

110TH CONGRESS  
1ST SESSION

# S. 1025

To promote freedom, fairness, and economic opportunity by repealing the income tax and other taxes, abolishing the Internal Revenue Service, and enacting a national sales tax to be administered primarily by the States.

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## IN THE SENATE OF THE UNITED STATES

MARCH 29, 2007

Mr. CHAMBLISS (for himself, Mr. ISAKSON, Mr. CORNYN, and Mr. COBURN) introduced the following bill; which was read twice and referred to the Committee on Finance

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## A BILL

To promote freedom, fairness, and economic opportunity by repealing the income tax and other taxes, abolishing the Internal Revenue Service, and enacting a national sales tax to be administered primarily by the States.

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; TABLE OF CONTENTS.**

4 (a) SHORT TITLE.—This Act may be cited as the  
5 “Fair Tax Act of 2007”.

6 (b) TABLE OF CONTENTS.—The table of contents for  
7 this Act is as follows:

- Sec. 1. Short title; table of contents.  
 Sec. 2. Congressional findings.

TITLE I—REPEAL OF THE INCOME TAX, PAYROLL TAXES, AND  
 ESTATE AND GIFT TAXES

- Sec. 101. Income taxes repealed.  
 Sec. 102. Payroll taxes repealed.  
 Sec. 103. Estate and gift taxes repealed.  
 Sec. 104. Conforming amendments; effective date.

TITLE II—SALES TAX ENACTED

- Sec. 201. Sales tax.  
 Sec. 202. Conforming and technical amendments.

TITLE III—OTHER MATTERS

- Sec. 301. Phase-out of administration of repealed Federal taxes.  
 Sec. 302. Administration of other Federal taxes.  
 Sec. 303. Sales tax inclusive Social Security benefits indexation.

1 **SEC. 2. CONGRESSIONAL FINDINGS.**

2 (a) FINDINGS RELATING TO FEDERAL INCOME

3 TAX.—Congress finds the Federal income tax—

4 (1) retards economic growth and has reduced  
 5 the standard of living of the American public;

6 (2) impedes the international competitiveness of  
 7 United States industry;

8 (3) reduces savings and investment in the  
 9 United States by taxing income multiple times;

10 (4) slows the capital formation necessary for  
 11 real wages to steadily increase;

12 (5) lowers productivity;

13 (6) imposes unacceptable and unnecessary ad-  
 14 ministrative and compliance costs on individual and  
 15 business taxpayers;

16 (7) is unfair and inequitable;

1           (8) unnecessarily intrudes upon the privacy and  
2           civil rights of United States citizens;

3           (9) hides the true cost of government by embed-  
4           ding taxes in the costs of everything Americans buy;

5           (10) is not being complied with at satisfactory  
6           levels and therefore raises the tax burden on law  
7           abiding citizens; and

8           (11) impedes upward social mobility.

9           (b) FINDINGS RELATING TO FEDERAL PAYROLL  
10          TAXES.—Congress finds further that the Social Security  
11          and Medicare payroll taxes and self-employment taxes—

12           (1) raise the cost of employment;

13           (2) destroy jobs and cause unemployment; and

14           (3) have a disproportionately adverse impact on  
15          lower income Americans.

16          (c) FINDINGS RELATING TO FEDERAL ESTATE AND  
17          GIFT TAXES.—Congress finds further that the Federal es-  
18          tate and gift taxes—

19           (1) force family businesses and farms to be sold  
20          by the family to pay such taxes;

21           (2) discourage capital formation and entrepre-  
22          neurship;

23           (3) foster the continued dominance of large en-  
24          terprises over small family-owned companies and  
25          farms; and

1           (4) impose unacceptably high tax planning costs  
2           on small businesses and farms.

3           (d) FINDINGS RELATING TO NATIONAL SALES  
4 TAX.—Congress finds further that a broad-based national  
5 sales tax on goods and services purchased for final con-  
6 sumption—

7           (1) is similar in many respects to the sales and  
8           use taxes in place in 45 of the 50 States;

9           (2) will promote savings and investment;

10          (3) will promote fairness;

11          (4) will promote economic growth;

12          (5) will raise the standard of living;

13          (6) will increase investment;

14          (7) will enhance productivity and international  
15          competitiveness;

16          (8) will reduce administrative burdens on the  
17          American taxpayer;

18          (9) will improve upward social mobility; and

19          (10) will respect the privacy interests and civil  
20          rights of taxpayers.

21          (e) FINDINGS RELATING TO ADMINISTRATION OF  
22 NATIONAL SALES TAX.—Congress further finds that—

23          (1) most of the practical experience admin-  
24          istering sales taxes is found at the State govern-  
25          mental level;

1           (2) it is desirable to harmonize Federal and  
2           State collection and enforcement efforts to the max-  
3           imum extent possible;

4           (3) it is sound tax administration policy to fos-  
5           ter administration and collection of the Federal sales  
6           tax at the State level in return for a reasonable ad-  
7           ministration fee to the States; and

8           (4) businesses that must collect and remit taxes  
9           should receive reasonable compensation for the cost  
10          of doing so.

11          (f) FINDINGS RELATING TO REPEAL OF PRESENT  
12 FEDERAL TAX SYSTEM.—Congress further finds that the  
13 16th amendment to the United States Constitution should  
14 be repealed.

15 **TITLE I—REPEAL OF THE IN-**  
16 **COME TAX, PAYROLL TAXES,**  
17 **AND ESTATE AND GIFT TAXES**

18 **SEC. 101. INCOME TAXES REPEALED.**

19          Subtitle A of the Internal Revenue Code of 1986 (re-  
20 lating to income taxes and self-employment taxes) is re-  
21 pealed.

22 **SEC. 102. PAYROLL TAXES REPEALED.**

23          (a) IN GENERAL.—Subtitle C of the Internal Rev-  
24 enue Code of 1986 (relating to payroll taxes and with-  
25 holding of income taxes) is repealed.

1 (b) FUNDING OF SOCIAL SECURITY.—For funding of  
2 the Social Security Trust Funds from general revenue, see  
3 section 201 of the Social Security Act (42 U.S.C. 401).

4 **SEC. 103. ESTATE AND GIFT TAXES REPEALED.**

5 Subtitle B of the Internal Revenue Code of 1986 (re-  
6 lating to estate and gift taxes) is repealed.

7 **SEC. 104. CONFORMING AMENDMENTS; EFFECTIVE DATE.**

8 (a) CONFORMING AMENDMENTS.—The Internal Rev-  
9 enue Code of 1986 is amended—

10 (1) by striking subtitle H (relating to financing  
11 of Presidential election campaigns), and

12 (2) by redesignating—

13 (A) subtitle D (relating to miscellaneous  
14 excise taxes) as subtitle B,

15 (B) subtitle E (relating to alcohol, tobacco,  
16 and certain other excise taxes) as subtitle C,

17 (C) subtitle F (relating to procedure and  
18 administration) as subtitle D,

19 (D) subtitle G (relating to the Joint Com-  
20 mittee on Taxation) as subtitle E,

21 (E) subtitle I (relating to the Trust Fund  
22 Code) as subtitle F,

23 (F) subtitle J (relating to coal industry  
24 health benefits) as subtitle G, and

1 (G) subtitle K (relating to group health  
2 plan portability, access, and renewability re-  
3 quirements) as subtitle H.

4 (b) REDESIGNATION OF 1986 CODE.—

5 (1) IN GENERAL.—The Internal Revenue Code  
6 of 1986 enacted on October 22, 1986, as heretofore,  
7 hereby, or hereafter amended, may be cited as the  
8 Internal Revenue Code of 2007.

9 (2) REFERENCES IN LAWS, ETC.—Except when  
10 inappropriate, any reference in any law, Executive  
11 order, or other document—

12 (A) to the Internal Revenue Code of 1986  
13 shall include a reference to the Internal Rev-  
14 enue Code of 2007, and

15 (B) to the Internal Revenue Code of 2007  
16 shall include a reference to the provisions of law  
17 formerly known as the Internal Revenue Code  
18 of 1986.

19 (c) ADDITIONAL AMENDMENTS.—For additional con-  
20 forming amendments, see section 202 of this Act.

21 (d) EFFECTIVE DATE.—Except as otherwise pro-  
22 vided in this Act, the amendments made by this Act shall  
23 take effect on January 1, 2009.

1 **TITLE II—SALES TAX ENACTED**

2 **SEC. 201. SALES TAX.**

3 (a) IN GENERAL.—The Internal Revenue Code of  
 4 2007 is amended by inserting before subtitle B (as reded-  
 5 igned by section 104(a)(2)(A)) the following new sub-  
 6 title:

7 **“Subtitle A—Sales Tax**

“Sec. 1. Principles of interpretation.

“Sec. 2. Definitions.

“CHAPTER 1. INTERPRETATION; DEFINITIONS; IMPOSITION OF TAX; ETC.

“CHAPTER 2. CREDITS; REFUNDS

“CHAPTER 3. FAMILY CONSUMPTION ALLOWANCE

“CHAPTER 4. STATE AND FEDERAL COOPERATIVE TAX ADMINISTRATION

“CHAPTER 5. OTHER ADMINISTRATIVE PROVISIONS

“CHAPTER 6. COLLECTION; APPEALS; TAXPAYER RIGHTS

“CHAPTER 7. SPECIAL RULES

“CHAPTER 8. FINANCIAL INTERMEDIATION SERVICES

“CHAPTER 9. ADDITIONAL MATTERS

8 **“SEC. 1. PRINCIPLES OF INTERPRETATION.**

9 “(a) IN GENERAL.—Any court, the Secretary, and  
 10 any sales tax administering authority shall consider the  
 11 purposes of this subtitle (as set forth in subsection (b))  
 12 as the primary aid in statutory construction.

13 “(b) PURPOSES.—The purposes of this subtitle are  
 14 as follows:

1           “(1) To raise revenue needed by the Federal  
2           Government in a manner consistent with the other  
3           purposes of this subtitle.

4           “(2) To tax all consumption of goods and serv-  
5           ices in the United States once, without exception,  
6           but only once.

7           “(3) To prevent double, multiple, or cascading  
8           taxation.

9           “(4) To simplify the tax law and reduce the ad-  
10          ministration costs of, and the costs of compliance  
11          with, the tax law.

12          “(5) To provide for the administration of the  
13          tax law in a manner that respects privacy, due proc-  
14          ess, individual rights when interacting with the gov-  
15          ernment, the presumption of innocence in criminal  
16          proceedings, and the presumption of lawful behavior  
17          in civil proceedings.

18          “(6) To increase the role of State governments  
19          in Federal tax administration because of State gov-  
20          ernment expertise in sales tax administration.

21          “(7) To enhance generally cooperation and co-  
22          ordination among State tax administrators; and to  
23          enhance cooperation and coordination among Fed-  
24          eral and State tax administrators, consistent with  
25          the principle of intergovernmental tax immunity.

1       “(c) SECONDARY AIDS TO STATUTORY CONSTRUC-  
 2 TION.—As a secondary aid in statutory construction, any  
 3 court, the Secretary, and any sales tax administering au-  
 4 thority shall consider—

5           “(1) the common law canons of statutory con-  
 6 struction;

7           “(2) the meaning and construction of concepts  
 8 and terms used in the Internal Revenue Code of  
 9 1986 as in effect before the effective date of this  
 10 subtitle; and

11           “(3) construe any ambiguities in this Act in  
 12 favor of reserving powers to the States respectively,  
 13 or to the people.

14 **“SEC. 2. DEFINITIONS.**

15       “(a) IN GENERAL.—For purposes of this subtitle—

16           “(1) AFFILIATED FIRMS.—A firm is affiliated  
 17 with another if 1 firm owns 50 percent or more of—

18           “(A) the voting shares in a corporation, or

19           “(B) the capital interests of a business  
 20 firm that is not a corporation.

21           “(2) CONFORMING STATE SALES TAX.—The  
 22 term ‘conforming State sales tax’ means a sales tax  
 23 imposed by a State that adopts the same definition  
 24 of taxable property and services as adopted by this  
 25 subtitle.

1           “(3) DESIGNATED COMMERCIAL PRIVATE COU-  
2           RIER SERVICE.—The term ‘designated commercial  
3           private courier service’ means a firm designated as  
4           such by the Secretary or any sales tax administering  
5           authority, upon application of the firm, if the firm—

6                   “(A) provides its services to the general  
7           public,

8                   “(B) records electronically to its data base  
9           kept in the regular course of its business the  
10          date on which an item was given to such firm  
11          for delivery, and

12                   “(C) has been operating for at least 1  
13          year.

14           “(4) EDUCATION AND TRAINING.—The term  
15          ‘education and training’ means tuition for primary,  
16          secondary, or postsecondary level education, and job-  
17          related training courses. Such term does not include  
18          room, board, sports activities, recreational activities,  
19          hobbies, games, arts or crafts or cultural activities.

20           “(5) GROSS PAYMENTS.—The term ‘gross pay-  
21          ments’ means payments for taxable property or serv-  
22          ices, including Federal taxes imposed by this title.

23           “(6) INTANGIBLE PROPERTY.—

24                   “(A) IN GENERAL.—The term ‘intangible  
25          property’ includes copyrights, trademarks, pat-

1           ents, goodwill, financial instruments, securities,  
2           commercial paper, debts, notes and bonds, and  
3           other property deemed intangible at common  
4           law. The Secretary shall, by regulation resolve  
5           differences among the provisions of common  
6           law of the several States.

7           “(B) CERTAIN TYPES OF PROPERTY.—  
8           Such term does not include tangible personal  
9           property (or rents or leaseholds of any term  
10          thereon), real property (or rents or leaseholds  
11          of any term thereon) and computer software.

12          “(7) PERSON.—The term ‘person’ means any  
13          natural person, and unless the context clearly does  
14          not allow it, any corporation, partnership, limited li-  
15          ability company, trust, estate, government, agency,  
16          administration, organization, association, or other  
17          legal entity (foreign or domestic.)

