2           tion of 365 days in a calendar year.

3           “(3) TERMINATION OF ESTIMATED TAX INTER-  
4           EST.—No day after the end of the installment un-  
5           derpayment period for the 4th required installment  
6           specified in paragraph (2)(B) for a taxable year  
7           shall be treated as a day of underpayment with re-  
8           spect to such taxable year.”.

9           (c) INCREASE IN SAFE HARBOR WHERE TAX IS  
10          SMALL.—

11           (1) IN GENERAL.—Clause (i) of section  
12          6641(d)(1)(B) (as so redesignated) is amended to  
13          read as follows:

14                           “(i) the lesser of—

15   “(I) 90 percent of the tax shown  
16   on the return for the taxable year (or,  
17   if no return is filed, 90 percent of the  
18   tax for such year), or

19   “(II) the tax shown on the return  
20   for the taxable year (or, if no return  
21   is filed, the tax for such year) reduced  
22   (but not below zero) by \$2,000, or”.

23           (2) CONFORMING AMENDMENT.—Subsection (e)  
24          of section 6641 (as so redesignated) is amended by

1 striking paragraph (1) and redesignating paragraphs  
2 (2) and (3) as paragraphs (1) and (2), respectively.

3 (d) CONFORMING AMENDMENTS.—

4 (1) Paragraphs (1) and (2) of subsection (e)  
5 (as redesignated by subsection (c)(2)) and sub-  
6 section (h) of section 6641 (as so designated) are  
7 each amended by striking “addition to tax” each  
8 place it occurs and inserting “interest”.

9 (2) Section 167(g)(5)(D) is amended by strik-  
10 ing “6654” and inserting “6641”.

11 (3) Section 460(b)(1) is amended by striking  
12 “6654” and inserting “6641”.

13 (4) Section 3510(b) is amended—

14 (A) by striking “section 6654” in para-  
15 graph (1) and inserting “section 6641”;

16 (B) by amending paragraph (2)(B) to read  
17 as follows:

18 “(B) no interest would be required to be  
19 paid (but for this section) under 6641 for such  
20 taxable year by reason of the \$2,000 amount  
21 specified in section 6641(d)(1)(B)(i)(II).”;

22 (C) by striking “section 6654(d)(2)” in  
23 paragraph (3) and inserting “section  
24 6641(d)(2)”;

25 (D) by striking paragraph (4).

1           (5) Section 6201(b)(1) is amended by striking  
2           “6654” and inserting “6641”.

3           (6) Section 6601(h) is amended by striking  
4           “6654” and inserting “6641”.

5           (7) Section 6621(b)(2)(B) is amended by strik-  
6           ing “addition to tax under section 6654” and insert-  
7           ing “interest required to be paid under section  
8           6641”.

9           (8) Section 6622(b) is amended—

10           (A) by striking “PENALTY FOR” in the  
11           heading; and

12           (B) by striking “addition to tax under sec-  
13           tion 6654 or 6655” and inserting “interest re-  
14           quired to be paid under section 6641 or addi-  
15           tion to tax under section 6655”.

16           (9) Section 6658(a) is amended—

17           (A) by striking “6654, or 6655” and in-  
18           serting “or 6655, and no interest shall be re-  
19           quired to be paid under section 6641,”; and

20           (B) by inserting “or paying interest” after  
21           “the tax” in paragraph (2)(B)(ii).

22           (10) Section 6665(b) is amended—

23           (A) in the matter preceding paragraph (1)  
24           by striking “, 6654,”; and

1 (B) in paragraph (2) by striking “6654  
2 or”.

3 (11) Section 7203 is amended by striking “sec-  
4 tion 6654 or 6655” and inserting “section 6655 or  
5 interest required to be paid under section 6641”.

6 (e) CLERICAL AMENDMENTS.—

7 (1) Chapter 67 is amended by inserting after  
8 subchapter D the following:

9 **“Subchapter E—Interest on Failure by**  
10 **Individual to Pay Estimated Income Tax**

“Sec. 6641. Interest on failure by individual to pay estimated in-  
come tax.”.

11 (2) The table of subchapters for chapter 67 is  
12 amended by adding at the end the following new  
13 items:

“Subchapter D. Notice requirements.

“Subchapter E. Interest on failure by individual to pay estimated  
income tax.”.

14 (3) The table of sections for part I of sub-  
15 chapter A of chapter 68 is amended by striking the  
16 item relating to section 6654.

17 (f) EFFECTIVE DATE.—The amendments made by  
18 this section shall apply to installment payments for taxable  
19 years beginning after December 31, 2002.

1 **SEC. 103. EXCLUSION FROM GROSS INCOME FOR INTEREST**  
2 **ON OVERPAYMENTS OF INCOME TAX BY INDI-**  
3 **VIDUALS.**

4 (a) IN GENERAL.—Part III of subchapter B of chap-  
5 ter 1 (relating to items specifically excluded from gross  
6 income) is amended by inserting after section 139 the fol-  
7 lowing new section:

8 **“SEC. 139A. EXCLUSION FROM GROSS INCOME FOR INTER-**  
9 **EST ON OVERPAYMENTS OF INCOME TAX BY**  
10 **INDIVIDUALS.**

11 “(a) IN GENERAL.—In the case of an individual,  
12 gross income shall not include interest paid under section  
13 6611 on any overpayment of tax imposed by this subtitle.

14 “(b) EXCEPTION.—Subsection (a) shall not apply in  
15 the case of a failure to claim items resulting in the over-  
16 payment on the original return if the Secretary determines  
17 that the principal purpose of such failure is to take advan-  
18 tage of subsection (a).

19 “(c) SPECIAL RULE FOR DETERMINING MODIFIED  
20 ADJUSTED GROSS INCOME.—For purposes of this title,  
21 interest not included in gross income under subsection (a)  
22 shall not be treated as interest which is exempt from tax  
23 for purposes of sections 32(i)(2)(B) and 6012(d) or any  
24 computation in which interest exempt from tax under this  
25 title is added to adjusted gross income.”.

1 (b) CLERICAL AMENDMENT.—The table of sections  
2 for part III of subchapter B of chapter 1 is amended by  
3 inserting after the item relating to section 139 the fol-  
4 lowing new item:

“Sec. 139A. Exclusion from gross income for interest on over-  
payments of income tax by individuals.”.

5 (c) EFFECTIVE DATE.—The amendments made by  
6 this section shall apply to interest received in calendar  
7 years beginning after the date of the enactment of this  
8 Act.

9 **SEC. 104. ABATEMENT OF INTEREST.**

10 (a) ABATEMENT OF INTEREST WITH RESPECT TO  
11 ERRONEOUS REFUND CHECK WITHOUT REGARD TO SIZE  
12 OF REFUND.—Paragraph (2) of section 6404(e) is amend-  
13 ed by striking “unless—” and all that follows and insert-  
14 ing “unless the taxpayer (or a related party) has in any  
15 way caused such erroneous refund.”.

16 (b) ABATEMENT OF INTEREST TO EXTENT INTER-  
17 EST IS ATTRIBUTABLE TO TAXPAYER RELIANCE ON  
18 WRITTEN STATEMENTS OF THE IRS.—Subsection (f) of  
19 section 6404 is amended—

20 (1) in the subsection heading, by striking  
21 “PENALTY OR ADDITION” and inserting “INTEREST,  
22 PENALTY, OR ADDITION”; and

1           (2) in paragraph (1) and in subparagraph (B)  
2           of paragraph (2), by striking “penalty or addition”  
3           and inserting “interest, penalty, or addition”.

4           (c) EFFECTIVE DATE.—The amendments made by  
5 this section shall apply with respect to interest accruing  
6 on or after the date of the enactment of this Act.

