

107TH CONGRESS
1ST SESSION

S. 802

To assist low income taxpayers in preparing and filing their tax returns and to protect taxpayers from unscrupulous refund anticipation loan providers, and for other purposes.

IN THE SENATE OF THE UNITED STATES

APRIL 30, 2001

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

A BILL

To assist low income taxpayers in preparing and filing their tax returns and to protect taxpayers from unscrupulous refund anticipation loan providers, 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.**

4 This Act may be cited as the “Low Income Taxpayer
5 Protection Act of 2001”.

1 **SEC. 2. REGULATION OF INCOME TAX RETURN PREPARERS**
2 **AND REFUND ANTICIPATION LOAN PRO-**
3 **VIDERS.**

4 (a) DEFINITIONS.—In this Act:

5 (1) INCOME TAX RETURN PREPARER.—

6 (A) IN GENERAL.—The term “income tax
7 return preparer” means any individual who is
8 an income tax return preparer (within the
9 meaning of section 7701(a)(36) of the Internal
10 Revenue Code of 1986) who prepares not less
11 than 5 returns of tax imposed by subtitle A of
12 such Code or claims for refunds of tax imposed
13 by such subtitle A per taxable year.

14 (B) EXCEPTION.—Such term shall not in-
15 clude a federally authorized tax practitioner
16 within the meaning of section of 7526(a)(3) of
17 such Code.

18 (2) REFUND ANTICIPATION LOAN PROVIDER.—

19 The term “refund anticipation loan provider” means
20 a person who makes a loan of money or of any other
21 thing of value to a taxpayer because of the tax-
22 payer’s anticipated receipt of a Federal tax refund.

23 (3) SECRETARY.—The term “Secretary” means
24 the Secretary of the Treasury.

25 (b) REGULATIONS.—

26 (1) REGISTRATION REQUIRED.—

1 (A) IN GENERAL.—Not later than 120
2 days after the date of the enactment of this
3 Act, the Secretary shall promulgate regulations
4 that—

5 (i) require the registration of income
6 tax return preparers and of refund antici-
7 pation loan providers with the Secretary or
8 the designee of the Secretary, and

9 (ii) prohibit the payment of a refund
10 of tax to a refund anticipation loan pro-
11 vider or an income tax return preparer
12 that is the result of a tax return which is
13 prepared by the refund anticipation loan
14 provider or the income tax return preparer
15 which does not include the refund anticipa-
16 tion loan provider's or the income tax re-
17 turn preparer's registration number.

18 (B) NO DISCIPLINARY ACTION.—The regu-
19 lations shall require that an applicant for reg-
20 istration must not have demonstrated any con-
21 duct that would warrant disciplinary action
22 under part 10 of title 31, Code of Federal Reg-
23 ulations.

1 (C) BURDEN OF REGISTRATION.—In pro-
2 mulgating the regulations, the Secretary shall
3 minimize the burden and cost on the registrant.

4 (2) RULES OF CONDUCT.—All registrants shall
5 be subject to rules of conduct that are consistent
6 with the rules that govern federally authorized tax
7 practitioners.

8 (3) REASONABLE FEES AND INTEREST
9 RATES.—The Secretary, after consultation with any
10 expert as the Secretary deems appropriate, shall in-
11 clude in the regulations guidance on reasonable fees
12 and interest rates charged to taxpayers in connec-
13 tion with loans to taxpayers made by refund antici-
14 pation loan providers.

15 (4) RENEWAL OF REGISTRATION.—The regula-
16 tions shall determine the time frame required for re-
17 newal of registration and the manner in which a reg-
18 istered income tax return preparer or a registered
19 refund anticipation loan provider must renew such
20 registration.

21 (5) FEES.—

22 (A) IN GENERAL.—The Secretary may re-
23 quire the payment of reasonable fees for reg-
24 istration and for renewal of registration under
25 the regulations.

1 (B) PURPOSE OF FEES.—Any fees re-
2 quired under this paragraph shall inure to the
3 Secretary for the purpose of reimbursement of
4 the costs of administering the requirements of
5 the regulations.