18          “(8) PRODUCE, PROVIDE, RENDER, OR SELL  
19          TAXABLE PROPERTY OR SERVICES.—

20          “(A) IN GENERAL.—A taxable property or  
21          service is used to produce, provide, render, or  
22          sell a taxable property or service if such prop-  
23          erty or service is purchased by a person en-  
24          gaged in a trade or business for the purpose of  
25          employing or using such taxable property or

1 service in the production, provision, rendering,  
2 or sale of other taxable property or services in  
3 the ordinary course of that trade or business.

4 “(B) RESEARCH, EXPERIMENTATION,  
5 TESTING, AND DEVELOPMENT.—Taxable prop-  
6 erty or services used in a trade or business for  
7 the purpose of research, experimentation, test-  
8 ing, and development shall be treated as used to  
9 produce, provide, render, or sell taxable prop-  
10 erty or services.

11 “(C) INSURANCE PAYMENTS.—Taxable  
12 property or services purchased by an insurer on  
13 behalf of an insured shall be treated as used to  
14 produce, provide, render, or sell taxable prop-  
15 erty or services if the premium for the insur-  
16 ance contract giving rise to the insurer’s obliga-  
17 tion was subject to tax pursuant to section 801  
18 (relating to financial intermediation services).

19 “(D) EDUCATION AND TRAINING.—Edu-  
20 cation and training shall be treated as services  
21 used to produce, provide, render, or sell taxable  
22 property or services.

23 “(9) REGISTERED SELLER.—The term ‘reg-  
24 istered seller’ means a person registered pursuant to  
25 section 502.

1           “(10) SALES TAX ADMINISTERING AUTHOR-  
2           ITY.—The term ‘sales tax administering authority’  
3           means—

4                   “(A) the State agency designated to collect  
5                   and administer the sales tax imposed by this  
6                   subtitle, in an administering State, or

7                   “(B) the Secretary, in a State that is nei-  
8                   ther—

9                           “(i) an administering State, nor

10                           “(ii) a State that has elected to have  
11                           its sales tax administered by an admin-  
12                           istering State.

13           “(11) SECRETARY.—The term ‘Secretary’  
14           means the Secretary of the Treasury.

15           “(12) TAXABLE EMPLOYER.—

16                   “(A) IN GENERAL.—The term ‘taxable em-  
17                   ployer’ includes—

18                           “(i) any household employing domes-  
19                           tic servants, and

20                           “(ii) any government except for gov-  
21                           ernment enterprises (as defined in section  
22                           704).

23                   “(B) EXCEPTIONS.—The term ‘taxable  
24                   employer’ does not include any employer which  
25                   is—

1 “(i) engaged in a trade or business,

2 “(ii) a not-for-profit organization (as  
3 defined in section 706), or

4 “(iii) a government enterprise (as de-  
5 fined in section 704).

6 “(C) CROSS REFERENCE.—For rules relat-  
7 ing to collection and remittance of tax on wages  
8 by taxable employers, see section 103(b)(2).

9 “(13) TAX INCLUSIVE FAIR MARKET VALUE.—  
10 The term ‘tax inclusive fair market value’ means the  
11 fair market value of taxable property or services plus  
12 the tax imposed by this subtitle.

13 “(14) TAXABLE PROPERTY OR SERVICE.—

14 “(A) GENERAL RULE.—The term ‘taxable  
15 property or service’ means—

16 “(i) any property (including leaseholds  
17 of any term or rents with respect to such  
18 property) but excluding—

19 “(I) intangible property, and

20 “(II) used property, and

21 “(ii) any service (including any finan-  
22 cial intermediation services as determined  
23 by section 801).

24 “(B) SERVICE.—For purposes of subpara-  
25 graph (A), the term ‘service’—

1           “(i) shall include any service per-  
2           formed by an employee for which the em-  
3           ployee is paid wages or a salary by a tax-  
4           able employer, and

5           “(ii) shall not include any service per-  
6           formed by an employee for which the em-  
7           ployee is paid wages or a salary—

8                       “(I) by an employer in the reg-  
9                       ular course of the employer’s trade or  
10                      business,

11                     “(II) by an employer that is a  
12                     not-for-profit organization (as defined  
13                     in section 706),

14                     “(III) by an employer that is a  
15                     government enterprise (as defined in  
16                     section 704), and

17                     “(IV) by taxable employers to  
18                     employees directly providing education  
19                     and training.

20           “(15) UNITED STATES.—The term ‘United  
21           States’, when used in the geographical sense, means  
22           each of the 50 states, the District of Columbia, and  
23           any commonwealth, territory, or possession of the  
24           United States.

1           “(16) USED PROPERTY.—The term ‘used prop-  
2           erty’ means—

3                   “(A) property on which the tax imposed by  
4                   section 101 has been collected and for which no  
5                   credit has been allowed under section 202, 203,  
6                   or 205, or

7                   “(B) property that was held other than for  
8                   a business purpose (as defined in section  
9                   102(b)) on December 31, 2008.

10           “(17) WAGES AND SALARY.—The terms ‘wage’  
11           and ‘salary’ mean all compensation paid for employ-  
12           ment service including cash compensation, employee  
13           benefits, disability insurance, or wage replacement  
14           insurance payments, unemployment compensation  
15           insurance, workers’ compensation insurance, and the  
16           fair market value of any other consideration paid by  
17           an employer to an employee in consideration for em-  
18           ployment services rendered.

19           “(b) CROSS REFERENCES.—

20                   “(1) For the definition of business purposes,  
21                   see section 102(b).

22                   “(2) For the definition of insurance contract,  
23                   see section 206(e).

24                   “(3) For the definition of qualified family, see  
25                   section 302.

1           “(4) For the definition of monthly poverty level,  
2           see section 303.

3           “(5) For the definition of large seller, see sec-  
4           tion 501(e)(3).

5           “(6) For the definition of hobby activities, see  
6           section 701.

7           “(7) For the definition of gaming sponsor, see  
8           section 701(a).

9           “(8) For the definition of a chance, see section  
10          701(b).

11          “(9) For the definition of government enter-  
12          prise, see section 704(b).

13          “(10) For the definition of mixed use property,  
14          see section 705.

15          “(11) For the definition of qualified not-for-  
16          profit organization, see section 706.

17          “(12) For the definition of financial intermedi-  
18          ation services, see section 801.

19                   **“CHAPTER 1—INTERPRETATION;**  
20                   **DEFINITIONS; IMPOSITION OF TAX; ETC.**

“Sec. 101. Imposition of sales tax.

“Sec. 102. Intermediate and export sales.

“Sec. 103. Rules relating to collection and remittance of tax.

21                   **“SEC. 101. IMPOSITION OF SALES TAX.**

22           “(a) IN GENERAL.—There is hereby imposed a tax  
23           on the use or consumption in the United States of taxable  
24           property or services.

1 “(b) RATE.—

2 “(1) FOR 2009.—In the calendar year 2009, the  
3 rate of tax is 23 percent of the gross payments for  
4 the taxable property or service.

5 “(2) FOR YEARS AFTER 2009.—For years after  
6 the calendar year 2009, the rate of tax is the com-  
7 bined Federal tax rate percentage (as defined in  
8 paragraph (3)) of the gross payments for the taxable  
9 property or service.

10 “(3) COMBINED FEDERAL TAX RATE PERCENT-  
11 AGE.—The combined Federal tax rate percentage is  
12 the sum of—

13 “(A) the general revenue rate (as defined  
14 in paragraph (4), and

15 “(B) the old-age, survivors and disability  
16 insurance rate, and

17 “(C) the hospital insurance rate.

18 “(4) GENERAL REVENUE RATE.—The general  
19 revenue rate shall be 14.91 percent.

20 “(c) COORDINATION WITH IMPORT DUTIES.—The  
21 tax imposed by this section is in addition to any import  
22 duties imposed by chapter 4 of title 19, United States  
23 Code. The Secretary shall provide by regulation that, to  
24 the maximum extent practicable, the tax imposed by this  
25 section on imported taxable property and services is col-

1 lected and administered in conjunction with any applicable  
2 import duties imposed by the United States.

3 “(d) LIABILITY FOR TAX.—

4 “(1) IN GENERAL.—The person using or con-  
5 suming taxable property or services in the United  
6 States is liable for the tax imposed by this section,  
7 except as provided in paragraph (2) of this sub-  
8 section.

9 “(2) EXCEPTION WHERE TAX PAID TO SELL-  
10 ER.—A person using or consuming a taxable prop-  
11 erty or service in the United States is not liable for  
12 the tax imposed by this section if the person pays  
13 the tax to a person selling the taxable property or  
14 service and receives from such person a purchaser’s  
15 receipt within the meaning of section 510.

16 **“SEC. 102. INTERMEDIATE AND EXPORT SALES.**

17 “(a) IN GENERAL.—For purposes of this subtitle—

18 “(1) BUSINESS AND EXPORT PURPOSES.—No  
19 tax shall be imposed under section 101 on any tax-  
20 able property or service purchased for—

21 “(A) a business purpose in a trade or busi-  
22 ness, or

23 “(B) export from the United States for use  
24 or consumption outside the United States, if,  
25 the purchaser provided the seller with a reg-

1           istration certificate, and the seller was a whole-  
2           sale seller.

3           “(2) INVESTMENT PURPOSE.—No tax shall be  
4           imposed under section 101 on any taxable property  
5           or service purchased for an investment purpose and  
6           held exclusively for an investment purpose.

7           “(3) STATE GOVERNMENT FUNCTIONS.—No tax  
8           shall be imposed under section 101 on State govern-  
9           ment functions that do not constitute the final con-  
10          sumption of property or services.

11          “(b) BUSINESS PURPOSES.—For purposes of this  
12          section, the term ‘purchased for a business purpose in a  
13          trade or business’ means purchased by a person engaged  
14          in a trade or business and used in that trade or business—

15                  “(1) for resale,

16                  “(2) to produce, provide, render, or sell taxable  
17          property or services, or

18                  “(3) in furtherance of other bona fide business  
19          purposes.

20          “(c) INVESTMENT PURPOSES.—For purposes of this  
21          section, the term ‘purchased for an investment purpose’  
22          means property purchased exclusively for purposes of ap-  
23          preciation or the production of income but not entailing  
24          more than minor personal efforts.

1 **“SEC. 103. RULES RELATING TO COLLECTION AND REMIT-**  
2 **TANCE OF TAX.**

3 “(a) **LIABILITY FOR COLLECTION AND REMITTANCE**  
4 **OF THE TAX.**—Except as provided otherwise by this sec-  
5 tion, any tax imposed by this subtitle shall be collected  
6 and remitted by the seller of taxable property or services  
7 (including financial intermediation services).

8 “(b) **TAX TO BE REMITTED BY PURCHASER IN CER-**  
9 **TAIN CIRCUMSTANCES.**—

10 “(1) **IN GENERAL.**—In the case of taxable prop-  
11 erty or services purchased outside of the United  
12 States and imported into the United States for use  
13 or consumption in the United States, the purchaser  
14 shall remit the tax imposed by section 101.

15 “(2) **CERTAIN WAGES OR SALARY.**—In the case  
16 of wages or salary paid by a taxable employer which  
17 are taxable services, the employer shall remit the tax  
18 imposed by section 101.

19 “(c) **CONVERSION OF BUSINESS OR EXPORT PROP-**  
20 **ERTY OR SERVICES.**—Property or services purchased for  
21 a business purpose in a trade or business or for export  
22 (sold untaxed pursuant to section 102(a)) that is subse-  
23 quently converted to personal use shall be deemed pur-  
24 chased at the time of conversion and shall be subject to  
25 the tax imposed by section 101 at the fair market value  
26 of the converted property as of the date of conversion. The

1 tax shall be due as if the property had been sold at the  
2 fair market value during the month of conversion. The  
3 person using or consuming the converted property is liable  
4 for and shall remit the tax.

5 “(d) SELLER RELIEVED OF LIABILITY IN CERTAIN  
6 CASES.—In the case of any taxable property or service  
7 which is sold untaxed pursuant to section 102(a), the sell-  
8 er shall be relieved of the duty to collect and remit the  
9 tax imposed under section 101 on such purchase if the  
10 seller—

11 “(1) received in good faith, and retains on file  
12 for the period set forth in section 509, a copy of a  
13 registration certificate from the purchaser, and

14 “(2) did not, at the time of sale, have reason-  
15 able cause to believe that the buyer was not reg-  
16 istered pursuant to section 502.

17 “(e) PURCHASER LIABLE TO COLLECT AND REMIT  
18 IN CERTAIN CASES.—In the case of any taxable property  
19 or service which is sold untaxed pursuant to section 102,  
20 if the seller is relieved by reason of subsection (d) of the  
21 duty to collect and remit the tax imposed by section 101,  
22 then the duty to pay any tax due shall rest with the pur-  
23 chaser.

24 “(f) BARTER TRANSACTIONS.—If gross payment for  
25 taxable property or services is made in other than money,

1 then the person responsible for collecting and remitting  
 2 the tax shall remit the tax to the sales tax administering  
 3 authority in money as if gross payment had been made  
 4 in money at the tax inclusive fair market value of the tax-  
 5 able property or services purchased.

6 “(g) INTERCOMPANY SALES.—Firms that make pur-  
 7 chases from affiliated firms that are untaxed pursuant to  
 8 section 102, or make sales to affiliated firms that are  
 9 untaxed pursuant to section 102, shall not need to comply  
 10 with the requirements of subsection (d) (relating to certifi-  
 11 cates) for said purchases or sales to remain untaxed.

## 12 **“CHAPTER 2—CREDITS; REFUNDS**

“Sec. 201. Credits and refunds.

“Sec. 202. Business use conversion credit.

“Sec. 203. Intermediate and export sales credit.

“Sec. 204. Administration credit.

“Sec. 205. Bad debt credit.

“Sec. 206. Insurance proceeds credit.

“Sec. 207. Refunds.