7 **SEC. 105. DEPOSITS MADE TO SUSPEND RUNNING OF IN-**  
8 **TEREST ON POTENTIAL UNDERPAYMENTS.**

9           (a) IN GENERAL.—Subchapter B of chapter 67 (re-  
10 lating to interest on overpayments) is amended by redesi-  
11 gnating section 6612 as section 6613 and by inserting after  
12 section 6611 the following new section:

13 **“SEC. 6612. DEPOSITS MADE TO SUSPEND RUNNING OF IN-**  
14 **TEREST ON POTENTIAL UNDERPAYMENTS,**  
15 **ETC.**

16           “(a) AUTHORITY TO MAKE DEPOSITS OTHER THAN  
17 AS PAYMENT OF TAX.—A taxpayer may make a cash de-  
18 posit with the Secretary which may be used by the Sec-  
19 retary to pay any tax imposed under subtitle A or B or  
20 chapter 41, 42, 43, or 44 which has not been assessed  
21 at the time of the deposit. Such a deposit shall be made  
22 in such manner as the Secretary shall prescribe.

23           “(b) NO INTEREST IMPOSED.—To the extent that  
24 such deposit is used by the Secretary to pay tax, for pur-  
25 poses of section 6601 (relating to interest on underpay-

1 ments), the tax shall be treated as paid when the deposit  
2 is made.

3 “(c) RETURN OF DEPOSIT.—Except in a case where  
4 the Secretary determines that collection of tax is in jeop-  
5 ardy, the Secretary shall return to the taxpayer any  
6 amount of the deposit (to the extent not used for a pay-  
7 ment of tax) which the taxpayer requests in writing.

8 “(d) PAYMENT OF INTEREST.—

9 “(1) IN GENERAL.—For purposes of section  
10 6611 (relating to interest on overpayments), a de-  
11 posit which is returned to a taxpayer shall be treated  
12 as a payment of tax for any period to the extent  
13 (and only to the extent) attributable to a disputable  
14 tax for such period. Under regulations prescribed by  
15 the Secretary, rules similar to the rules of section  
16 6601(e)(2) shall apply.

17 “(2) DISPUTABLE TAX.—

18 “(A) IN GENERAL.—For purposes of this  
19 section, the term ‘disputable tax’ means the  
20 amount of tax specified at the time of the de-  
21 posit as the taxpayer’s reasonable estimate of  
22 the maximum amount of any tax attributable to  
23 disputable items.

24 “(B) SAFE HARBOR BASED ON 30-DAY  
25 LETTER.—In the case of a taxpayer who has

1           been issued a 30-day letter, the maximum  
2           amount of tax under subparagraph (A) shall  
3           not be less than the amount of the proposed  
4           deficiency specified in such letter.

5           “(3) OTHER DEFINITIONS.—For purposes of  
6           paragraph (2)—

7                   “(A) DISPUTABLE ITEM.—The term ‘dis-  
8                   putable item’ means any item of income, gain,  
9                   loss, deduction, or credit which the taxpayer  
10                  reasonably believes the Secretary has a reason-  
11                  able basis for disputing the treatment on the  
12                  taxpayer’s return.

13                  “(B) 30-DAY LETTER.—The term ‘30-day  
14                  letter’ means the first letter of proposed defi-  
15                  ciency which allows the taxpayer an opportunity  
16                  for administrative review in the Internal Rev-  
17                  enue Service Office of Appeals.

18                  “(4) RATE OF INTEREST.—The rate of interest  
19                  allowable under this subsection shall be the Federal  
20                  short-term rate determined under section 6621(b),  
21                  compounded daily.

22                  “(e) USE OF DEPOSITS.—

23                   “(1) PAYMENT OF TAX.—Except as otherwise  
24                  provided by the taxpayer, deposits shall be treated

1 as used for the payment of tax in the order depos-  
2 ited.

3 “(B) RETURNS OF DEPOSITS.—Deposits shall  
4 be treated as returned to the taxpayer on a last-in,  
5 first-out basis.”

6 (b) CLERICAL AMENDMENT.—The table of sections  
7 for subchapter B of chapter 67 is amended by striking  
8 the last item and inserting the following new items:

“Sec. 6612. Deposits made to suspend running of interest on po-  
tential underpayments, etc.

“Sec. 6613. Cross references.”

9 (c) EFFECTIVE DATE.—

10 (1) IN GENERAL.—The amendments made by  
11 this section shall apply to deposits made after the  
12 date of the enactment of this Act.

13 (2) COORDINATION WITH DEPOSITS MADE  
14 UNDER REVENUE PROCEDURE 84–58.—In the case of  
15 an amount held by the Secretary of the Treasury or  
16 his delegate on the date of the enactment of this Act  
17 as a deposit in the nature of a cash bond deposit  
18 pursuant to Revenue Procedure 84–58, the date that  
19 the taxpayer identifies such amount as a deposit  
20 made pursuant to section 6612 of the Internal Rev-  
21 enue Code (as added by this Act) shall be treated as  
22 the date such amount is deposited for purposes of  
23 such section 6612.

1 **SEC. 106. EXPANSION OF INTEREST NETTING FOR INDIVID-**  
2 **UALS.**

3 (a) IN GENERAL.—Subsection (d) of section 6621  
4 (relating to elimination of interest on overlapping periods  
5 of tax overpayments and underpayments) is amended by  
6 adding at the end the following: “Solely for purposes of  
7 the preceding sentence, section 6611(e) shall not apply in  
8 the case of an individual.”.

9 (b) EFFECTIVE DATE.—The amendment made by  
10 subsection (a) shall apply to interest accrued after Decem-  
11 ber 31, 2002.

12 **SEC. 107. WAIVER OF CERTAIN PENALTIES FOR FIRST-TIME**  
13 **UNINTENTIONAL MINOR ERRORS.**

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

17 “(i) TREATMENT OF FIRST-TIME UNINTENTIONAL  
18 MINOR ERROR.—In the case of a return of tax imposed  
19 by subtitle A filed by an individual, the Secretary may  
20 waive an addition to tax under subsection (a) if—

21 “(1) the individual has a history of compliance  
22 with the requirements of this title,

23 “(2) it is shown that the failure is due to an  
24 unintentional minor error,

25 “(3) the penalty would otherwise be dispropor-  
26 tionate to the amount involved, and

1           “(4) waiving the penalty would promote compli-  
2           ance with the requirements of this title and effective  
3           tax administration.

4           The preceding sentence shall not apply if the Secretary  
5           has waived any addition to tax under this subsection with  
6           respect to any prior failure by such individual.”

7           (b) EFFECTIVE DATE.—The amendment made by  
8           this section shall take effect on January 1, 2003.

9           **SEC. 108. FRIVOLOUS TAX SUBMISSIONS.**

10          (a) CIVIL PENALTIES.—Section 6702 is amended to  
11          read as follows:

12          **“SEC. 6702. FRIVOLOUS TAX SUBMISSIONS.**

13          “(a) CIVIL PENALTY FOR FRIVOLOUS TAX RE-  
14          TURNS.—A person shall pay a penalty of \$5,000 if—

15                  “(1) such person files what purports to be a re-  
16                  turn of a tax imposed by this title but which—

17                          “(A) does not contain information on  
18                          which the substantial correctness of the self-as-  
19                          sessment may be judged, or

20                          “(B) contains information that on its face  
21                          indicates that the self-assessment is substan-  
22                          tially incorrect; and

23                  “(2) the conduct referred to in paragraph (1)—

1           “(A) is based on a position which the Sec-  
2           retary has identified as frivolous under sub-  
3           section (c), or

4           “(B) reflects a desire to delay or impede  
5           the administration of Federal tax laws.