6 (c) PROHIBITION.—Section 6695 of the Internal Rev-
7 enue Code of 1986 (relating to other assessable penalties
8 with respect to the preparation of income tax returns for
9 other persons) is amended by adding at the end the fol-
10 lowing new subsection:

11 “(h) ACTIONS ON A TAXPAYER’S BEHALF BY A NON-
12 REGISTERED PERSON.—Any person not registered pursu-
13 ant to the regulations promulgated by the Secretary under
14 the Low Income Taxpayer Protection Act of 2001 who—

15 “(1) prepares a tax return for another taxpayer
16 for compensation, or

17 “(2) provides a loan to a taxpayer that is linked
18 to or in anticipation of a tax refund for the tax-
19 payer,

20 shall be subject to a \$500 penalty for each incident of
21 noncompliance.”.

22 (d) COORDINATION WITH SECTION 6060(a).—The
23 Secretary shall determine whether the registration re-
24 quired under the regulations issued pursuant to this sec-

1 tion should be in lieu of the return requirements of section
2 6060.

3 (e) PAPERWORK REDUCTION.—The Secretary shall
4 minimize the amount of paperwork required of a income
5 tax return preparer or a refund anticipation loan provider
6 to meet the requirements of these regulations.

7 **SEC. 3. IMPROVED SERVICES FOR TAXPAYERS.**

8 (a) ELECTRONIC FILING EFFORTS.—

9 (1) IN GENERAL.—The Secretary shall focus
10 electronic filing efforts on benefiting the taxpayer
11 by—

12 (A) reducing the time between receipt of
13 an electronically filed return and remitting a re-
14 fund, if any,

15 (B) reducing the cost of filing a return
16 electronically,

17 (C) improving services provided by the In-
18 ternal Revenue Service to low and moderate in-
19 come taxpayers, and

20 (D) providing tax-related computer soft-
21 ware at no or nominal cost to low and moderate
22 income taxpayers.

23 (2) REPORT.—Not later than 120 days after
24 the date of the enactment of this Act, the Secretary

1 shall prepare and submit to Congress a report on
2 the efforts made pursuant to paragraph (1).

3 (b) VOLUNTEER INCOME TAX ASSISTANCE PRO-
4 GRAM.—

5 (1) STUDY.—The Secretary shall undertake a
6 study on the expansion of the volunteer income tax
7 assistance program to service more low income tax-
8 payers.

9 (2) REPORT.—Not later than 120 days after
10 the date of the enactment of this Act, the Secretary
11 shall prepare and submit to Congress a report on
12 the study conducted pursuant to paragraph (1).

13 (3) AUTHORIZATION OF APPROPRIATIONS.—

14 (A) IN GENERAL.—There is authorized to
15 be appropriated to the Secretary for volunteer
16 income tax assistance clinics \$6,000,000, to re-
17 main available until expended.

18 (B) USE OF FUNDS.—Such amounts ap-
19 propriated under subparagraph (A) shall be
20 used for the operating expenses of volunteer in-
21 come tax assistance clinics, expenses for pro-
22 viding electronic filing expenditures through
23 such clinics, and related expenses.

1 (c) TELE-FILING.—The Secretary shall ensure that
2 tele-filing is available for all taxpayers for the filing of tax
3 returns with respect to taxable years beginning in 2001.

4 (d) DEPOSIT INDICATOR PROGRAM.—

5 (1) REVIEW.—The Secretary shall review the
6 decision to reinstate the Deposit Indicator program.

7 (2) REPORT.—Not later than 120 days after
8 the date of the enactment of this Act, the Secretary
9 shall prepare and submit to Congress a report on
10 the review made pursuant to paragraph (1).

11 (e) DIRECT DEPOSIT ACCOUNTS.—The Secretary
12 shall allocate resources to programs to assist low income
13 taxpayers in establishing accounts at financial institutions
14 that receive direct deposits from the United States Treas-
15 ury.

16 (f) PILOT PROGRAM FOR MOBILE TAX RETURN FIL-
17 ING OFFICES.—

18 (1) IN GENERAL.—The Secretary shall establish
19 a pilot program for the creation of four mobile tax
20 return filing offices with electronic filing capabilities.

21 (2) LOCATION OF SERVICE.—

22 (A) IN GENERAL.—The mobile tax return
23 filing offices shall be located in communities
24 that the Secretary determines have a high inci-

1 dence of taxpayers claiming the earned income
2 tax credit.

3 (B) INDIAN RESERVATION.—At least one
4 mobile tax return filing office shall be on or
5 near an Indian reservation (as defined in sec-
6 tion 168(j)(6) of the Internal Revenue Code of
7 1986).

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