### 13 **“SEC. 201. CREDITS AND REFUNDS.**

14 “(a) IN GENERAL.—Each person shall be allowed a  
 15 credit with respect to the taxes imposed by section 101  
 16 for each month in an amount equal to the sum of—

17 “(1) such person’s business use conversion  
 18 credit pursuant to section 202 for such month,

19 “(2) such person’s intermediate and export  
 20 sales credit pursuant to section 203 for such month,

21 “(3) the administration credit pursuant to sec-  
 22 tion 204 for such month,

1           “(4) the bad debt credit pursuant to section  
2           205 for such month,

3           “(5) the insurance proceeds credit pursuant to  
4           section 206 for such month,

5           “(6) the transitional inventory credit pursuant  
6           to section 902, and

7           “(7) any amount paid in excess of the amount  
8           due.

9           “(b) CREDITS NOT ADDITIVE.—Only one credit al-  
10          lowed by chapter 2 may be taken with respect to any par-  
11          ticular gross payment.

12       **“SEC. 202. BUSINESS USE CONVERSION CREDIT.**

13           “(a) IN GENERAL.—For purposes of section 201, a  
14          person’s business use conversion credit for any month is  
15          the aggregate of the amounts determined under subsection  
16          (b) with respect to taxable property and services—

17           “(1) on which tax was imposed by section 101  
18          (and actually paid), and

19           “(2) which commenced to be 95 percent or  
20          more used during such month for business purposes  
21          (within the meaning of section 102(b)).

22           “(b) AMOUNT OF CREDIT.—The amount determined  
23          under this paragraph with respect to any taxable property  
24          or service is the lesser of—

25           “(1) the product of—

1 “(A) the rate imposed by section 101, and

2 “(B) the quotient that is—

3 “(i) the fair market value of the prop-  
4 erty or service when its use is converted,  
5 divided by

6 “(ii) the quantity that is 1 minus the  
7 tax rate imposed by section 101, or

8 “(2) the amount of tax paid with respect to  
9 such taxable property or service, including the  
10 amount, if any, determined in accordance with sec-  
11 tion 705 (relating to mixed use property).

12 **“SEC. 203. INTERMEDIATE AND EXPORT SALES CREDIT.**

13 “For purposes of section 201, a person’s intermediate  
14 and export sales credit is the amount of sales tax paid  
15 on the purchase of any taxable property or service pur-  
16 chased for—

17 “(1) a business purpose in a trade or business  
18 (as defined in section 102(b)), or

19 “(2) export from the United States for use or  
20 consumption outside the United States.

21 **“SEC. 204. ADMINISTRATION CREDIT.**

22 “(a) IN GENERAL.—Every person filing a timely  
23 monthly report (with regard to extensions) in compliance  
24 with section 501 shall be entitled to a taxpayer adminis-  
25 trative credit equal to the greater of—

1           “(1) \$200, or

2           “(2) one-quarter of 1 percent of the tax remit-  
3       ted.

4           “(b) LIMITATION.—The credit allowed under this sec-  
5       tion shall not exceed 20 percent of the tax due to be remit-  
6       ted prior to the application of any credit or credits per-  
7       mitted by section 201.

8       **“SEC. 205. BAD DEBT CREDIT.**

9           “(a) FINANCIAL INTERMEDIATION SERVICES.—Any  
10       person who has experienced a bad debt (other than unpaid  
11       invoices within the meaning of subsection (b)) shall be en-  
12       titled to a credit equal to the product of—

13           “(1) the rate imposed by section 101, and

14           “(2) the quotient that is—

15                   “(A) the amount of the bad debt (as de-  
16                   fined in section 802), divided by

17                   “(B) the quantity that is 1 minus the rate  
18                   imposed by section 101.

19           “(b) UNPAID INVOICES.—Any person electing the ac-  
20       crual method pursuant to section 503 that has with re-  
21       spect to a transaction—

22           “(1) invoiced the tax imposed by section 101,

23           “(2) remitted the invoiced tax,

24           “(3) actually delivered the taxable property or  
25       performed the taxable services invoiced, and

1           “(4) not been paid 180 days after date the in-  
2           voice was due to be paid,  
3 shall be entitled to a credit equal to the amount of tax  
4 remitted and unpaid by the purchaser.

5           “(c) SUBSEQUENT PAYMENT.—Any payment made  
6 with respect to a transaction subsequent to a section 205  
7 credit being taken with respect to that transaction shall  
8 be subject to tax in the month the payment was received  
9 as if a tax inclusive sale of taxable property and services  
10 in the amount of the payment had been made.

11          “(d) PARTIAL PAYMENTS.—Partial payments shall  
12 be treated as pro rata payments of the underlying obliga-  
13 tion and shall be allocated proportionately—

14           “(1) for fully taxable payments, between pay-  
15           ment for the taxable property and service and tax,  
16           and

17           “(2) for partially taxable payments, among pay-  
18           ment for the taxable property and service, tax and  
19           other payment.

20          “(e) RELATED PARTIES.—The credit provided by this  
21 section shall not be available with respect to sales made  
22 to related parties. For purposes of this section, related  
23 party means affiliated firms and family members (as de-  
24 fined in section 302(b)).

1 **“SEC. 206. INSURANCE PROCEEDS CREDIT.**

2       “(a) IN GENERAL.—A person receiving a payment  
3 from an insurer by virtue of an insurance contract shall  
4 be entitled to a credit in an amount determined by sub-  
5 section (b), less any amount paid to the insured by the  
6 insurer pursuant to subsection (c), if the entire premium  
7 (except that portion allocable to the investment account  
8 of the underlying policy) for the insurance contract giving  
9 rise to the insurer’s obligation to make a payment to the  
10 insured was subject to the tax imposed by section 101 and  
11 said tax was paid.

12       “(b) CREDIT AMOUNT.—The amount of the credit  
13 shall be the product of—

14               “(1) the rate imposed by section 101, and

15               “(2) the quotient that is—

16                       “(A) the amount of the payment made by  
17 the insurer to the insured, divided by

18                       “(B) the quantity that is 1 minus the rate  
19 imposed by section 101.

20       “(c) ADMINISTRATIVE OPTION.—The credit deter-  
21 mined in accordance with subsection (b) shall be paid by  
22 the insurer to the insured and the insurer shall be entitled  
23 to the credit in lieu of the insured, except that the insurer  
24 may elect, in a form prescribed by the Secretary, to not  
25 pay the credit and require the insured to make application  
26 for the credit. In the event of such election, the insurer

1 shall provide to the Secretary and the insured the name  
2 and tax identification number of the insurer and of the  
3 insured and indicate the proper amount of the credit.

4 “(d) COORDINATION WITH RESPECT TO EXEMP-  
5 TION.—If taxable property or services purchased by an in-  
6 surer on behalf of an insured are purchased free of tax  
7 by virtue of section 2(a)(8)(C), then the credit provided  
8 by this section shall not be available with respect to that  
9 purchase.

10 “(e) INSURANCE CONTRACT.—For purposes of sub-  
11 section (a), the term insurance contract’ shall include a  
12 life insurance contract, a health insurance contract, a  
13 property and casualty loss insurance contract, a general  
14 liability insurance contract, a marine insurance contract,  
15 a fire insurance contract, an accident insurance contract,  
16 a disability insurance contract, a long-term care insurance  
17 contract, and an insurance contract that provides a com-  
18 bination of these types of insurance.

19 **“SEC. 207. REFUNDS.**

20 “(a) REGISTERED SELLERS.—If a registered seller  
21 files a monthly tax report with an overpayment, then,  
22 upon application by the registered seller in a form pre-  
23 scribed by the sales tax administering authority, the over-  
24 payment shown on the report shall be refunded to the reg-  
25 istered seller within 60 days of receipt of said application.

1 In the absence of such application, the overpayment may  
2 be carried forward, without interest, by the person entitled  
3 to the credit.

4 “(b) OTHER PERSONS.—If a person other than a reg-  
5 istered seller has an overpayment for any month, then,  
6 upon application by the person in a form prescribed by  
7 the sales tax administering authority, the credit balance  
8 due shall be refunded to the person within 60 days of re-  
9 ceipt of said application.

10 “(c) INTEREST.—No interest shall be paid on any  
11 balance due from the sales tax administering authority  
12 under this subsection for any month if such balance due  
13 is paid within 60 days after the application for refund is  
14 received. Balances due not paid within 60 days after the  
15 application for refund is received shall bear interest from  
16 the date of application. Interest shall be paid at the Fed-  
17 eral short-term rate (as defined in section 512).

18 “(d) SUSPENSION OF PERIOD TO PAY REFUND  
19 ONLY IF FEDERAL OR STATE COURT RULING.—The 60-  
20 day periods under subsections (a) and (b) shall be sus-  
21 pended with respect to a purported overpayment (or por-  
22 tion thereof) only during any period that there is in effect  
23 a preliminary, temporary, or final ruling from a Federal  
24 or State court that there is reasonable cause to believe  
25 that such overpayment may not actually be due.

1       **“CHAPTER 3—FAMILY CONSUMPTION**  
 2                                   **ALLOWANCE**

“Sec. 301. Family consumption allowance.

“Sec. 302. Qualified family.

“Sec. 303. Monthly poverty level.

“Sec. 304. Rebate mechanism.

“Sec. 305. Change in family circumstances.

3       **“SEC. 301. FAMILY CONSUMPTION ALLOWANCE.**

4           “Each qualified family shall be eligible to receive a  
 5 sales tax rebate each month. The sales tax rebate shall  
 6 be in an amount equal to the product of—

7                   “(1) the rate of tax imposed by section 101,

8           and

9                   “(2) the monthly poverty level.

10       **“SEC. 302. QUALIFIED FAMILY.**

11           “(a) GENERAL RULE.—For purposes of this chapter,  
 12 the term ‘qualified family’ shall mean 1 or more family  
 13 members sharing a common residence. All family members  
 14 sharing a common residence shall be considered as part  
 15 of 1 qualified family.

16           “(b) FAMILY SIZE DETERMINATION.—

17                   “(1) IN GENERAL.—To determine the size of a  
 18 qualified family for purposes of this chapter, family  
 19 members shall mean—

20                                   “(A) an individual,

21                                   “(B) the individual’s spouse,

1           “(C) all lineal ancestors and descendants  
2           of said individual (and such individual’s  
3           spouse),

4           “(D) all legally adopted children of such  
5           individual (and such individual’s spouse), and

6           “(E) all children under legal guardianship  
7           of such individual (or such individual’s spouse).

8           “(2) IDENTIFICATION REQUIREMENTS.—In  
9           order for a person to be counted as a member of the  
10          family for purposes of determining the size of the  
11          qualified family, such person must—

12           “(A) have a bona fide Social Security num-  
13           ber; and

14           “(B) be a lawful resident of the United  
15           States.

16          “(c) CHILDREN LIVING AWAY FROM HOME.—

17           “(1) STUDENTS LIVING AWAY FROM HOME.—

18          Any person who was a registered student during not  
19          fewer than 5 months in a calendar year while living  
20          away from the common residence of a qualified fam-  
21          ily but who receives over 50 percent of such person’s  
22          support during a calendar year from members of the  
23          qualified family shall be included as part of the fam-  
24          ily unit whose members provided said support for  
25          purposes of this chapter.

1           “(2) CHILDREN OF DIVORCED OR SEPARATED  
2 PARENTS.—If a child’s parents are divorced or le-  
3 gally separated, a child for purposes of this chapter  
4 shall be treated as part of the qualified family of the  
5 custodial parent. In cases of joint custody, the custo-  
6 dial parent for purposes of this chapter shall be the  
7 parent that has custody of the child for more than  
8 one-half of the time during a given calendar year. A  
9 parent entitled to be treated as the custodial parent  
10 pursuant to this paragraph may release this claim to  
11 the other parent if said release is in writing.

12           “(d) ANNUAL REGISTRATION.—In order to receive  
13 the family consumption allowance provided by section 301,  
14 a qualified family must register with the sales tax admin-  
15 istering authority in a form prescribed by the Secretary.  
16 The annual registration form shall provide—

17           “(1) the name of each family member who  
18 shared the qualified family’s residence on the family  
19 determination date,

20           “(2) the Social Security number of each family  
21 member on the family determination date who  
22 shared the qualified family’s residence on the family  
23 determination date,

1           “(3) the family member or family members to  
2           whom the family consumption allowance should be  
3           paid,

4           “(4) a certification that all listed family mem-  
5           bers are lawful residents of the United States,

6           “(5) a certification that all family members  
7           sharing the common residence are listed,

8           “(6) a certification that no family members  
9           were incarcerated on the family determination date  
10          (within the meaning of subsection (l)), and

11          “(7) the address of the qualified family.

12 Said registration shall be signed by all members of the  
13 qualified family that have attained the age of 21 years  
14 as of the date of filing.

15          “(e) REGISTRATION NOT MANDATORY.—Registra-  
16 tion is not mandatory for any qualified family.

17          “(f) EFFECT OF FAILURE TO PROVIDE ANNUAL  
18 REGISTRATION.—Any qualified family that fails to reg-  
19 ister in accordance with this section within 30 days of the  
20 family determination date, shall cease receiving the  
21 monthly family consumption allowance in the month be-  
22 ginning 90 days after the family determination date.

23          “(g) EFFECT OF CURING FAILURE TO PROVIDE AN-  
24 NUAL REGISTRATION.—Any qualified family that failed to  
25 timely make its annual registration in accordance with this

1 section but subsequently cures its failure to register, shall  
2 be entitled to up to 6 months of lapsed sales tax rebate  
3 payments. No interest on lapsed payment amount shall be  
4 paid.

5 “(h) EFFECTIVE DATE OF ANNUAL REGISTRA-  
6 TIONS.—Annual registrations shall take effect for the  
7 month beginning 90 days after the family registration  
8 date.

9 “(i) EFFECTIVE DATE OF REVISED REGISTRA-  
10 TIONS.—A revised registration made pursuant to section  
11 305 shall take effect for the first month beginning 60 days  
12 after the revised registration was filed. The existing reg-  
13 istration shall remain in effect until the effective date of  
14 the revised registration.

15 “(j) DETERMINATION OF REGISTRATION FILING  
16 DATE.—An annual or revised registration shall be deemed  
17 filed when—

18 “(1) deposited in the United States mail, post-  
19 age prepaid, to the address of the sales tax admin-  
20 istering authority;

21 “(2) delivered and accepted at the offices of the  
22 sales tax administering authority; or

23 “(3) provided to a designated commercial pri-  
24 vate courier service for delivery within 2 days to the

1 sales tax administering authority at the address of  
2 the sales tax administering authority.