6           “(b) CIVIL PENALTY FOR SPECIFIED FRIVOLOUS  
7 SUBMISSIONS.—

8           “(1) IMPOSITION OF PENALTY.—Except as pro-  
9           vided in paragraph (3), any person who submits a  
10          specified frivolous submission shall pay a penalty of  
11          \$5,000.

12          “(2) SPECIFIED FRIVOLOUS SUBMISSION.—For  
13          purposes of this section—

14               “(A) SPECIFIED FRIVOLOUS SUBMIS-  
15               SION.—The term ‘specified frivolous submis-  
16               sion’ means a specified submission if any por-  
17               tion of such submission—

18                       “(i) is based on a position which the  
19                       Secretary has identified as frivolous under  
20                       subsection (c), or

21                       “(ii) reflects a desire to delay or im-  
22                       pede the administration of Federal tax  
23                       laws.

1           “(B) SPECIFIED FRIVOLOUS SUBMIS-  
2           SION.—The term ‘specified submission’  
3           means—

4                   “(i) a request for a hearing under—

5                           “(I) section 6320 (relating to no-  
6                           tice and opportunity for hearing upon  
7                           filing of notice of lien), or

8                           “(II) section 6330 (relating to  
9                           notice and opportunity for hearing be-  
10                           fore levy), and

11                   “(ii) an application under—

12                           “(I) section 7811 (relating to  
13                           taxpayer assistance orders),

14                           “(II) section 6159 (relating to  
15                           agreements for payment of tax liabil-  
16                           ity in installments), or

17                           “(III) section 7122 (relating to  
18                           compromises).

19           “(3) OPPORTUNITY TO WITHDRAW SUBMIS-  
20           SION.—If the Secretary provides a person with no-  
21           tice that a submission is a specified frivolous sub-  
22           mission and such person withdraws such submission  
23           promptly after such notice, the penalty imposed  
24           under paragraph (1) shall not apply with respect to  
25           such submission.

1       “(c) LISTING OF FRIVOLOUS POSITIONS.—The Sec-  
2 retary shall prescribe (and periodically revise) a list of po-  
3 sitions which the Secretary has identified as being frivo-  
4 lous for purposes of this subsection. The Secretary shall  
5 not include in such list any position that the Secretary  
6 determines meets the requirement of section  
7 6662(d)(2)(B)(ii)(II).

8       “(d) REDUCTION OF PENALTY.—The Secretary may  
9 reduce the amount of any penalty imposed under this sec-  
10 tion if the Secretary determines that such reduction would  
11 promote compliance with and administration of the Fed-  
12 eral tax laws.

13       “(e) PENALTIES IN ADDITION TO OTHER PEN-  
14 ALTIES.—The penalties imposed by this section shall be  
15 in addition to any other penalty provided by law.”.

16       (b) TREATMENT OF FRIVOLOUS REQUESTS FOR  
17 HEARINGS BEFORE LEVY.—

18           (1) FRIVOLOUS REQUESTS DISREGARDED.—  
19       Section 6330 (relating to notice and opportunity for  
20 hearing before levy) is amended by adding at the  
21 end the following new subsection:

22       “(g) FRIVOLOUS REQUESTS FOR HEARING, ETC.—  
23 Notwithstanding any other provision of this section, if the  
24 Secretary determines that any portion of a request for a  
25 hearing under this section or section 6320 meets the re-

1 quirement of clause (i) or (ii) of section 6702(b)(2)(A),  
2 then the Secretary may treat such portion as if it were  
3 never submitted and such portion shall not be subject to  
4 any further administrative or judicial review.”.

5 (2) PRECLUSION FROM RAISING FRIVOLOUS  
6 ISSUES AT HEARING.—Section 6330(c)(4) is  
7 amended—

8 (A) by striking “(A)” and inserting  
9 “(A)(i)”;

10 (B) by striking “(B)” and inserting “(ii)”;

11 (C) by striking the period at the end of the  
12 first sentence and inserting “; or”; and

13 (D) by inserting after subparagraph (A)(ii)  
14 (as so redesignated) the following:

15 “(B) the issue meets the requirement of  
16 clause (i) or (ii) of section 6702(b)(2)(A).”.

17 (3) STATEMENT OF GROUNDS.—Section  
18 6330(b)(1) is amended by striking “under sub-  
19 section (a)(3)(B)” and inserting “in writing under  
20 subsection (a)(3)(B) and states the grounds for the  
21 requested appeal”.

22 (c) TREATMENT OF FRIVOLOUS REQUESTS FOR  
23 HEARINGS UPON FILING OF NOTICE OF LIEN.—Section  
24 6320 is amended—

1           (1) in subsection (b)(1), by striking “under sub-  
2           section (a)(3)(B)” and inserting “in writing under  
3           subsection (a)(3)(B) and states the grounds for the  
4           requested appeal”.

5           (2) in subsection (e), by striking “and (e)” and  
6           inserting “(e), and (g)”.

7           (d) TREATMENT OF FRIVOLOUS APPLICATIONS FOR  
8           OFFERS-IN-COMPROMISE AND INSTALLMENT AGREE-  
9           MENTS.—Section 7122 is amended by adding at the end  
10          the following new subsection:

11          “(e) FRIVOLOUS SUBMISSIONS, ETC.—Notwith-  
12          standing any other provision of this section, if the Sec-  
13          retary determines that any portion of an application for  
14          an offer-in-compromise or installment agreement sub-  
15          mitted under this section or section 6159 meets the re-  
16          quirement of clause (i) or (ii) of section 6702(b)(2)(A),  
17          then the Secretary may treat such portion as if it were  
18          never submitted and such portion shall not be subject to  
19          any further administrative or judicial review.”.

20          (e) CONFORMING AMENDMENT.—The table of sec-  
21          tions for part I of subchapter B of chapter 68 is amended  
22          by striking the item relating to section 6702 and inserting  
23          the following new item:

                  “Sec. 6702. Frivolous tax submissions.”

24          (f) EFFECTIVE DATE.—The amendments made by  
25          this section shall apply to submissions made and issues

1 raised after the date on which the Secretary first pre-  
 2 scribes a list under section 6702(c) of the Internal Rev-  
 3 enue Code of 1986, as amended by subsection (a).

4 **TITLE II—FAIRNESS OF**  
 5 **COLLECTION PROCEDURES**

6 **SEC. 201. PARTIAL PAYMENT OF TAX LIABILITY IN IN-**  
 7 **STALLMENT AGREEMENTS.**

8 (a) IN GENERAL.—

9 (1) Section 6159(a) (relating to authorization  
 10 of agreements) is amended—

11 (A) by striking “satisfy liability for pay-  
 12 ment of” and inserting “make payment on”,  
 13 and

14 (B) by inserting “full or partial” after “fa-  
 15 cilitate”.

16 (2) Section 6159(c) (relating to Secretary re-  
 17 quired to enter into installment agreements in cer-  
 18 tain cases) is amended in the matter preceding para-  
 19 graph (1) by inserting “full” before “payment”.

20 (b) REQUIREMENT TO REVIEW PARTIAL PAYMENT  
 21 AGREEMENTS EVERY TWO YEARS.—Section 6159 is  
 22 amended by redesignating subsections (d) and (e) as sub-  
 23 sections (e) and (f), respectively, and inserting after sub-  
 24 section (c) the following new subsection:

1       “(d) SECRETARY REQUIRED TO REVIEW INSTALL-  
2       MENT AGREEMENTS FOR PARTIAL COLLECTION EVERY  
3       TWO YEARS.—In the case of an agreement entered into  
4       by the Secretary under subsection (a) for partial collection  
5       of a tax liability, the Secretary shall review the agreement  
6       at least once every 2 years.”.

7       (c) EFFECTIVE DATE.—The amendments made by  
8       this section shall apply to agreements entered into on or  
9       after the date of the enactment of this Act.

10   **SEC. 202. ADDITIONAL CONSIDERATIONS TO BE TAKEN**  
11                           **INTO ACCOUNT AS BASES FOR ACCEPTING**  
12                           **OFFER-IN-COMPROMISE.**

13       (a) IN GENERAL.—Paragraph (3) of section 7122(c)  
14       (relating to special rules relating to treatment of offers)  
15       is amended by striking “and” at the end of subparagraph  
16       (A), by striking the period at the end of subparagraph  
17       (B) and inserting a semicolon, and by adding at the end  
18       the following new subparagraphs:

19                           “(C) in all cases, consideration shall be  
20                           given to—

21                                   “(i) whether the taxpayer has a his-  
22                                   tory of complying with the requirements of  
23                                   this title,

24                                   “(ii) whether there is evidence of an  
25                                   error by the Internal Revenue Service in

1 determining or administering the tax which  
2 is the subject of the offer-in-compromise,  
3 and

4 “(iii) whether the taxpayer has made  
5 a good faith effort to resolve and pay the  
6 liability;

7 “(D) a reasonable annual allowance shall  
8 be made for voluntary payments for the support  
9 of any dependent (as defined in section 152) of  
10 the taxpayer;

11 “(E) a reasonable allowance shall be made  
12 for payments on unsecured debt of the taxpayer  
13 to the extent such debt is attributable to Fed-  
14 eral, State, or local income taxes, medical care  
15 expenses, burial expenses, or other basic living  
16 expenses; and

17 “(F) consideration shall be given to the  
18 level of the taxpayer’s education and financial  
19 and business experience relative the complexity  
20 of the transaction giving rise to the liability.”

21 (b) LIMITATIONS.—Subsection (c) of section 7122 is  
22 amended by adding at the end the following new para-  
23 graph:

24 “(4) LIMITATIONS ON CERTAIN FACTORS IN  
25 CONSIDERING OFFER-IN-COMPROMISE.—

1           “(A) PERIOD FOR CERTAIN CONSIDER-  
2           ATIONS.—Subparagraph (E) of paragraph (3)  
3           shall apply only during the 3-year period begin-  
4           ning on whichever of the following is the ear-  
5           liest:

6                   “(i) The date of the receipt by the  
7                   taxpayer of the notice of the decision of  
8                   the Internal Revenue Service Office of Ap-  
9                   peals.

10                   “(ii) The date of the notice of defi-  
11                   ciency.

12                   “(iii) The date on which the first let-  
13                   ter of proposed deficiency which allows the  
14                   taxpayer an opportunity for administrative  
15                   review in the Internal Revenue Service Of-  
16                   fice of Appeals is sent.

17           “(B) DOLLAR LIMITATIONS.—

18                   “(i) ALLOWANCES.—The allowances  
19                   under subparagraphs (D) and (E) shall  
20                   not exceed the dollar amount in effect  
21                   under section 2503(b).

22                   “(ii) CONSIDERATION OF EDUCATION  
23                   AND FINANCIAL SOPHISTICATION.—Sub-  
24                   paragraph (F) of paragraph (3) shall apply  
25                   only if the amount of the liability does not

1                   exceed the dollar amount in effect under  
2                   section 2503(b).”

3           (c) EFFECTIVE DATE.—The amendments made by  
4 this section shall apply to proposed offers-in-compromise  
5 submitted after the date of the enactment of this Act.

6 **SEC. 203. EXTENSION OF TIME FOR RETURN OF PROPERTY.**

7           (a) EXTENSION OF TIME FOR RETURN OF PROPERTY  
8 SUBJECT TO LEVY.—Subsection (b) of section 6343 (re-  
9 lating to return of property) is amended by striking “9  
10 months” and inserting “2 years”.

11           (b) PERIOD OF LIMITATION ON SUITS.—Subsection  
12 (c) of section 6532 (relating to suits by persons other than  
13 taxpayers) is amended—

14                   (1) in paragraph (1) by striking “9 months”  
15                   and inserting “2 years”, and

16                   (2) in paragraph (2) by striking “9-month” and  
17                   inserting “2-year”.

18           (c) EFFECTIVE DATE.—The amendments made by  
19 this section shall apply to—

20                   (1) levies made after the date of the enactment  
21                   of this Act, and

22                   (2) levies made on or before such date if the 9-  
23                   month period has not expired under section 6343(b)  
24                   of the Internal Revenue Code of 1986 (without re-  
25                   gard to this section) as of such date.

1 **SEC. 204. SEVEN-DAY THRESHOLD ON TOLLING OF STAT-**  
2 **UTE OF LIMITATIONS DURING TAX REVIEW.**

3 (a) **IN GENERAL.**—Section 7811(d)(1) (relating to  
4 suspension of running of period of limitation) is amended  
5 by inserting after “application,” the following: “but only  
6 if the date of such decision is at least 7 days after the  
7 date of the taxpayer’s application”.

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

11 **SEC. 205. STUDY OF LIENS AND LEVIES.**

12 The Secretary of the Treasury, or the Secretary’s del-  
13 egate, shall conduct a study of the practices of the Inter-  
14 nal Revenue Service concerning liens and levies. The study  
15 shall examine—

16 (1) the declining use of liens and levies by the  
17 Internal Revenue Service, and

18 (2) the practicality of recording liens and lev-  
19 ying against property in cases in which the cost of  
20 such actions exceeds the amount to be realized from  
21 such property.

22 Not later than 1 year after the date of the enactment of  
23 this Act, the Secretary shall submit such study to the  
24 Committee on Ways and Means of the House of Rep-  
25 resentatives and the Committee on Finance of the Senate.

1     **TITLE III—EFFICIENCY OF TAX**  
2                     **ADMINISTRATION**

3     **SEC. 301. REVISIONS RELATING TO TERMINATION OF EM-**  
4                     **PLOYMENT OF INTERNAL REVENUE SERVICE**  
5                     **EMPLOYEES FOR MISCONDUCT.**

6             (a) IN GENERAL.—Subchapter A of chapter 80 (re-  
7 relating to application of internal revenue laws) is amended  
8 by inserting after section 7804 the following new section:

9     **“SEC. 7804A. TERMINATION OF EMPLOYMENT FOR MIS-**  
10                    **CONDUCT.**

11            “(a) IN GENERAL.—Subject to subsection (c), the  
12 Commissioner of Internal Revenue shall terminate the em-  
13 ployment of any employee of the Internal Revenue Service  
14 if there is a final administrative or judicial determination  
15 that such employee committed any act or omission de-  
16 scribed under subsection (b) in the performance of the em-  
17 ployee’s official duties or where a nexus to the employee’s  
18 position exists.