3 “(k) PROPOSED REGISTRATION TO BE PROVIDED.—  
4 30 or more days before the family registration date, the  
5 sales tax administering authority shall mail to the address  
6 shown on the most recent rebate registration or change  
7 of address notice filed pursuant to section 305(d) a pro-  
8 posed registration that may be simply signed by the appro-  
9 priate family members if family circumstances have not  
10 changed.

11 “(l) INCARCERATED INDIVIDUALS.—An individual  
12 shall not be eligible under this chapter to be included as  
13 a member of any qualified family if that individual—

14 “(1) is incarcerated in a local, State, or Federal  
15 jail, prison, mental hospital, or other institution on  
16 the family determination date, and

17 “(2) is scheduled to be incarcerated for 6  
18 months or more in the 12-month period following  
19 the effective date of the annual registration or the  
20 revised registration of said qualified family.

21 “(m) FAMILY DETERMINATION DATE.—The family  
22 determination date is a date assigned to each family by  
23 the Secretary for purposes of determining qualified family  
24 size and other information necessary for the administra-  
25 tion of this chapter. The Secretary shall promulgate regu-

1 lations regarding the issuance of family determination  
 2 dates. In the absence of any regulations, the family deter-  
 3 mination date for all families shall be October 1. The Sec-  
 4 retary may assign family determination dates for adminis-  
 5 trative convenience. Permissible means of assigning family  
 6 determination dates include a method based on the  
 7 birthdates of family members.

8 “(n) CROSS REFERENCE.—For penalty for filing  
 9 false rebate claim, see section 505(i).

10 **“SEC. 303. MONTHLY POVERTY LEVEL.**

11 “(a) IN GENERAL.—The monthly poverty level for  
 12 any particular month shall be one-twelfth of the ‘annual  
 13 poverty level.’ For purposes of this section the ‘annual  
 14 poverty level’ shall be the sum of—

15 “(1) the annual level determined by the Depart-  
 16 ment of Health and Human Services poverty guide-  
 17 lines required by sections 652 and 673(2) of the  
 18 Omnibus Reconciliation Act of 1981 for a particular  
 19 family size, and

20 “(2) in case of families that include a married  
 21 couple, the ‘annual marriage penalty elimination  
 22 amount’.

23 “(b) ANNUAL MARRIAGE PENALTY ELIMINATION  
 24 AMOUNT.—The annual marriage penalty elimination  
 25 amount shall be the amount that is—

1           “(1) the amount that is two times the annual  
2           level determined by the Department of Health and  
3           Human Services poverty guidelines required by sec-  
4           tions 652 and 673(2) of the Omnibus Reconciliation  
5           Act of 1981 for a family of one, less

6           “(2) the annual level determined by the Depart-  
7           ment of Health and Human Services poverty guide-  
8           lines required by sections 652 and 673(2) of the  
9           Omnibus Reconciliation Act of 1981 for a family of  
10          two.

11   **“SEC. 304. REBATE MECHANISM.**

12          “(a) GENERAL RULE.—The Social Security Adminis-  
13          tration shall provide a monthly sales tax rebate to duly  
14          registered qualified families in an amount determined in  
15          accordance with section 301.

16          “(b) PERSONS RECEIVING REBATE.—The payments  
17          shall be made to the persons designated by the qualifying  
18          family in the annual or revised registration for each quali-  
19          fied family in effect with respect to the month for which  
20          payment is being made. Payments may only be made to  
21          persons 18 years or older. If more than 1 person is des-  
22          ignated in a registration to receive the rebate, then the  
23          rebate payment shall be divided evenly between or among  
24          those persons designated.

1       “(c) WHEN REBATES MAILED.—Rebates shall be  
2 mailed on or before the first business day of the month  
3 for which the rebate is being provided.

4       “(d) SMARTCARDS AND DIRECT ELECTRONIC DE-  
5 POSIT PERMISSIBLE.—The Social Security Administration  
6 may provide rebates in the form of smartcards that carry  
7 cash balances in their memory for use in making pur-  
8 chases at retail establishments or by direct electronic de-  
9 posit.

10 **“SEC. 305. CHANGE IN FAMILY CIRCUMSTANCES.**

11       “(a) GENERAL RULE.—In the absence of the filing  
12 of a revised registration in accordance with this chapter,  
13 the common residence of the qualified family, marital sta-  
14 tus and number of persons in a qualified family on the  
15 family registration date shall govern determinations re-  
16 quired to be made under this chapter for purposes of the  
17 following calendar year.

18       “(b) NO DOUBLE COUNTING.—In no event shall any  
19 person be considered part of more than 1 qualified family.

20       “(c) REVISED REGISTRATION PERMISSIBLE.—A  
21 qualified family may file a revised registration for pur-  
22 poses of section 302(d) to reflect a change in family cir-  
23 cumstances. A revised registration form shall provide—

1           “(1) the name of each family member who  
2           shared the qualified family’s residence on the filing  
3           date of the revised registration,

4           “(2) the Social Security number of each family  
5           member 2 years of age or older who shared the  
6           qualified family’s residence on the filing date of the  
7           revised registration,

8           “(3) the family member or family members to  
9           whom the family consumption allowance should be  
10          paid,

11          “(4) a certification that all listed family mem-  
12          bers are lawful residents of the United States,

13          “(5) a certification that all family members  
14          sharing the commoner residence are listed,

15          “(6) a certification that no family members  
16          were incarcerated on the family determination date  
17          (within the meaning of section 302(1)), and

18          “(7) the address of the qualified family.

19 Said revised registration shall be signed by all members  
20 of the qualified family that have attained the age of 21  
21 years as of the filing date of the revised registration.

22          “(d) CHANGE OF ADDRESS.—A change of address for  
23 a qualified family may be filed with the sales tax admin-  
24 istering authority at any time and shall not constitute a  
25 revised registration.

1       “(e) REVISED REGISTRATION NOT MANDATORY.—  
 2 Revised registrations reflecting changes in family status  
 3 are not mandatory.

4           **“CHAPTER 4—FEDERAL AND STATE**  
 5           **COOPERATIVE TAX ADMINISTRATION**

“Sec. 401. Authority for States to collect tax.

“Sec. 402. Federal administrative support for States.

“Sec. 403. Federal-State tax conferences.

“Sec. 404. Federal administration in certain States.

“Sec. 405. Interstate allocation and destination determination.

“Sec. 406. General administrative matters.

“Sec. 407. Jurisdiction.

6           **“SEC. 401 AUTHORITY FOR STATES TO COLLECT TAX.**

7           “(a) IN GENERAL.—The tax imposed by section 101  
 8 on gross payments for the use or consumption of taxable  
 9 property or services within a State shall be administered,  
 10 collected, and remitted to the United States Treasury by  
 11 such State if the State is an administering State.

12          “(b) ADMINISTERING STATE.—For purposes of this  
 13 section, the term ‘administering State’ means any State—

14               “(1) which maintains a sales tax, and

15               “(2) which enters into a cooperative agreement  
 16 with the Secretary containing reasonable provisions  
 17 governing the administration by such State of the  
 18 taxes imposed by the subtitle and the remittance to  
 19 the United States in a timely manner of taxes col-  
 20 lected under this chapter.

21          “(c) COOPERATIVE AGREEMENTS.—The agreement  
 22 under subsection (b)(2) shall include provisions for the ex-

1 peditious transfer of funds, contact officers, dispute reso-  
2 lution, information exchange, confidentiality, taxpayer  
3 rights, and other matters of importance. The agreement  
4 shall not contain extraneous matters.

5 “(d) TIMELY REMITTANCE OF TAX.—

6 “(1) IN GENERAL.—Administering States shall  
7 remit and pay over taxes collected under this subtitle  
8 on behalf of the United States (less the administra-  
9 tion fee allowable under paragraph (2)) not later  
10 than 5 days after receipt. Interest at 150 percent of  
11 the Federal short-term rate shall be paid with re-  
12 spect to amounts remitted after the due date.

13 “(2) ADMINISTRATION FEE.—An administering  
14 State may retain an administration fee equal to one-  
15 quarter of 1 percent of the amounts otherwise re-  
16 quired to be remitted to the United States under  
17 this chapter by the administering State.

18 “(e) LIMITATION ON ADMINISTRATION OF TAX BY  
19 UNITED STATES.—The Secretary may administer the tax  
20 imposed by this subtitle in an administering State only  
21 if—

22 “(1)(A) such State has failed on a regular basis  
23 to timely remit to the United States taxes collected  
24 under this chapter on behalf of the United States,  
25 or

1           “(B) such State has on a regular basis other-  
2           wise materially breached the agreement referred to  
3           in subsection (b)(2);

4           “(2) the State has failed to cure such alleged  
5           failures and breaches within a reasonable time;

6           “(3) the Secretary provides such State with  
7           written notice of such alleged failures and breaches;  
8           and

9           “(4) a District Court of the United States with-  
10          in such State, upon application of the Secretary, has  
11          rendered a decision—

12               “(A) making findings of fact that—

13                   “(i) such State has failed on a regular  
14                   basis to timely remit to the United States  
15                   taxes collected under this chapter on behalf  
16                   of the United States, or such State has on  
17                   a regular basis otherwise materially  
18                   breached the agreement referred to in sub-  
19                   section (b)(2);

20                   “(ii) the Secretary has provided such  
21                   State with written notice of such alleged  
22                   failures and breaches; and

23                   “(iii) the State has failed to cure such  
24                   alleged failures and breaches within a rea-  
25                   sonable time; and

1           “(B) making a determination that it is in  
2           the best interest of the citizens of the United  
3           States that the administering State’s authority  
4           to administer the tax imposed by this subtitle  
5           be revoked and said tax be administered di-  
6           rectly by the Secretary.

7           The order of the District Court revoking the author-  
8           ity of an Administering State shall contain provi-  
9           sions governing the orderly transfer of authority to  
10          the Secretary.

11          “(f) REINSTITUTION.—A State that has had its au-  
12          thority revoked pursuant to subsection (e) shall not be an  
13          administering State for a period of not less than 5 years  
14          after the date of the order of revocation. For the first cal-  
15          endar year commencing 8 years after the date of the order  
16          of revocation, the State shall be regarded without preju-  
17          dice as eligible to become an administering State.

18          “(g) THIRD STATE ADMINISTRATION PERMISS-  
19          SIBLE.—It shall be permissible for a State to contract with  
20          an administering State to administer the State’s sales tax  
21          for an agreed fee. In this case, the agreement con-  
22          templated by subsection (c) shall have both the State and  
23          the Federal Government as parties.

24          “(h) INVESTIGATIONS AND AUDITS.—Administering  
25          States shall not conduct investigations or audits at facili-

1 ties in other administering States in connection with the  
2 tax imposed by section 101 or conforming State sales tax  
3 but shall instead cooperate with other administering  
4 States using the mechanisms established by section 402,  
5 by compact or by other agreement.

6 **“SEC. 402. FEDERAL ADMINISTRATIVE SUPPORT FOR**  
7 **STATES.**

8 “(a) IN GENERAL.—The Secretary shall administer  
9 a program to facilitate information sharing among States.

10 “(b) STATE COMPACTS.—The Secretary shall facili-  
11 tate, and may be a party to a compact among States for  
12 purposes of facilitating the taxation of interstate pur-  
13 chases and for other purposes that may facilitate imple-  
14 mentation of this subtitle.

15 “(c) AGREEMENT WITH CONFORMING STATES.—The  
16 Secretary is authorized to enter into and shall enter into  
17 an agreement among conforming States enabling con-  
18 forming States to collect conforming State sales tax on  
19 sales made by sellers without a particular conforming  
20 State to a destination within that particular conforming  
21 State.

22 “(d) SECRETARY’S AUTHORITY.—The Secretary shall  
23 have the authority to promulgate regulations, to provide  
24 guidelines, to assist States in administering the national

1 sales tax, to provide for uniformity in the administration  
2 of the tax and to provide guidance to the public.

3 **“SEC. 403. FEDERAL-STATE TAX CONFERENCES.**

4 “Not less than once annually, the Secretary shall host  
5 a conference with the sales tax administrators from the  
6 various administering States to evaluate the state of the  
7 national sales tax system, to address issues of mutual con-  
8 cern and to develop and consider legislative, regulatory,  
9 and administrative proposals to improve the tax system.

10 **“SEC. 404. FEDERAL ADMINISTRATION IN CERTAIN STATES.**

11 “The Secretary shall administer the tax imposed by  
12 this subtitle in any State or other United States jurisdic-  
13 tion that—

14 “(1) is not an administering State, or

15 “(2) elected to have another State administer  
16 its tax in accordance with section 401(g).

17 **“SEC. 405. INTERSTATE ALLOCATION AND DESTINATION**  
18 **DETERMINATION.**

19 “(a) DESTINATION GENERALLY.—The tax imposed  
20 by this subtitle is a destination principle tax. This section  
21 shall govern for purposes of determining—

22 “(1) whether the destination of taxable property  
23 and services is within or without the United States,  
24 and

1           “(2) which State or territory within the United  
2           States is the destination of taxable property and  
3           services.

4           “(b) TANGIBLE PERSONAL PROPERTY.—Except as  
5           provided in subsection (f) (relating to certain leases), the  
6           destination of tangible personal property shall be the State  
7           or territory in which the property was first delivered to  
8           the purchaser (including agents and authorized represent-  
9           atives).

10          “(c) REAL PROPERTY.—The destination of real prop-  
11          erty, or rents or leaseholds on real property, shall be the  
12          State or territory in which the real property is located.

13          “(d) OTHER PROPERTY.—The destination of any  
14          other taxable property shall be the residence of the pur-  
15          chaser.

16          “(e) SERVICES.—

17                 “(1) GENERAL RULE.—The destination of serv-  
18                 ices shall be the State or territory in which the use  
19                 or consumption of the services occurred. Allocation  
20                 of service invoices relating to more than 1 jurisdic-  
21                 tion shall be on the basis of time or another method  
22                 determined by regulation.