19            “(b) ACTS OR OMISSIONS.—The acts or omissions re-  
20 ferred to under subsection (a) are—

21                    “(1) willful failure to obtain the required ap-  
22 proval signatures on documents authorizing the sei-  
23 zure of a taxpayer’s home, personal belongings, or  
24 business assets;

1           “(2) willfully providing a false statement under  
2           oath with respect to a material matter involving a  
3           taxpayer or taxpayer representative;

4           “(3) with respect to a taxpayer or taxpayer rep-  
5           resentative, the willful violation of—

6                   “(A) any right under the Constitution of  
7           the United States;

8                   “(B) any civil right established under—

9                           “(i) title VI or VII of the Civil Rights  
10           Act of 1964;

11                           “(ii) title IX of the Education Amend-  
12           ments of 1972;

13                           “(iii) the Age Discrimination in Em-  
14           ployment Act of 1967;

15                           “(iv) the Age Discrimination Act of  
16           1975;

17                           “(v) section 501 or 504 of the Reha-  
18           bilitation Act of 1973; or

19                           “(vi) title I of the Americans with  
20           Disabilities Act of 1990; or

21                   “(C) the Internal Revenue Service policy  
22           on unauthorized inspection of returns or return  
23           information;

24           “(4) willfully falsifying or destroying documents  
25           to conceal mistakes made by any employee with re-

1       spect to a matter involving a taxpayer or taxpayer  
2       representative;

3               “(5) assault or battery on a taxpayer or tax-  
4       payer representative, but only if there is a criminal  
5       conviction, or a final adverse judgment by a court in  
6       a civil case, with respect to the assault or battery;

7               “(6) willful violations of this title, Department  
8       of the Treasury regulations, or policies of the Inter-  
9       nal Revenue Service (including the Internal Revenue  
10      Manual) for the purpose of retaliating against, or  
11      harassing, a taxpayer or taxpayer representative;

12              “(7) willful misuse of the provisions of section  
13      6103 for the purpose of concealing information from  
14      a congressional inquiry;

15              “(8) willful failure to file any return of tax re-  
16      quired under this title on or before the date pre-  
17      scribed therefor (including any extensions) when a  
18      tax is due and owing, unless such failure is due to  
19      reasonable cause and not due to willful neglect;

20              “(9) willful understatement of Federal tax li-  
21      ability, unless such understatement is due to reason-  
22      able cause and not due to willful neglect; and

23              “(10) threatening to audit a taxpayer, or to  
24      take other action under this title, for the purpose of  
25      extracting personal gain or benefit.

1 “(c) DETERMINATIONS OF COMMISSIONER.—

2 “(1) IN GENERAL.—The Commissioner may  
3 take a personnel action other than termination for  
4 an act or omission under subsection (a).

5 “(2) DISCRETION.—The exercise of authority  
6 under paragraph (1) shall be at the sole discretion  
7 of the Commissioner and may not be delegated to  
8 any other officer. The Commissioner, in his sole dis-  
9 cretion, may establish a procedure to determine if an  
10 individual should be referred to the Commissioner  
11 for a determination by the Commissioner under  
12 paragraph (1).

13 “(3) NO APPEAL.—Notwithstanding any other  
14 provision of law, any determination of the Commis-  
15 sioner under this subsection may not be reviewed in  
16 any administrative or judicial proceeding. A finding  
17 that an act or omission described in subsection (b)  
18 occurred may be reviewed.

19 “(d) DEFINITION.—For the purposes of the provi-  
20 sions described in clauses (i), (ii), and (iv) of subsection  
21 (b)(3)(B), references to a program or activity regarding  
22 Federal financial assistance or an education program or  
23 activity receiving Federal financial assistance shall include  
24 any program or activity conducted by the Internal Rev-  
25 enue Service for a taxpayer.

1       “(e) ANNUAL REPORT.—The Commissioner shall  
2 submit to Congress annually a report on terminations of  
3 employment under this section.”.

4       (b) CLERICAL AMENDMENT.—The table of sections  
5 for chapter 80 is amended by inserting after the item re-  
6 lating to section 7804 the following new item:

“Sec. 7804A. Termination of employment for misconduct.”

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

10 **SEC. 302. CONFIRMATION OF AUTHORITY OF TAX COURT**  
11 **TO APPLY DOCTRINE OF EQUITABLE**  
12 **RECOUPMENT.**

13       (a) CONFIRMATION OF AUTHORITY OF TAX COURT  
14 TO APPLY DOCTRINE OF EQUITABLE RECOUPMENT.—  
15 Subsection (b) of section 6214 (relating to jurisdiction  
16 over other years and quarters) is amended by adding at  
17 the end the following new sentence: “Notwithstanding the  
18 preceding sentence, the Tax Court may apply the doctrine  
19 of equitable recoupment to the same extent that it is avail-  
20 able in civil tax cases before the district courts of the  
21 United States and the United States Court of Federal  
22 Claims.”.

23       (b) EFFECTIVE DATE.—The amendments made by  
24 this section shall apply to any action or proceeding in the  
25 Tax Court with respect to which a decision has not become

1 final (as determined under section 7481 of the Internal  
2 Revenue Code of 1986) as of the date of the enactment  
3 of this Act.

4 **SEC. 303. JURISDICTION OF TAX COURT OVER COLLECTION**  
5 **DUE PROCESS CASES.**

6 (a) IN GENERAL.—Section 6330(d)(1) (relating to  
7 judicial review of determination) is amended to read as  
8 follows:

9 “(1) JUDICIAL REVIEW OF DETERMINATION.—  
10 The person may, within 30 days of a determination  
11 under this section, appeal such determination to the  
12 Tax Court (and the Tax Court shall have jurisdic-  
13 tion with respect to such matter).”.

14 (b) EFFECTIVE DATE.—The amendment made by  
15 subsection (a) shall apply to appeals filed after the date  
16 of the enactment of this Act.

17 **SEC. 304. OFFICE OF CHIEF COUNSEL REVIEW OF OFFERS**  
18 **IN COMPROMISE.**

19 (a) IN GENERAL.—Section 7122(b) (relating to  
20 record) is amended by striking “Whenever a compromise”  
21 and all that follows through “his delegate” and inserting  
22 “If the Secretary determines that an opinion of the Gen-  
23 eral Counsel for the Department of the Treasury, or the  
24 Counsel’s delegate, is required with respect to a com-

1 promise, there shall be placed on file in the office of the  
2 Secretary such opinion”.

3 (b) CONFORMING AMENDMENTS.—Section 7122(b) is  
4 amended by striking the second and third sentences.

5 (c) EFFECTIVE DATE.—The amendments made by  
6 this section shall apply to offers-in-compromise submitted  
7 or pending on or after the date of the enactment of this  
8 Act.

9 **SEC. 305. STUDY OF TAXPAYER NOTIFICATION ALTER-**  
10 **NATIVES.**

11 The Secretary of the Treasury, or the Secretary’s del-  
12 egate, shall conduct a study of alternative methods of noti-  
13 fying taxpayers of determinations and other actions of the  
14 Secretary. The study shall examine the advantages and  
15 disadvantages of—

16 (1) the use of certificates of mailing,

17 (2) modifications to certified or registered mail  
18 requirements which eliminate return receipt re-  
19 quested, and

20 (3) modifications with respect to dual notices to  
21 taxpayers filing a joint return and residing at the  
22 same address.

23 Not later than 1 year after the date of the enactment of  
24 this Act, the Secretary shall submit such study to the

1 Committee on Ways and Means of the House of Rep-  
2 resentatives and the Committee on Finance of the Senate.

3 **TITLE IV—CONFIDENTIALITY**  
4 **AND DISCLOSURE**

5 **SEC. 401. COLLECTION ACTIVITIES WITH RESPECT TO**  
6 **JOINT RETURN DISCLOSABLE TO EITHER**  
7 **SPOUSE BASED ON ORAL REQUEST.**

8 (a) **IN GENERAL.**—Paragraph (8) of section 6103(e)  
9 (relating to disclosure of collection activities with respect  
10 to joint return) is amended by striking “in writing” the  
11 first place it appears.

12 (b) **EFFECTIVE DATE.**—The amendment made by  
13 this section shall apply to requests made after the date  
14 of the enactment of this Act.