23                 “(2) TELECOMMUNICATIONS SERVICES.—The  
24                 destination of telecommunications services shall be  
25                 the residence of the purchaser. Telecommunications

1 services include telephone, telegraph, beeper, radio,  
2 cable television, satellite, and computer on-line or  
3 network services.

4 “(3) DOMESTIC TRANSPORTATION SERVICES.—  
5 For transportation services where all of the final  
6 destinations are within the United States, the des-  
7 tination of transportation services shall be the final  
8 destination of the trip (in the case of round or mul-  
9 tiple trip fares, the services amount shall be equally  
10 allocated among each final destination).

11 “(4) INTERNATIONAL TRANSPORTATION SERV-  
12 ICES.—For transportation services where the final  
13 destination or origin of the trip is without the  
14 United States, the service amount shall be deemed  
15 50 percent attributable to the United States destina-  
16 tion or origin.

17 “(5) ELECTRICAL SERVICE.—The destination of  
18 electrical services shall be the residence of the pur-  
19 chaser.

20 “(f) FINANCIAL INTERMEDIATION SERVICES.—The  
21 destination of financial intermediation services shall be the  
22 residence of the purchaser.

23 “(g) RENTS PAID FOR THE LEASE OF TANGIBLE  
24 PROPERTY.—

1           “(1) GENERAL RULE.—Except as provided in  
2 paragraph (2), the destination of rents paid for the  
3 lease of tangible property and leaseholds on such  
4 property shall be where the property is located while  
5 in use.

6           “(2) LAND VEHICLES; AIRCRAFT, WATER  
7 CRAFT.—The destination of rental and lease pay-  
8 ments on land vehicles, aircraft and water craft shall  
9 be—

10           “(A) in the case of rentals and leases of a  
11 term of 1 month or less, the location where the  
12 land vehicle, aircraft, or water craft was origi-  
13 nally delivered to the renter or lessee; and

14           “(B) in the case of rentals and leases of a  
15 term greater than 1 month, the residence of the  
16 renter or lessee.

17           “(h) ALLOCATION RULES.—For purposes of allo-  
18 cating revenue—

19           “(1) between or among administering States  
20 from taxes imposed by this subtitle or from State  
21 sales taxes administered by third-party admin-  
22 istering States, or

23           “(2) between or among States imposing con-  
24 forming State sales taxes,

1 the revenue shall be allocated to those States that are the  
2 destination of the taxable property or service.

3 “(i) **FEDERAL OFFICE OF REVENUE ALLOCATION.**—

4 The Secretary shall establish an Office of Revenue Alloca-  
5 tion to arbitrate any claims or disputes among admin-  
6 istering States as to the destination of taxable property  
7 and services for purposes of allocating revenue between or  
8 among the States from taxes imposed by this subtitle. The  
9 determination of the Administrator of the Office of Rev-  
10 enue Allocation shall be subject to judicial review in any  
11 Federal court with competent jurisdiction. The standard  
12 of review shall be abuse of discretion.

13 **“SEC. 406. GENERAL ADMINISTRATIVE MATTERS.**

14 “(a) **IN GENERAL.**—The Secretary and each sales tax  
15 administering authority may employ such persons as may  
16 be necessary for the administration of this subtitle and  
17 may delegate to employees the authority to conduct inter-  
18 views, hearings, prescribe rules, promulgate regulations,  
19 and perform such other duties as are required by this sub-  
20 title.

21 “(b) **RESOLUTION OF ANY INCONSISTENT RULES**  
22 **AND REGULATIONS.**—In the event that the Secretary and  
23 any sales tax administering authority have issued incon-  
24 sistent rules or regulations, any lawful rule or regulation  
25 issued by the Secretary shall govern.

1           “(c) ADEQUATE NOTICE TO BE PROVIDED.—Except  
2 in the case of an emergency declared by the Secretary (and  
3 not his designee), no rule or regulation issued by the Sec-  
4 retary with respect to any internal revenue law shall take  
5 effect before 90 days have elapsed after its publication in  
6 the Federal Register. Upon issuance, the Secretary shall  
7 provide copies of all rules or regulations issued under this  
8 title to each sales tax administering authority.

9           “(d) NO RULES, RULINGS, OR REGULATIONS WITH  
10 RETROACTIVE EFFECT.—No rule, ruling, or regulation  
11 issued or promulgated by the Secretary relating to any in-  
12 ternal revenue law or by a sales tax administering author-  
13 ity shall apply to a period prior to its publication in the  
14 Federal Register (or State equivalent) except that a regu-  
15 lation may take retroactive effect to prevent abuse.

16           “(e) REVIEW OF IMPACT OF REGULATIONS, RULES,  
17 AND RULINGS ON SMALL BUSINESS.—

18                   “(1) SUBMISSION TO SMALL BUSINESS ADMIN-  
19 ISTRATION.—After publication of any proposed or  
20 temporary regulation by the Secretary relating to in-  
21 ternal revenue laws, the Secretary shall submit such  
22 regulation to the Chief Counsel for Advocacy of the  
23 Small Business Administration for comment on the  
24 impact of such regulation on small businesses. Not  
25 later than the date 30 days after the date of such

1 submission, the Chief Counsel for Advocacy of the  
2 Small Business Administration shall submit com-  
3 ments on such regulation to the Secretary.

4 “(2) CONSIDERATION OF COMMENTS.—In pre-  
5 scribing any final regulation which supersedes a pro-  
6 posed or temporary regulation which had been sub-  
7 mitted under this subsection to the Chief Counsel  
8 for Advocacy of the Small Business Administration,  
9 the Secretary shall—

10 “(A) consider the comments of the Chief  
11 Counsel for Advocacy of the Small Business  
12 Administration on such proposed or temporary  
13 regulation, and

14 “(B) in promulgating such final regulation,  
15 include a narrative that describes the response  
16 to such comments.

17 “(3) SUBMISSION OF CERTAIN FINAL REGULA-  
18 TION.—In the case of promulgation by the Secretary  
19 of any final regulations (other than a temporary reg-  
20 ulation) which do not supersede a proposed regula-  
21 tion, the requirements of paragraphs (1) and (2)  
22 shall apply, except that the submission under para-  
23 graph (1) shall be made at least 30 days before the  
24 date of such promulgation, and the consideration  
25 and discussion required under paragraph (2) shall

1 be made in connection with the promulgation of such  
2 final regulation.

3 “(f) **SMALL BUSINESS REGULATORY SAFEGUARDS.**—  
4 The Small Business Regulatory Enforcement Fairness Act  
5 (Public Law 104–121; 110 Stat. 857 (‘SBREFA’)) and  
6 the Regulatory Flexibility Act (5 U.S.C. 601–612  
7 (‘RFA’)) shall apply to regulations promulgated under this  
8 subtitle.

9 **“SEC. 407. JURISDICTION.**

10 “(a) **STATE JURISDICTION.**—A sales tax admin-  
11 istering authority shall have jurisdiction over any gross  
12 payments made which have a destination (as determined  
13 in accordance with section 405) within the State of said  
14 sales tax administering authority. This grant of jurisdic-  
15 tion is not exclusive of any other jurisdiction that such  
16 sales tax administering authority may have.

17 “(b) **FEDERAL JURISDICTION.**—The grant of juris-  
18 diction in subsection (a) shall not be in derogation of Fed-  
19 eral jurisdiction over the same matter. The Federal Gov-  
20 ernment shall have the right to exercise preemptive juris-  
21 diction over matters relating to the taxes imposed by this  
22 subtitle.

23 **“CHAPTER 5—OTHER ADMINISTRATIVE**  
24 **PROVISIONS**

“Sec. 501. Monthly reports and payments.

“Sec. 502. Registration.

“Sec. 503. Accounting.

- “Sec. 504. Registration certificates.
- “Sec. 505. Penalties.
- “Sec. 506. Burden of persuasion and burden of production.
- “Sec. 507. Attorneys’ and accountancy fees.
- “Sec. 508. Summons, examinations, audits, etc.
- “Sec. 509. Records.
- “Sec. 510. Tax to be separately stated and charged.
- “Sec. 511. Coordination with title 11.
- “Sec. 512. Applicable interest rate.

1 **“SEC. 501. MONTHLY REPORTS AND PAYMENTS.**

2 “(a) TAX REPORTS AND FILING DATES.—

3 “(1) IN GENERAL.—On or before the 15th day  
4 of each month, each person who is—

5 “(A) liable to collect and remit the tax im-  
6 posed by this subtitle by reason of section  
7 103(a), or

8 “(B) liable to pay tax imposed by this sub-  
9 title which is not collected pursuant to section  
10 103(a),

11 shall submit to the appropriate sales tax admin-  
12 istering authority (in a form prescribed by the Sec-  
13 retary) a report relating to the previous calendar  
14 month.

15 “(2) CONTENTS OF REPORT.—The report re-  
16 quired under paragraph (1) shall set forth—

17 “(A) the gross payments referred to in sec-  
18 tion 101,

19 “(B) the tax collected under chapter 4 in  
20 connection with such payments,

1           “(C) the amount and type of any credit  
2           claimed, and

3           “(D) other information reasonably required  
4           by the Secretary or the sales tax administering  
5           authority for the administration, collection, and  
6           remittance of the tax imposed by this subtitle.

7           “(b) TAX PAYMENTS DATE.—

8           “(1) GENERAL RULE.—The tax imposed by this  
9           subtitle during any calendar month is due and shall  
10          be paid to the appropriate sales tax administering  
11          authority on or before the 15th day of the suc-  
12          ceeding month. Both Federal tax imposed by this  
13          subtitle and confirming State sales tax (if any) shall  
14          be paid in 1 aggregate payment.

15          “(2) CROSS REFERENCE.—See subsection (e)  
16          relating to remitting of separate segregated funds  
17          for sellers that are not small sellers.

18          “(c) EXTENSIONS FOR FILING REPORTS.—

19          “(1) AUTOMATIC EXTENSIONS FOR NOT MORE  
20          THAN 30 DAYS.—On application, an extension of not  
21          more than 30 days to file reports under subsection  
22          (a) shall be automatically granted.

23          “(2) OTHER EXTENSIONS.—On application, ex-  
24          tensions of 30 to 60 days to file such reports shall  
25          be liberally granted by the sales tax administering

1 authority for reasonable cause. Extensions greater  
2 than 60 days may be granted by the sales tax ad-  
3 ministering authority to avoid hardship.

4 “(3) NO EXTENSION FOR PAYMENT OF  
5 TAXES.—Notwithstanding paragraphs (1) and (2),  
6 no extension shall be granted with respect to the  
7 time for paying or remitting the taxes under this  
8 subtitle.

9 “(d) TELEPHONE REPORTING OF VIOLATIONS.—The  
10 Secretary shall establish a system under which a violation  
11 of this subtitle can be brought to the attention of the sales  
12 tax administering authority for investigation through the  
13 use of a toll-free telephone number and otherwise.

14 “(e) SEPARATE SEGREGATED ACCOUNTS.—

15 “(1) IN GENERAL.—Any registered seller that  
16 is not a small seller shall deposit all sales taxes col-  
17 lected pursuant to section 103 in a particular week  
18 in a separate segregated account maintained at a  
19 bank or other financial institution within 3 business  
20 days of the end of such week. Said registered seller  
21 shall also maintain in that account sufficient funds  
22 to meet the bank or financial institution minimum  
23 balance requirements, if any, and to pay account  
24 fees and costs.

1           “(2) SMALL SELLER.—For purposes of this  
2 subsection, a small seller is any person that has not  
3 collected \$20,000 or more of the taxes imposed by  
4 this subtitle in any of the previous 12 months.

5           “(3) LARGE SELLERS.—Any seller that has col-  
6 lected \$100,000 or more of the taxes imposed by  
7 this subtitle in any of the previous 12 months is a  
8 large seller. A large seller shall remit to the sales tax  
9 administering authority the entire balance of depos-  
10 ited taxes in its separate segregated account on the  
11 first business day following the end of the calendar  
12 week. The Secretary may by regulation require the  
13 electronic transfer of funds due from large sellers.

14           “(4) WEEK.—For purposes of this subsection,  
15 the term ‘week’ shall mean the 7-day period ending  
16 on a Friday.

17           “(f) DETERMINATION OF REPORT FILING DATE.—  
18 A report filed pursuant to subsection (a) shall be deemed  
19 filed when—

20           “(1) deposited in the United States mail, post-  
21 age prepaid, addressed to the sales tax administering  
22 authority,

23           “(2) delivered and accepted at the offices of the  
24 sales tax administering authority,

1           “(3) provided to a designated commercial pri-  
2           vate courier service for delivery within 2 days to the  
3           sales tax administering authority at the address of  
4           the sales tax administering authority, or

5           “(4) by other means permitted by the Sec-  
6           retary.

7           “(g) SECURITY REQUIREMENTS.—A large seller  
8           (within the meaning of subsection (e)(3)) shall be required  
9           to provide security in an amount equal to the greater of  
10          \$100,000 or one and one-half times the seller’s average  
11          monthly tax liability during the previous 6 calendar  
12          months. Security may be a cash bond, a bond from a sur-  
13          ety company approved by the Secretary, a certificate of  
14          deposit, or a State or United States Treasury bond. A  
15          bond qualifying under this subsection must be a con-  
16          tinuing instrument for each calendar year (or portion  
17          thereof) that the bond is in effect. The bond must remain  
18          in effect until the surety or sureties are released and dis-  
19          charged. Failure to provide security in accordance with  
20          this section shall result in revocation of the seller’s section  
21          502 registration. If a person who has provided security  
22          pursuant to this subsection—

23                  “(1) fails to pay an amount indicated in a final  
24          notice of amount due under this subtitle (within the  
25          meaning of section 605(d)),

1           “(2) no Taxpayer Assistance Order is in effect  
2 relating to the amount due,

3           “(3) either the time for filing an appeal pursu-  
4 ant to section 604 has passed or the appeal was de-  
5 nied, and

6           “(4) the amount due is not being litigated in  
7 any judicial forum,

8 then the security or part of the security, as the case may  
9 be, may be forfeited in favor of the Secretary to the extent  
10 of such tax due (plus interest if any).