15 **SEC. 402. TAXPAYER REPRESENTATIVES NOT SUBJECT TO**  
16 **EXAMINATION ON SOLE BASIS OF REPRESEN-**  
17 **TATION OF TAXPAYERS.**

18 (a) **IN GENERAL.**—Subsection (h) of section 6103  
19 (relating to disclosure to certain Federal officers and em-  
20 ployees for purposes of tax administration, etc.) is amend-  
21 ed by adding at the end the following new paragraph:

22 “(7) **TAXPAYER REPRESENTATIVES.**—Notwith-  
23 standing paragraph (1), the return of the represent-  
24 ative of a taxpayer whose return is being examined  
25 by an officer or employee of the Department of the

1 Treasury shall not be open to inspection by such of-  
 2 ficer or employee on the sole basis of the representa-  
 3 tive's relationship to the taxpayer unless a super-  
 4 visor of such officer or employee has approved the  
 5 inspection of the return of such representative on a  
 6 basis other than by reason of such relationship.”.

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

10 **SEC. 403. DISCLOSURE IN JUDICIAL OR ADMINISTRATIVE**  
 11 **TAX PROCEEDINGS OF RETURN AND RETURN**  
 12 **INFORMATION OF PERSONS WHO ARE NOT**  
 13 **PARTY TO SUCH PROCEEDINGS.**

14 (a) IN GENERAL.—Paragraph (4) of section 6103(h)  
 15 (relating to disclosure to certain Federal officers and em-  
 16 ployees for purposes of tax administration, etc.) is amend-  
 17 ed by adding at the end the following new subparagraph:

18 “(B) DISCLOSURE IN JUDICIAL OR ADMIN-  
 19 STRATIVE TAX PROCEEDINGS OF RETURN AND  
 20 RETURN INFORMATION OF PERSONS NOT PARTY  
 21 TO SUCH PROCEEDINGS.—

22 “(i) NOTICE.—Return or return infor-  
 23 mation of any person who is not a party to  
 24 a judicial or administrative proceeding de-  
 25 scribed in paragraph (4) shall not be dis-

1 closed under clause (ii) or (iii) of subpara-  
2 graph (A) until after the Secretary makes  
3 a reasonable effort to give notice to such  
4 person and an opportunity for such person  
5 to request the deletion of matter from such  
6 return or return information, including any  
7 of the items referred to in paragraphs (1)  
8 through (7) of section 6110(c). Such notice  
9 shall include a statement of the issue or  
10 issues the resolution of which is the reason  
11 such return or return information is  
12 sought. In the case of S corporations, part-  
13 nerships, estates, and trusts, such notice  
14 shall be made at the entity level.

15 “(ii) DISCLOSURE LIMITED TO PERTI-  
16 NENT PORTION.—The only portion of a re-  
17 turn or return information described in  
18 clause (i) which may be disclosed under  
19 subparagraph (A) is that portion of such  
20 return or return information that directly  
21 relates to the resolution of an issue in such  
22 proceeding.

23 “(iii) EXCEPTIONS.—Clause (i) shall  
24 not apply to—

1           “(I) any ex parte proceeding for  
2           obtaining a search warrant, order for  
3           entry on premises or safe deposit  
4           boxes, or similar ex parte proceeding,

5           “(II) disclosure of third party re-  
6           turn information by indictment or  
7           criminal information, or

8           “(III) if the Secretary determines  
9           that the application of such clause  
10          would seriously impair a criminal tax  
11          investigation.”.

12          (b) CONFORMING AMENDMENTS.—Paragraph (4) of  
13 section 6103(h) is amended by—

14           (1) by striking “PROCEEDINGS.—A return” and  
15           inserting “PROCEEDINGS.—

16           “(A) IN GENERAL.—Except as provided in  
17           subparagraph (B), a return”;

18           (2) by redesignating subparagraphs (A), (B),  
19           (C), and (D) clauses (i), (ii), (iii), and (iv), respec-  
20           tively; and

21           (3) in the matter following clause (iv) (as so re-  
22           designated), by striking “subparagraph (A), (B), or  
23           (C)” and inserting “clause (i), (ii), or (iii)” and by  
24           moving such matter 2 ems to the right.

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

4 **SEC. 404. PROHIBITION OF DISCLOSURE OF TAXPAYER**  
5 **IDENTIFICATION INFORMATION WITH RE-**  
6 **SPECT TO DISCLOSURE OF ACCEPTED OF-**  
7 **FERS-IN-COMPROMISE.**

8 (a) IN GENERAL.—Paragraph (1) of section 6103(k)  
9 (relating to disclosure of certain returns and return infor-  
10 mation for tax administrative purposes) is amended by in-  
11 serting “(other than the tax payer’s address and TIN)”  
12 after “Return information”.

13 (b) EFFECTIVE DATE.—The amendment made by  
14 this section shall apply to disclosures made after the date  
15 of the enactment of this Act.

16 **SEC. 405. COMPLIANCE BY CONTRACTORS WITH CONFIDEN-**  
17 **TIALITY SAFEGUARDS.**

18 (a) IN GENERAL.—Section 6103(p) (relating to State  
19 law requirements) is amended by adding at the end the  
20 following new paragraph:

21 “(9) DISCLOSURE TO CONTRACTORS.—Notwith-  
22 standing any other provision of this section, no re-  
23 turn or return information shall be disclosed by any  
24 officer or employee of any Federal agency or State

1 to any contractor of such agency or State unless  
2 such agency or State—

3 “(A) has requirements in effect which re-  
4 quire each contractor of such agency or State  
5 which would have access to returns or return  
6 information to provide safeguards (within the  
7 meaning of paragraph (4)) to protect the con-  
8 fidentiality of such returns or return informa-  
9 tion,

10 “(B) agrees to conduct an annual, on-site  
11 review (mid-point review in the case of con-  
12 tracts of less than 1 year in duration) of each  
13 contractor to determine compliance with such  
14 requirements,

15 “(C) submits the findings of the most re-  
16 cent review conducted under subparagraph (B)  
17 to the Secretary as part of the report required  
18 by paragraph (4)(E), and

19 “(D) certifies to the Secretary for the most  
20 recent annual period that all contractors are in  
21 compliance with all such requirements.

22 The certification required by subparagraph (D) shall  
23 include the name and address of each contractor, a  
24 description of the contract of the contractor with the

1 Federal agency or State, and the duration of such  
2 contract.”.

3 (b) CONFORMING AMENDMENT.—Subparagraph (B)  
4 of section 6103(p)(8) is amended by inserting “or para-  
5 graph (9)” after “subparagraph (A)”.

6 (c) EFFECTIVE DATE.—

7 (1) IN GENERAL.—The amendments made by  
8 this section shall apply to disclosures made after De-  
9 cember 31, 2002.

10 (2) CERTIFICATIONS.—The first certification  
11 under section 6103(p)(9)(D) of the Internal Revenue  
12 Code of 1986, as added by subsection (a), shall be  
13 made with respect to calendar year 2003.

14 **SEC. 406. HIGHER STANDARDS FOR REQUESTS FOR AND**  
15 **CONSENTS TO DISCLOSURE.**

16 (a) IN GENERAL.—Subsection (c) of section 6103  
17 (relating to disclosure of returns and return information  
18 to designee of taxpayer) is amended by adding at the end  
19 the following new paragraphs:

20 “(2) REQUIREMENTS FOR VALID REQUESTS  
21 AND CONSENTS.—A request for or consent to disclo-  
22 sure under paragraph (1) shall only be valid for pur-  
23 poses of this section or sections 7213, 7213A, or  
24 7431 if—

1           “(A) at the time of execution, such request  
2 or consent designates a recipient of such disclo-  
3 sure and is dated, and

4           “(B) at the time such request or consent  
5 is submitted to the Secretary, the submitter of  
6 such request or consent certifies, under penalty  
7 of perjury, that such request or consent com-  
8 plied with subparagraph (A).

9           “(3) RESTRICTIONS ON PERSONS OBTAINING  
10 INFORMATION.—Any person shall, as a condition for  
11 receiving return or return information under para-  
12 graph (1)—

13           “(A) ensure that such return and return  
14 information is kept confidential,

15           “(B) use such return and return informa-  
16 tion only for the purpose for which it was re-  
17 quested, and

18           “(C) not disclose such return and return  
19 information except to accomplish the purpose  
20 for which it was requested, unless a separate  
21 consent from the taxpayer is obtained.

22           “(4) REQUIREMENTS FOR FORM PRESCRIBED  
23 BY SECRETARY.—For purposes of this subsection,  
24 the Secretary shall prescribe a form for requests and  
25 consents which shall—

1           “(A) contain a warning, prominently dis-  
2           played, informing the taxpayer that the form  
3           should not be signed unless it is completed,

4           “(B) state that if the taxpayer believes  
5           there is an attempt to coerce him to sign an in-  
6           complete or blank form, the taxpayer should re-  
7           port the matter to the Treasury Inspector Gen-  
8           eral for Tax Administration, and

9           “(C) contain the address and telephone  
10          number of the Treasury Inspector General for  
11          Tax Administration.”.

12          (b) REPORT.—Not later than 18 months after the  
13          date of the enactment of this Act, the Treasury Inspector  
14          General for Tax Administration shall submit a report to  
15          the Congress on compliance with the designation and cer-  
16          tification requirements applicable to requests for or con-  
17          sent to disclosure of returns and return information under  
18          section 6103(c) of the Internal Revenue Code of 1986, as  
19          amended by subsection (a). Such report shall—

20                  (1) evaluate (on the basis of random sampling)  
21          whether—

22                          (A) the amendments made by subsection  
23                  (a) are achieving the purposes of this section;

1 (B) requesters and submitters for such dis-  
2 closure are continuing to evade the purposes of  
3 this section and, if so, how; and

4 (C) the sanctions for violations of such re-  
5 quirements are adequate; and

6 (2) include such recommendations that the  
7 Treasury Inspector General for Tax Administration  
8 considers necessary or appropriate to better achieve  
9 the purposes of this section.

10 (c) CONFORMING AMENDMENT.—Section 6103(c) is  
11 amended by striking “TAXPAYER.—The Secretary” and  
12 inserting “TAXPAYER.—

13 “(1) IN GENERAL.—The Secretary”.

14 (d) EFFECTIVE DATE.—The amendments made by  
15 this section shall apply to requests and consents made  
16 after 3 months after the date of the enactment of this  
17 Act.

18 **SEC. 407. NOTICE TO TAXPAYER CONCERNING ADMINIS-**  
19 **TRATIVE DETERMINATION OF BROWSING; AN-**  
20 **NUAL REPORT.**

21 (a) NOTICE TO TAXPAYER.—Subsection (e) of section  
22 7431 (relating to notification of unlawful inspection and  
23 disclosure) is amended by adding at the end the following:  
24 “The Secretary shall also notify such taxpayer if the  
25 Treasury Inspector General for Tax Administration deter-

1 mines that such taxpayer’s return or return information  
2 was inspected or disclosed in violation of any of the provi-  
3 sions specified in paragraph (1), (2), or (3).”.

4 (b) REPORTS.—Subsection (p) of section 6103 (relat-  
5 ing to procedure and recordkeeping), as amended by sec-  
6 tion 405, is further amended by adding at the end the  
7 following new paragraph:

8 “(10) REPORT ON UNAUTHORIZED DISCLOSURE  
9 AND INSPECTION.—As part of the report required by  
10 paragraph (3)(C) for each calendar year, the Sec-  
11 retary shall furnish information regarding the unau-  
12 thorized disclosure and inspection of returns and re-  
13 turn information, including the number, status, and  
14 results of—

15 “(A) administrative investigations,

16 “(B) civil lawsuits brought under section  
17 7431 (including the amounts for which such  
18 lawsuits were settled and the amounts of dam-  
19 ages awarded), and

20 “(C) criminal prosecutions.”.

21 (c) EFFECTIVE DATE.—

22 (1) NOTICE.—The amendment made by sub-  
23 section (a) shall apply to determinations made after  
24 the date of the enactment of this Act.

1           (2) REPORTS.—The amendment made by sub-  
2           section (b) shall apply to calendar years ending after  
3           the date of the enactment of this Act.

4 **SEC. 408. EXPANDED DISCLOSURE IN EMERGENCY CIR-**  
5 **CUMSTANCES.**

6           (a) IN GENERAL.—Section 6103(i)(3)(B) (relating to  
7           danger of death or physical injury) is amended by striking  
8           “or State” and inserting “, State, or local”.

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

12 **SEC. 409. DISCLOSURE OF TAXPAYER IDENTITY FOR TAX**  
13 **REFUND PURPOSES.**

14          (a) IN GENERAL.—Paragraph (1) of section 6103(m)  
15          (relating to disclosure of taxpayer identity information) is  
16          amended by striking “and other media” and by inserting  
17          “, other media, and through any other means of mass  
18          communication,”.

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

1           **TITLE V—MISCELLANEOUS**

2   **SEC. 501. CLARIFICATION OF DEFINITION OF CHURCH TAX**  
3           **INQUIRY.**

4           Subsection (i) of section 7611 (relating to section not  
5 to apply to criminal investigations, etc.) is amended by  
6 striking “or” at the end of paragraph (4), by striking the  
7 period at the end of paragraph (5) and inserting “, or”,  
8 and by inserting after paragraph (5) the following:

9                   “(6) information provided by the Secretary re-  
10           lated to the standards for exemption from tax under  
11           this title and the requirements under this title relat-  
12           ing to unrelated business taxable income.”.

13   **SEC. 502. EXPANSION OF DECLARATORY JUDGMENT REM-**  
14           **EDY TO TAX-EXEMPT ORGANIZATIONS.**

15           (a) IN GENERAL.—Paragraph (1) of section 7428(a)  
16 (relating to creation of remedy) is amended—

17                   (1) in subparagraph (B) by inserting after  
18           “509(a)” the following: “or as a private operating  
19           foundation (as defined in section 4942(j)(3))”; and

20                   (2) by amending subparagraph (C) to read as  
21           follows:

22                           “(C) with respect to the initial qualifica-  
23           tion or continuing qualification of an organiza-  
24           tion as an organization described in section

1           501(c) (other than paragraph (3)) which is ex-  
2           empt from tax under section 501(a), or”.

3           (b) COURT JURISDICTION.—Subsection (a) of section  
4 7428 is amended in the material following paragraph (2)  
5 by striking “United States Tax Court, the United States  
6 Claims Court, or the district court of the United States  
7 for the District of Columbia” and inserting the following:  
8 “United States Tax Court (in the case of any such deter-  
9 mination or failure) or the United States Claims Court  
10 or the district court of the United States for the District  
11 of Columbia (in the case of a determination or failure with  
12 respect to an issue referred to in subparagraph (A) or (B)  
13 of paragraph (1)),”.