11       “(h) REWARDS PROGRAM.—The Secretary is author-  
12 ized to maintain a program of awards wherein individuals  
13 that assist the Secretary or sales tax administering au-  
14 thorities in discovering or prosecuting tax fraud may be  
15 remunerated.

16       “(i) CROSS REFERENCE.—For interest due on taxes  
17 remitted late, see section 6601.

18 **“SEC. 502. REGISTRATION.**

19       “(a) IN GENERAL.—Any person liable to collect and  
20 remit taxes pursuant to section 103(a) who is engaged in  
21 a trade or business shall register as a seller with the sales  
22 tax administering authority administering the taxes im-  
23 posed by this subtitle.

24       “(b) AFFILIATED FIRMS.—Affiliated firms shall be  
25 treated as 1 person for purposes of this section. Affiliated

1 firms may elect, upon giving notice to the Secretary in  
2 a form prescribed by the Secretary, to treat separate firms  
3 as separate persons for purposes of this subtitle.

4       “(c) DESIGNATION OF TAX MATTERS PERSON.—  
5 Every person registered pursuant to subsection (a) shall  
6 designate a tax matters person who shall be an individual  
7 whom the sales tax administering authority may contact  
8 regarding tax matters. Each person registered must pro-  
9 vide notice of a change in the identity of the tax matters  
10 person within 30 days of said change.

11       “(d) CERTIFICATES OF REGISTRATION.—The sales  
12 tax administering authority shall provide certificates of  
13 registration to registered sellers.

14       “(e) EFFECT OF FAILURE TO REGISTER.—Any per-  
15 son that is required to register and who fails to do so is  
16 prohibited from selling taxable property or services. The  
17 Secretary or a sales tax administering authority may bring  
18 an action seeking a temporary restraining order, an in-  
19 junction, or such other order as may be appropriate to  
20 enforce this section.

21 **“SEC. 503. ACCOUNTING.**

22       “(a) CASH METHOD TO BE USED GENERALLY.—  
23 Registered sellers and other persons shall report trans-  
24 actions using the cash method of accounting unless an

1 election to use the accrual method of accounting is made  
2 pursuant to subsection (b).

3 “(b) ELECTION TO USE ACCRUAL METHOD.—A per-  
4 son may elect with respect to a calender year to remit  
5 taxes and report transactions with respect to the month  
6 where a sale was invoiced and accrued.

7 “(c) CROSS REFERENCE.—See section 205 for rules  
8 relating to bad debts for sellers electing the accrual meth-  
9 od

10 **“SEC. 504. REGISTRATION CERTIFICATES.**

11 “The sales tax administering authority shall issue  
12 certificates of registration to registered sellers and such  
13 other certificates as are necessary or may prove useful in  
14 the administration of the taxes imposed by this subtitle.

15 **“SEC. 505. PENALTIES.**

16 “(a) FAILURE TO REGISTER.—Each person who is  
17 required to register pursuant to section 502 but fails to  
18 do so prior to notification by the sales tax administering  
19 authority shall be liable for a penalty of \$500.

20 “(b) RECKLESS OR WILLFUL FAILURE TO COLLECT  
21 TAX.—

22 “(1) CIVIL PENALTY; FRAUD.—Each person  
23 who is required to and recklessly or willfully fails to  
24 collect taxes imposed by this subtitle shall be liable

1 for a penalty equal to the greater of \$500 or 20 per-  
2 cent of tax not collected.

3 “(2) CRIMINAL PENALTY.—Each person who is  
4 required to and willfully fails as part of a trade or  
5 business to collect taxes imposed by this subtitle  
6 may be fined an amount up to the amount deter-  
7 mined in accordance with paragraph (1) or impris-  
8 oned for a period of not more than 1 year or both.

9 “(c) RECKLESS OR WILLFUL ASSERTION OF INVALID  
10 EXEMPTION.—

11 “(1) CIVIL PENALTY; FRAUD.—Each person  
12 who recklessly or willfully asserts an invalid inter-  
13 mediate or export sales exemption from the taxes  
14 imposed by this subtitle shall be liable for a penalty  
15 equal to the greater of \$500 or 20 percent of the tax  
16 not collected or remitted.

17 “(2) CRIMINAL PENALTY.—Each person who  
18 willfully asserts an invalid intermediate or export  
19 sales exemption from the taxes imposed by this sub-  
20 title may be fined an amount up to the amount de-  
21 termined in accordance with paragraph (1) or im-  
22 prisoned for a period of not more than 1 year or  
23 both.

24 “(d) RECKLESS OR WILLFUL FAILURE TO REMIT  
25 TAX COLLECTED.—

1           “(1) CIVIL PENALTY; FRAUD.—Each person  
2 who is required to and recklessly or willfully fails to  
3 remit taxes imposed by this subtitle and collected  
4 from purchasers shall be liable for a penalty equal  
5 to the greater of \$1,000 or 50 percent of the tax not  
6 remitted.

7           “(2) CRIMINAL PENALTY.—Each person who  
8 willfully fails to remit taxes imposed by this subtitle  
9 and collected from purchasers may be fined an  
10 amount up to the amount determined in accordance  
11 with paragraph (1) or imprisoned for a period of not  
12 more than 2 years or both.

13           “(e) RECKLESS OR WILLFUL FAILURE TO PAY  
14 TAX.—Each person who is required to and recklessly or  
15 willfully fails to pay taxes imposed by this subtitle shall  
16 be liable for a penalty equal to the greater of \$500 or  
17 20 percent of the tax not paid.

18           “(f) PENALTY FOR LATE FILING.—

19           “(1) IN GENERAL.—In the case of a failure by  
20 any person who is required to and fails to file a re-  
21 port required by section 501 on or before the due  
22 date (determined with regard to any extension) for  
23 such report, such person shall pay a penalty for each  
24 month or fraction thereof that said report is late  
25 equal to the greater of—

1           “(A) \$50, or

2           “(B) 0.5 percent of the gross payments re-  
3           quired to be shown on the report.

4           “(2) INCREASED PENALTY ON RETURNS FILED  
5           AFTER WRITTEN INQUIRY.—The amount of the pen-  
6           alty under paragraph (1) shall be doubled with re-  
7           spect to any report filed after a written inquiry with  
8           respect to such report is received by the taxpayer  
9           from the sales tax administering authority.

10          “(3) LIMITATION.—The penalty imposed under  
11          this subsection shall not exceed 12 percent.

12          “(4) EXCEPTIONS.—

13                 “(A) REASONABLE CAUSE.—No penalty  
14                 shall be imposed under this subsection with re-  
15                 spect to any failure if it is shown that such fail-  
16                 ure is due to reasonable cause.

17                 “(B) OTHER WAIVER AUTHORITY.—In ad-  
18                 dition to penalties not imposed by reason of  
19                 subparagraph (A), the sales tax administering  
20                 authority, on application, shall waive the pen-  
21                 alty imposed by paragraph (1) once per reg-  
22                 istered person per 24-month period. The pre-  
23                 ceding sentence shall not apply to a penalty de-  
24                 termined under paragraph (2).

1       “(g) PENALTY FOR WILLFULLY OR RECKLESSLY AC-  
2 CEPTING A FALSE INTERMEDIATE OR EXPORT SALES  
3 CERTIFICATE.—A person who willingly or recklessly ac-  
4 cepts a false intermediate or export sales certificate shall  
5 pay a penalty equal to 20 percent of the tax not collected  
6 by reason of said acceptance.

7       “(h) PENALTY FOR LATE REMITTANCE OF TAXES.—

8           “(1) IN GENERAL.—A person who is required  
9 to timely remit taxes imposed by this subtitle and  
10 remits taxes more than 1 month after such taxes are  
11 due shall pay a penalty equal to 1 percent per month  
12 (or fraction thereof) from the due date.

13           “(2) LIMITATION.—The penalty imposed under  
14 this subsection shall not exceed 24 percent.

15           “(3) EXCEPTIONS FOR REASONABLE CAUSE.—  
16 No penalty shall be imposed under paragraph (1)  
17 with respect to any late remittance if it is shown  
18 that such late remittance is due to reasonable cause.

19       “(i) PENALTY FOR FILING FALSE REBATE CLAIM.—

20           “(1) CIVIL PENALTY; FRAUD.—A person who  
21 willingly or recklessly files a false claim for a family  
22 consumption allowance rebate (within the meaning  
23 of chapter 3) shall—

1           “(A) pay a penalty equal to the greater of  
2           \$500 or 50 percent of the claimed annual re-  
3           bate amount not actually due, and

4           “(B) repay any rebates received as a result  
5           of the false rebate claim (together with inter-  
6           est).

7           “(2) CRIMINAL PENALTY.—A person who will-  
8           ingly files a false claim for a family consumption al-  
9           lowance rebate (within the meaning of chapter 3)  
10          may be fined an amount up to the amount deter-  
11          mined in accordance with paragraph (1) or impris-  
12          oned for a period not more than 1 year or both.

13          “(j) PENALTY FOR BAD CHECK.—If any check or  
14          money order in payment of any amount receivable under  
15          this subtitle is not duly paid, in addition to other penalties  
16          provided by law, the person who tendered such check shall  
17          pay a penalty equal to the greater of—

18                  “(1) \$25, or

19                  “(2) two percent of the amount of such check.

20          “(k) PENALTY FOR FAILURE TO MAINTAIN A SEPA-  
21          RATE SEGREGATED ACCOUNT.—Any person required to  
22          maintain a separate segregated account pursuant to sec-  
23          tion 501(e) that fails to maintain such a separate seg-  
24          regated account shall pay a penalty of \$1,000.

1       “(l) PENALTY FOR FAILURE TO DEPOSIT COL-  
2 LECTED TAXES IN A SEPARATE SEGREGATED AC-  
3 COUNT.—Any person required to deposit collected taxes  
4 into a separate segregated account maintained pursuant  
5 to section 501(e) that fails to timely deposit said taxes  
6 into the separate segregated account shall pay a penalty  
7 equal to 1 percent of the amount required to be deposited.  
8 The penalty imposed by the previous sentence shall be tri-  
9 pled unless said taxes have been deposited in the separate  
10 segregated account or remitted to the sales tax admin-  
11 istering authority within 16 days of the date said deposit  
12 was due.

13       “(m) JOINT AND SEVERAL LIABILITY FOR TAX MAT-  
14 TERS PERSON AND RESPONSIBLE OFFICERS.—The tax  
15 matters person (designated pursuant to section 502(c))  
16 and responsible officers or partners of a firm shall be  
17 jointly and severally liable for the tax imposed by this sub-  
18 title and penalties imposed by this subtitle.

19       “(n) RIGHT OF CONTRIBUTION.—If more than 1 per-  
20 son is liable with respect to any tax or penalty imposed  
21 by this subtitle, each person who paid such tax or penalty  
22 shall be entitled to recover from other persons who are  
23 liable for such tax or penalty an amount equal to the ex-  
24 cess of the amount paid by such person over such person’s  
25 proportionate share of the tax or penalty.

1       “(o) CIVIL PENALTIES AND CRIMINAL FINES NOT  
2 EXCLUSIVE.—

3               “(1) CIVIL PENALTY.—The fact that a civil  
4 penalty has been imposed shall not prevent the im-  
5 position of a criminal fine.

6               “(2) CRIMINAL FINE.—The fact that a criminal  
7 fine has been imposed shall not prevent the imposi-  
8 tion of a civil penalty.

9       “(p) CONFIDENTIALITY.—Any person who violates  
10 the requirements relating to confidentiality of tax informa-  
11 tion (as provided in section 605(e)) may be fined up to  
12 \$10,000 or imprisoned for a period of not more than 1  
13 year, or both.

14       “(q) CROSS REFERENCE.—For interest due on late  
15 payments, see section 6601.

16 **“SEC. 506. BURDEN OF PERSUASION AND BURDEN OF PRO-**  
17 **DUCTION.**

18       “In all disputes concerning taxes imposed by this sub-  
19 title, the person engaged in a dispute with the sales tax  
20 administering authority or the Secretary, as the case may  
21 be, shall have the burden of production of documents and  
22 records but the sales tax administering authority or the  
23 Secretary shall have the burden of persuasion. In all dis-  
24 putes concerning an exemption claimed by a purchaser,  
25 if the seller has on file an intermediate sale or export sale

1 certificate from the purchaser and did not have reasonable  
2 cause to believe that the certificate was improperly pro-  
3 vided by the purchaser with respect to such purchase  
4 (within the meaning of section 103), then the burden of  
5 production of documents and records relating to that ex-  
6 emption shall rest with the purchaser and not with the  
7 seller.

8 **“SEC. 507. ATTORNEYS’ AND ACCOUNTANCY FEES.**

9 “In all disputes concerning taxes imposed by this sub-  
10 title, the person engaged in a dispute with the sales tax  
11 administering authority or the Secretary, as the case may  
12 be, shall be entitled to reasonable attorneys’ fees, account-  
13 ancy fees, and other reasonable professional fees incurred  
14 in direct relation to the dispute unless the sales tax admin-  
15 istering authority or the Secretary establishes that its po-  
16 sition was substantially justified.

17 **“SEC. 508. SUMMONS, EXAMINATIONS, AUDITS, ETC.**

18 “(a) SUMMONS.—Persons are subject to administra-  
19 tive summons by the sales tax administering authority for  
20 records, documents, and testimony required by the sales  
21 tax administering authority to accurately determine liabil-  
22 ity for tax under this subtitle. A summons shall be served  
23 by the sales tax administering authority by an attested  
24 copy delivered in hand to the person to whom it is directed

1 or left at his last known address. The summons shall de-  
2 scribe with reasonable certainty what is sought.

3 “(b) EXAMINATIONS AND AUDITS.—The sales tax ad-  
4 ministering authority has the authority to conduct at a  
5 reasonable time and place examinations and audits of per-  
6 sons who are or may be liable to collect and remit tax  
7 imposed by this subtitle and to examine the books, papers,  
8 records, or other data of such persons which may be rel-  
9 evant or material to the determination of tax due.

10 “(c) LIMITATION ON AUTHORITY IN CASE OF REFER-  
11 RAL.—No administrative summons may be issued by the  
12 sales tax administering authority and no action be com-  
13 menced to enforce an administrative summons with re-  
14 spect to any person if a Justice Department referral or  
15 referral to a State Attorney General’s Office is in effect  
16 with respect to such person relating to a tax imposed by  
17 this subtitle. Such referral is in effect with respect to any  
18 person if the sales tax administering authority or the Sec-  
19 retary has recommended to the Justice Department or a  
20 State Attorney General’s Office a grand jury investigation  
21 of such person or a criminal prosecution of such person  
22 that contemplates criminal sanctions under this title. A  
23 referral shall be terminated when—

1           “(1) the Justice Department or a State Attor-  
2           ney General’s Office notifies the sales tax admin-  
3           istering authority or the Secretary that he will not—

4                   “(A) prosecute such person for any offense  
5                   connected with the internal revenue laws,

6                   “(B) authorize a grand jury investigation  
7                   of such person with respect to such offense, or

8                   “(C) continue such a grand jury investiga-  
9                   tion, or

10           “(2) a final disposition has been made of any  
11           criminal proceeding connected with the internal rev-  
12           enue laws, or conforming State sales tax, against  
13           such person.

14   **“SEC. 509. RECORDS.**

15           “Any person liable to remit taxes pursuant to this  
16           subtitle shall keep records (including a record of all section  
17           510 receipts provided, complete records of intermediate  
18           and export sales, including purchaser’s intermediate and  
19           export sales certificates and tax number and the net of  
20           tax amount of purchase) sufficient to determine the  
21           amounts reported, collected, and remitted for a period of  
22           6 years after the latter of the filing of the report for which  
23           the records formed the basis or when the report was due  
24           to be filed. Any purchaser who purchased taxable property  
25           or services but did not pay tax by reason of asserting an

1 intermediate and export sales exemption shall keep records  
2 sufficient to determine whether said exemption was valid  
3 for a period of 7 years after the purchase of taxable prop-  
4 erty or services.

5 **“SEC. 510. TAX TO BE SEPARATELY STATED AND CHARGED.**

6       “(a) IN GENERAL.—For each purchase of taxable  
7 property or services for which a tax is imposed by section  
8 101, the seller shall charge the tax imposed by section 101  
9 separately from the purchase. For purchase of taxable  
10 property or services for which a tax is imposed by section  
11 101, the seller shall provide to the purchaser a receipt for  
12 each transaction that includes—

13               “(1) the property or services price exclusive of  
14 tax;

15               “(2) the amount of tax paid;

16               “(3) the property or service price inclusive of  
17 tax;

18               “(4) the tax rate (the amount of tax paid (per  
19 paragraph (2)) divided by the property or service  
20 price inclusive of tax (per paragraph (3)));

21               “(5) the date that the good or service was sold;

22               “(6) the name of the vendor; and

23               “(7) the vendor registration number.

24       “(b) VENDING MACHINE EXCEPTION.—The require-  
25 ments of subsection (a) shall be inapplicable in the case

1 of sales by vending machines. Vending machines for pur-  
 2 poses of this subsection are machines—

3 “(1) that dispense taxable property in exchange  
 4 for coins or currency; and

5 “(2) that sell no single item exceeding \$10 per  
 6 unit in price.

7 “(c) **FINANCIAL INTERMEDIATION SERVICES EXCEP-**  
 8 **TION.**—The requirements of subsection (a) shall be inap-  
 9 plicable in the case of sales financial intermediation serv-  
 10 ice. Receipts shall be issued when the tax is imposed (in  
 11 accordance with section 803 (relating to timing of tax on  
 12 financial intermediation services)).

13 **“SEC. 511. COORDINATION WITH TITLE 11.**

14 “No addition to tax shall be made under section 505  
 15 with respect to a period during which a case is pending  
 16 under title 11, United States Code—

17 “(1) if such tax was incurred by the estate and  
 18 the failure occurred pursuant to an order of the  
 19 court finding probable insufficiency of funds of the  
 20 estate to pay administrative expenses; or

21 “(2) if—

22 “(A) such tax was incurred by the debtor  
 23 before the earlier of the order for relief or (in  
 24 the involuntary case) the appointment of a  
 25 trustee; and

1           “(B) the petition was filed before the due  
2           date prescribed by law (including extensions)  
3           for filing a return of such tax, or the date for  
4           making the addition to tax occurs on or after  
5           the date the petition was filed.

6 **“SEC. 512. APPLICABLE INTEREST RATE.**

7           “(a) IN GENERAL.—

8           “(1) FEDERAL SHORT-TERM RATE.—In the  
9           case of a debt instrument, investment, financing  
10          lease, or account with a term of not over 3 years,  
11          the applicable interest rate is the Federal short-term  
12          rate.

13          “(2) FEDERAL MID-TERM RATE.—In the case  
14          of a debt instrument, investment, financing lease, or  
15          account with a term of over 3 years but not over 9  
16          years, the applicable interest rate is the Federal  
17          mid-term rate.

18          “(3) FEDERAL LONG-TERM RATE.—In the case  
19          of a debt instrument, investment, financing lease, or  
20          account with a term of over 9 years, the applicable  
21          interest rate is the Federal long-term rate.

22          “(b) FEDERAL SHORT-TERM RATE.—The Federal  
23          short-term rate shall be the rate determined by the Sec-  
24          retary based on the average market yield (selected by the  
25          Secretary and ending in the calendar month in which the

1 determination is made during any one month) on out-  
2 standing marketable obligations of the United States with  
3 remaining periods to maturity of 3 years or fewer.

4       “(c) FEDERAL MID-TERM RATE.—The Federal mid-  
5 term rate shall be the rate determined by the Secretary  
6 based on the average market yield (selected by the Sec-  
7 retary and ending in the calendar month in which the de-  
8 termination is made during any 1 month) on outstanding  
9 marketable obligations of the United States with remain-  
10 ing periods to maturity of more than 3 years and not over  
11 9 years.

12       “(d) FEDERAL LONG-TERM RATE.—The Federal  
13 long-term rate shall be the rate determined by the Sec-  
14 retary based on the average market yield (selected by the  
15 Secretary and ending in the calendar month in which the  
16 determination is made during any 1 month) on out-  
17 standing marketable obligations of the United States with  
18 remaining periods to maturity of over 9 years.

19       “(e) DETERMINATION OF RATES.—During each cal-  
20 endar month, the Secretary shall determine the Federal  
21 short-term rate, the Federal mid-term rate and the Fed-  
22 eral long-term rate which shall apply during the following  
23 calendar month.

1     **“CHAPTER 6—COLLECTIONS; APPEALS;**  
 2                     **TAXPAYER RIGHTS**

“Sec. 601. Collections.

“Sec. 602. Power to levy, etc.

“Sec. 603. Problem resolution offices.

“Sec. 604. Appeals.

“Sec. 605. Taxpayer rights.

“Sec. 606. Installment agreements compromises.

3     **“SEC. 601. COLLECTIONS.**

4             “The sales tax administering authority shall collect  
 5 the taxes imposed by this subtitle, except as provided in  
 6 section 404 (relating to Federal administration in certain  
 7 States).

8     **“SEC. 602. POWER TO LEVY, ETC.**

9             “(a) IN GENERAL.—The sales tax administering au-  
 10 thority may levy and seize property, garnish wages or sal-  
 11 ary and file liens to collect amounts due under this sub-  
 12 title, pursuant to enforcement of—

13             “(1) a judgment duly rendered by a court of  
 14 law;

15             “(2) an amount due if the taxpayer has failed  
 16 to exercise his appeals rights under section 604; or

17             “(3) an amount due if the appeals process de-  
 18 termined that an amount remained due and the tax-  
 19 payer has failed to timely petition the Tax Court for  
 20 relief.

21             “(b) EXEMPTION FROM LEVY, SEIZURE, AND GAR-  
 22 NISHMENTS.—There shall be exempt from levy, seizure,

1 and garnishment or penalty in connection with any tax  
2 imposed by this subtitle—

3 “(1) wearing apparel, school books, fuel, provi-  
4 sions, furniture, personal effects, tools of a trade or  
5 profession, livestock in a household up to an aggre-  
6 gate value of \$15,000; and

7 “(2) monthly money income equal to 150 per-  
8 cent of the monthly poverty level (as defined in sec-  
9 tion 303).

10 “(c) LIENS TO BE TIMELY RELEASED.—Subject to  
11 such reasonable regulations as the Secretary may provide,  
12 any lien imposed with respect to a tax imposed by this  
13 title shall be released not later than 30 days after—

14 “(1) the liability was satisfied or became unen-  
15 forceable; or

16 “(2) a bond was accepted as security.

17 **“SEC. 603. PROBLEM RESOLUTION OFFICES.**

18 “(a) PROBLEM RESOLUTION OFFICE TO BE ESTAB-  
19 LISHED.—Each sales tax administering authority shall es-  
20 tablish an independent Problem Resolution Office and ap-  
21 point an adequate number of problem resolution officers.  
22 The head of the problem resolution office must be ap-  
23 pointed by, and serve at the pleasure of either the State  
24 Governor (in the case of an administering State) or the  
25 President of the United States.

1           “(b) AUTHORITY OF PROBLEM RESOLUTION OFFI-  
2 CERS.—Problem resolution officers shall have the author-  
3 ity to investigate complaints and issue a Taxpayer Assist-  
4 ance Order to administratively enjoin any collection activ-  
5 ity if, in the opinion of the problem resolution officer, said  
6 collection activity is reasonably likely to not be in compli-  
7 ance with law or to prevent hardship (other than by reason  
8 of having to pay taxes lawfully due). Problem resolution  
9 officers shall also have the authority to issue Taxpayer As-  
10 sistance Orders releasing or returning property that has  
11 been levied upon or seized, ordering that a lien be released  
12 and that garnished wages be returned. A Taxpayer Assist-  
13 ance Order may only be rescinded or modified by the prob-  
14 lem resolution officer that issued it, by the highest official  
15 in the relevant sales tax administering authority or by its  
16 general counsel upon a finding that the collection activity  
17 is justified by clear and convincing evidence. The authority  
18 to reverse this Taxpayer Assistance Order may not be del-  
19 egated.

20           “(c) FORM OF REQUEST FOR TAXPAYER ASSISTANCE  
21 ORDER.—The Secretary shall establish a form and proce-  
22 dure to aid persons requesting the assistance of the Prob-  
23 lem Resolution Office and to aid the Problem Resolution  
24 Office in understanding the needs of the person seeking  
25 assistance. The use of this form, however, shall not be a

1 prerequisite to a problem resolution officer taking action,  
2 including issuing a Taxpayer Assistance Order.

3 “(d) CONTENT OF TAXPAYER ASSISTANCE ORDER.—

4 A Taxpayer Assistance Order shall contain the name of  
5 the problem resolution officer, any provision relating to  
6 the running of any applicable period of limitation, the  
7 name of the person that the Taxpayer Assistance Order  
8 assists, the government office (or employee or officer of  
9 said government office) to whom it is directed and the ac-  
10 tion or cessation of action that the Taxpayer Assistance  
11 Order requires of said government officer (or employee or  
12 officer of said government office). The Taxpayer Assist-  
13 ance Order need not contain findings of fact or its legal  
14 basis; however, the problem resolution officer must provide  
15 findings of fact and the legal basis for the issuance of the  
16 Taxpayer Assistance Order to the sales tax administering  
17 authority upon the request of an officer of said authority  
18 within 2 weeks of the receipt of such request.

19 “(e) INDEPENDENCE PROTECTED.—Problem resolu-  
20 tion officers shall not be disciplined or adversely affected  
21 for the issuance of administrative injunctions unless a pat-  
22 tern of issuing injunctions that are manifestly unreason-  
23 able is proven in an administrative hearing by a prepon-  
24 derance of the evidence.

1       “(f) OTHER RIGHTS NOT LIMITED.—Nothing in this  
2 section shall limit the authority of the sales tax admin-  
3 istering authority, the registered person or other person  
4 from pursuing any legal remedy in any court with jurisdic-  
5 tion over the dispute at issue.

6       “(g) LIMITATIONS.—The running of any applicable  
7 period of limitation shall be suspended for a period of 8  
8 weeks following the issuance of a Taxpayer Assistance  
9 Order or, if specified, for a longer period set forth in the  
10 Taxpayer Assistance Order provided the suspension does  
11 not exceed 6 months.

12 **“SEC. 604. APPEALS.**

13       “(a) ADMINISTRATIVE APPEALS.—The sales tax ad-  
14 ministering authority shall establish an administrative ap-  
15 peals process wherein the registered person or other per-  
16 son in disagreement with a decision of the sales tax admin-  
17 istering authority asserting liability for tax is provided a  
18 full and fair hearing in connection with any disputes said  
19 person has with the sales tax administering authority.

20       “(b) TIMING OF ADMINISTRATIVE APPEALS.—Said  
21 administrative appeal must be made within 60 days of re-  
22 ceiving a final notice of amount due pursuant to section  
23 605(d) unless leave for an extension is granted by the ap-  
24 peals officer in a form prescribed by the Secretary. Leave  
25 shall be granted to avoid hardship.

1 **“SEC. 605. TAXPAYER RIGHTS.**

2 “(a) RIGHTS TO BE DISCLOSED.—The sales tax ad-  
3 ministering authority shall provide to any person against  
4 whom it has—

5 “(1) commenced an audit or investigation;

6 “(2) issued a final notice of amount due;

7 “(3) filed an administrative lien, levy, or gar-  
8 nishment;

9 “(4) commenced other collection action;

10 “(5) commenced an action for civil penalties; or

11 “(6) any other legal action,

12 a document setting forth in plain English the rights of  
13 the person. The document shall explain the administrative  
14 appeals process, the authority of the Problem Resolution  
15 Office (established pursuant to section 603) and how to  
16 contact that Office, the burden of production and persua-  
17 sion that the person and the sales tax administering au-  
18 thority bear (pursuant to section 506), the right of the  
19 person to professional fees (pursuant to section 507), the  
20 right to record interviews and such other rights as the per-  
21 son may possess under this subtitle. Said document will  
22 also set forth the procedures for entering into an install-  
23 ment agreement.