14           (c) FAILURE OF SERVICE TO ACT ON DETERMINA-  
15 TIONS TREATED AS EXHAUSTION OF REMEDIES.—The  
16 second sentence of paragraph (2) of section 7428(b) (re-  
17 lating to exhaustion of administrative remedies) is amend-  
18 ed to read as follows: “An organization which requests the  
19 determination of an issue referred to in subsection (a)(1)  
20 and which has taken, in a timely manner, all reasonable  
21 steps to secure such determination, shall be deemed to  
22 have exhausted its administrative remedies with respect  
23 to—

24                           “(A) a failure by the Secretary to make a  
25                           determination with respect to such issue, at the

1 expiration of 270 days after the date on which  
2 the request for such determination was made,  
3 and

4 “(B) a failure by any office of the Internal  
5 Revenue Service (other than the office which is  
6 responsible for initial determinations with re-  
7 spect to such issue) to make a determination  
8 with respect to such issue, at the expiration of  
9 450 days after the date on which such request  
10 was made.”.

11 (d) EFFECTIVE DATES.—

12 (1) DECLARATORY JUDGMENT.—The amend-  
13 ments made by subsections (a) and (b) shall apply  
14 to pleadings filed with respect to determinations (or  
15 requests for determinations) made after the date of  
16 the enactment of this Act.

17 (2) FAILURE OF SERVICE TO ACT.—The  
18 amendments made by subsection (c) shall apply to  
19 applications received in the national office of the In-  
20 ternal Revenue Service after the date of the enact-  
21 ment of this Act.

22 **SEC. 503. EMPLOYEE MISCONDUCT REPORT TO INCLUDE**  
23 **SUMMARY OF COMPLAINTS BY CATEGORY.**

24 (a) IN GENERAL.—Clause (ii) of section  
25 7803(d)(2)(A) is amended by inserting before the semi-

1 colon at the end the following: “, including a summary  
2 (by category) of the 10 most common complaints made  
3 and the number of such common complaints”.

4 (b) EFFECTIVE DATE.—The amendment made by  
5 subsection (a) shall apply with respect to reporting periods  
6 ending after the date of the enactment of this Act.

7 **SEC. 504. ANNUAL REPORT ON AWARDS OF COSTS AND**  
8 **CERTAIN FEES IN ADMINISTRATIVE AND**  
9 **COURT PROCEEDINGS.**

10 Not later than 3 months after the close of each Fed-  
11 eral fiscal year after fiscal year 2001, the Treasury In-  
12 spector General for Tax Administration shall submit a re-  
13 port to Congress which specifies for such year—

14 (1) the number of payments made by the  
15 United States pursuant to section 7430 of the Inter-  
16 nal Revenue Code of 1986 (relating to awarding of  
17 costs and certain fees);

18 (2) the amount of each such payment;

19 (3) an analysis of any administrative issue giv-  
20 ing rise to such payments; and

21 (4) changes (if any) which will be implemented  
22 as a result of such analysis and other changes (if  
23 any) recommended by the Treasury Inspector Gen-  
24 eral for Tax Administration as a result of such anal-  
25 ysis.

1 **SEC. 505. ANNUAL REPORT ON ABATEMENT OF PENALTIES.**

2 Not later than 6 months after the close of each Fed-  
3 eral fiscal year after fiscal year 2001, the Treasury In-  
4 spector General for Tax Administration shall submit a re-  
5 port to Congress on abatements of penalties under the In-  
6 ternal Revenue Code of 1986 during such year, including  
7 information on the reasons and criteria for such abate-  
8 ments.

9 **SEC. 506. BETTER MEANS OF COMMUNICATING WITH TAX-**  
10 **PAYERS.**

11 Not later than 18 months after the date of the enact-  
12 ment of this Act, the Treasury Inspector General for Tax  
13 Administration shall submit a report to Congress evalu-  
14 ating whether technological advances, such as e-mail and  
15 facsimile transmission, permit the use of alternative  
16 means for the Internal Revenue Service to communicate  
17 with taxpayers.

18 **SEC. 507. EXPLANATION OF STATUTE OF LIMITATIONS AND**  
19 **CONSEQUENCES OF FAILURE TO FILE.**

20 The Secretary of the Treasury or the Secretary's del-  
21 egate shall, as soon as practicable but not later than 180  
22 days after the date of the enactment of this Act, revise  
23 the statement required by section 6227 of the Omnibus  
24 Taxpayer Bill of Rights (Internal Revenue Service Publi-  
25 cation No. 1), and any instructions booklet accompanying  
26 a general income tax return form for taxable years begin-

1 ning in 2000 and later (including forms 1040, 1040A,  
2 1040EZ, and any similar or successor forms relating  
3 thereto), to provide for an explanation of—

4 (1) the limitations imposed by section 6511 of  
5 the Internal Revenue Code of 1986 on credits and  
6 refunds; and

7 (2) the consequences under such section 6511  
8 of the failure to file a return of tax.

9 **SEC. 508. AMENDMENT TO TREASURY AUCTION REFORMS.**

10 (a) IN GENERAL.—Clause (i) of section 202(c)(4)(B)  
11 of the Government Securities Act Amendments of 1993  
12 (31 U.S.C. 3121 note) is amended by inserting before the  
13 semicolon “(or, if earlier, at the time the Secretary re-  
14 leases the minutes of the meeting in accordance with para-  
15 graph (2))”.

16 (b) EFFECTIVE DATE.—The amendment made by  
17 subsection (a) shall apply to meetings held after the date  
18 of the enactment of this Act.

19 **SEC. 509. ENROLLED AGENTS.**

20 (a) IN GENERAL.—Chapter 77 (relating to miscella-  
21 neous provisions) is amended by adding at the end the  
22 following new section:

23 **“SEC. 7527. ENROLLED AGENTS.**

24 “(a) IN GENERAL.—The Secretary may prescribe  
25 such regulations as may be necessary to regulate the con-

1 duct of enrolled agents in regards to their practice before  
2 the Internal Revenue Service.

3 “(b) USE OF CREDENTIALS.—Any enrolled agents  
4 properly licensed to practice as required under rules pro-  
5 mulgated under section (a) herein shall be allowed to use  
6 the credentials or designation as ‘enrolled agent’, ‘EA’, or  
7 ‘E.A.’.”

8 (b) CLERICAL AMENDMENT.—The table of sections  
9 for chapter 77 is amended by adding at the end the fol-  
10 lowing new item:

“Sec. 7525. Enrolled agents.”

11 (c) PRIOR REGULATIONS.—Nothing in the amend-  
12 ments made by this section shall be construed to have any  
13 effect on part 10 of title 31, Code of Federal Regulations,  
14 or any other Federal rule or regulation issued before the  
15 date of the enactment of this Act.

## 16 **TITLE VI—AUTHORIZATION OF** 17 **APPROPRIATION**

### 18 **SEC. 601. LOW-INCOME TAXPAYER CLINICS.**

19 (a) LIMITATION ON AMOUNT OF GRANTS.—Para-  
20 graph (1) of section 7526(c) (relating to special rules and  
21 limitations) is amended by striking “\$6,000,000 per year”  
22 and inserting “\$9,000,000 for 2002, \$12,000,000 for  
23 2003, and \$15,000,000 for each year thereafter”.

1           (b) LIMITATION ON USE OF CLINICS FOR TAX RE-  
2 TURN PREPARATION.—Section 7526(b)(1) is amended by  
3 adding at the end the following new subparagraph:

4                       “(C) LIMITATION REGARDING TAX RETURN  
5 PREPARATION.—A clinic meets the require-  
6 ments of subparagraph (A)(ii)(II) if the pro-  
7 grams operated by the clinic do not include rou-  
8 tine tax return preparation.”.

9           (c) PROMOTION OF CLINICS.—Section 7526(c) is  
10 amended by adding at the end the following new para-  
11 graph:

12                       “(7) PROMOTION OF CLINICS.—The Secretary  
13 is authorized to promote the benefits of and encour-  
14 age the use of low-income taxpayer clinics through  
15 the use of mass communications, referrals, and other  
16 means.”.

○