24 “(b) RIGHT TO PROFESSIONAL ASSISTANCE.—In all  
25 dealings with the sales tax administering authority, a per-

1 son shall have the right to assistance, at their own ex-  
2 pense, of 1 or more professional advisors.

3 “(c) RIGHT TO RECORD INTERVIEWS.—Any person  
4 who is interviewed by an agent of the sales tax admin-  
5 istering authority shall have the right to video or audio  
6 tape the interview at the person’s own expense.

7 “(d) RIGHT TO FINAL NOTICE OF AMOUNT DUE.—  
8 No collection or enforcement action will be commenced  
9 against a person until 30 days after they have been pro-  
10 vided with a final notice of amount due under this subtitle  
11 by the sales tax administering authority. The final notice  
12 of amount due shall set forth the amount of tax due (along  
13 with any interest and penalties due) and the factual and  
14 legal basis for such amounts being due with sufficient  
15 specificity that such basis can be understood by a reason-  
16 able person who is not a tax professional reading the no-  
17 tice. The final notice shall be sent by certified mail, return  
18 receipt requested, to—

19 “(1) the address last provided by a registered  
20 seller; or

21 “(2) the best available address to a person who  
22 is not a registered seller.

23 “(e) CONFIDENTIALITY OF TAX INFORMATION.—

1           “(1) IN GENERAL.—All reports and report in-  
2           formation (related to any internal revenue law) shall  
3           be confidential and except as authorized by this title

4                   “(A) no officer or employee (including  
5                   former officers and employees) of the United  
6                   States;

7                   “(B) no officer or employee (including  
8                   former officers and employees) of any State or  
9                   local agency who has had access to returns or  
10                  return information; and

11                  “(C) no other person who has had access  
12                  to returns or return information;

13           shall disclose any report or report information ob-  
14           tained by him in any manner in connection with his  
15           service as such officer or employee or otherwise.

16           “(2) DESIGNEES.—The sales tax administering  
17           authority may, subject to such requirements as the  
18           Secretary may impose, disclose the report and report  
19           information of a person to that person or persons as  
20           that person may designate to receive said informa-  
21           tion or return.

22           “(3) OTHER SALES TAX ADMINISTERING AU-  
23           THORITIES.—A sales tax administering authority  
24           may impose, disclose the report and report informa-  
25           tion to another sales tax administering authority.

1           “(4) INCOMPETENCY.—A sales tax admin-  
2           istering authority may, subject to such requirements  
3           as the Secretary may impose, disclose the report and  
4           report information to the committee, trustee, or  
5           guardian of a person who is incompetent.

6           “(5) DECEASED PERSONS.—A sales tax admin-  
7           istering authority may, subject to such requirements  
8           as the Secretary may impose, disclose the report and  
9           report information to the decedent’s—

10                   “(A) administrator, executor, estate trust-  
11                   ee, or

12                   “(B) heir at law, next of kin, or beneficiary  
13                   under a will who has a material interest that  
14                   will be affected by the information.

15           “(6) BANKRUPTCY.—A sales tax administering  
16           authority may, subject to such requirements as the  
17           Secretary may impose, disclose the report and report  
18           information to a person’s trustee in bankruptcy.

19           “(7) CONGRESS.—Upon written request from  
20           the Chairman of the Committee on Ways and  
21           Means, the Chairman of the Committee on Finance  
22           of the Senate, or the Chairman or Chief of Staff of  
23           the Joint Committee on Taxation, a sales tax admin-  
24           istering authority shall disclose the report and report  
25           information, except that any report or report infor-

1       mation that can be associated with or otherwise  
2       identify a particular person shall be furnished to  
3       such committee only when sitting in closed executive  
4       session unless such person otherwise consents in  
5       writing to such disclosure.

6               “(8) WAIVER OF PRIVACY RIGHTS.—A person  
7       may waive confidentiality rights provided by this sec-  
8       tion. Such waiver must be in writing.

9               “(9) INTERNAL USE.—Disclosure of the report  
10      or report information by officers or employees of a  
11      sales tax administering authority to other officers or  
12      employees of a sales tax administering authority in  
13      the ordinary course of tax administration activities  
14      shall not constitute unlawful disclosure of the report  
15      or report information.

16              “(10) STATISTICAL USE.—Upon request in  
17      writing by the Secretary of Commerce, the Secretary  
18      shall furnish such reports and report information to  
19      officers and employees of the Department of Com-  
20      merce as the Secretary may prescribe by regulation  
21      for the purposes of, and only to the extent necessary  
22      in, the structuring of censuses and national eco-  
23      nomic accounts and conducting related statistical ac-  
24      tivities authorized by law.

1           “(11) DEPARTMENT OF THE TREASURY.—Re-  
2           turns and return information shall be open for in-  
3           spection by officers and employees of the Depart-  
4           ment of the Treasury whose official duties require  
5           such inspection or disclosure for the purpose of, and  
6           only to the extent necessary for, preparing economic  
7           or financial forecasts, projections, analyses, or esti-  
8           mates. Such inspection or disclosure shall be per-  
9           mitted only upon written request that sets forth the  
10          reasons why such inspection or disclosure is nec-  
11          essary and is signed by the head of the bureau or  
12          office of the Department of the Treasury requesting  
13          the inspection or disclosure.

14   **“SEC. 606. INSTALLMENT AGREEMENTS; COMPROMISES.**

15          “The sales tax administering authority is authorized  
16          to enter into written agreements with any person under  
17          which the person is allowed to satisfy liability for payment  
18          of any tax under this subtitle (and penalties and interest  
19          relating thereto) in installment payments if the sales tax  
20          administering authority determines that such agreement  
21          will facilitate the collection of such liability. The agree-  
22          ment shall remain in effect for the term of the agreement  
23          unless the information that the person provided to the  
24          sales tax administering authority was materially inac-

1 curate or incomplete. The sales tax administering author-  
 2 ity may compromise any amounts alleged to be due.

### 3 **“CHAPTER 7—SPECIAL RULES**

“Sec. 701. Hobby activities.

“Sec. 702. Gaming activities.

“Sec. 703. Government purchases.

“Sec. 704. Government enterprises.

“Sec. 705. Mixed use property.

“Sec. 706. Not-for-profit organizations.

#### 4 **“SEC. 701. HOBBY ACTIVITIES.**

5 “(a) HOBBY ACTIVITIES.—Neither the exemption af-  
 6 forded by section 102 for intermediate sales nor the cred-  
 7 its available pursuant to section 202 or 203 shall be avail-  
 8 able for any taxable property or service purchased for use  
 9 in an activity if that activity is not engaged in for-profit.

10 “(b) STATUS DEEMED.—If the activity has received  
 11 gross payments for the sale of taxable property or services  
 12 that exceed the sum of—

13 “(1) taxable property and services purchased;

14 “(2) wages and salary paid; and

15 “(3) taxes (of any type) paid,

16 in 2 or more of the most recent 3 calendar years during  
 17 which it operated when the business activity shall be con-  
 18 clusively deemed to be engaged in for profit.

#### 19 **“SEC. 702. GAMING ACTIVITIES.**

20 “(a) REGISTRATION.—Any person selling 1 or more  
 21 chances is a gaming sponsor and shall register, in a form

1 prescribed by the Secretary, with the sales tax admin-  
2 istering authority as a gaming sponsor.

3       “(b) CHANCE DEFINED.—For purposes of this sec-  
4 tion, the term ‘chance’ means a lottery ticket, a raffle tick-  
5 et, chips, other tokens, a bet or bets placed, a wager or  
6 wagers placed, or any similar device where the purchase  
7 of the right gives rise to an obligation by the gaming spon-  
8 sor to pay upon the occurrence of—

9               “(1) a random or unpredictable event; or

10              “(2) an event over which neither the gaming  
11 sponsor nor the person purchasing the chance has  
12 control over the outcome.

13       “(c) CHANCES NOT TAXABLE PROPERTY OR SERV-  
14 ICE.—Notwithstanding any other provision in this sub-  
15 title, a chance is not taxable property or services for pur-  
16 poses of section 101.

17       “(d) TAX ON GAMING SERVICES IMPOSED.—A 23-  
18 percent tax is hereby imposed on the taxable gaming serv-  
19 ices of a gaming sponsor. This tax shall be paid and remit-  
20 ted by the gaming sponsor. The tax shall be remitted by  
21 the 15th day of each month with respect to taxable gaming  
22 services during the previous calendar month.

23       “(e) TAXABLE GAMING SERVICES DEFINED.—For  
24 purposes of this section, the term ‘taxable gaming services’  
25 means—

1           “(1) gross receipts of the gaming sponsor from  
2 the sale of chances, minus

3           “(2) the sum of—

4                 “(A) total gaming payoffs to chance pur-  
5 chasers (or their designees); and

6                 “(B) gaming specific taxes (other than the  
7 tax imposed by this section) imposed by the  
8 Federal, State, or local government.

9 **“SEC. 703. GOVERNMENT PURCHASES.**

10           “(a) GOVERNMENT PURCHASES.—

11                 “(1) PURCHASES BY THE FEDERAL GOVERN-  
12 MENT.—Purchases by the Federal Government of  
13 taxable property and services shall be subject to the  
14 tax imposed by section 101.

15                 “(2) PURCHASE BY STATE GOVERNMENTS AND  
16 THEIR POLITICAL SUBDIVISIONS.—Purchases by  
17 State governments and their political subdivisions of  
18 taxable property and services shall be subject to the  
19 tax imposed by section 101.

20           “(b) CROSS REFERENCES.—For purchases by gov-  
21 ernment enterprises see section 704.

22 **“SEC. 704. GOVERNMENT ENTERPRISES.**

23           “(a) GOVERNMENT ENTERPRISES TO COLLECT AND  
24 REMIT TAXES ON SALES.—Nothing in this subtitle shall  
25 be construed to exempt any Federal, State, or local gov-

1 ernmental unit or political subdivision (whether or not the  
2 State is an administering State) operating a government  
3 enterprise from collecting and remitting tax imposed by  
4 this subtitle on any sale of taxable property or services.,  
5 Government enterprises shall comply with all duties im-  
6 posed by this subtitle and shall be liable for penalties and  
7 subject to enforcement action in the same manner as pri-  
8 vate persons that are not government enterprises.

9       “(b) GOVERNMENT ENTERPRISE.—Any entity owned  
10 or operated by a Federal, State, or local governmental unit  
11 or political subdivision that receives gross payments from  
12 private persons is a government enterprise, except that a  
13 government-owned entity shall not become a government  
14 enterprise for purposes of this section unless in any quar-  
15 ter it has revenues from selling taxable property or serv-  
16 ices that exceed \$2,500.

17       “(c) GOVERNMENT ENTERPRISES INTERMEDIATE  
18 SALES.—

19           “(1) IN GENERAL.—Government enterprises  
20 shall not be subject to tax on purchases that would  
21 not be subject to tax pursuant to section 102(b) if  
22 the government enterprise were a private enterprise.

23           “(2) EXCEPTION.—Government enterprises  
24 may not use the exemption afforded by section  
25 102(b) to serve as a conduit for tax-free purchases

1 by government units that would otherwise be subject  
2 to taxation on purchases pursuant to section 703.  
3 Transfers of taxable property or services purchased  
4 exempt from tax from a government enterprise to  
5 such government unit shall be taxable.

6 “(d) SEPARATE BOOKS OF ACCOUNT.—Any govern-  
7 ment enterprise must maintain books of account, separate  
8 from the nonenterprise government accounts, maintained  
9 in accordance with generally accepted accounting prin-  
10 ciples.

11 “(e) TRADE OR BUSINESS.—A government enterprise  
12 shall be treated as a trade or business for purposes of this  
13 subtitle.

14 “(f) ENTERPRISE SUBSIDIES CONSTITUTE TAXABLE  
15 PURCHASE.—A transfer of funds to a government enter-  
16 prise by a government entity without full consideration  
17 shall constitute a taxable government purchase with the  
18 meaning of section 703 to the extent that the transfer of  
19 funds exceeds the fair market value of the consideration.

20 **“SEC. 705. MIXED USE PROPERTY.**

21 “(a) MIXED USE PROPERTY OR SERVICE.—

22 “(1) MIXED USE PROPERTY OR SERVICE DE-  
23 FINED.—For purposes of this section, the term  
24 ‘mixed use property or service’ is a taxable property  
25 or taxable service used for both taxable use or con-

1       sumption and for a purpose that would not be sub-  
2       ject to tax pursuant to section 102(a)(1).

3           “(2) TAXABLE THRESHOLD.—Mixed use prop-  
4       erty or service shall be subject to tax notwith-  
5       standing section 102(a)(1) unless such property or  
6       service is used more than 95 percent for purposes  
7       that would give rise to an exemption pursuant to  
8       section 102(a)(1) during each calendar year (or por-  
9       tions thereof) it is owned.

10          “(3) MIXED USE PROPERTY OR SERVICES  
11       CREDIT.—A person registered pursuant to section  
12       502 is entitled to a business use conversion credit  
13       (pursuant to section 202) equal to the product of—

14           “(A) the mixed use property amount; and

15           “(B) the business use ratio; and

16           “(C) the rate of tax imposed by section

17       101.

18          “(4) MIXED USE PROPERTY AMOUNT.—The  
19       mixed use property amount for each month (or frac-  
20       tion thereof) in which the property was owned shall  
21       be—

22           “(A) one-three-hundred-sixtieth of the  
23       gross payments for real property for 360  
24       months or until the property is sold;

1           “(B) one-eighty-fourth of the gross pay-  
2           ments for tangible personal property for 84  
3           months or until the property is sold;

4           “(C) one-sixtieth of the gross payments for  
5           vehicles for 60 months or until the property is  
6           sold; or

7           “(D) for other types of taxable property or  
8           services, a reasonable amount or in accordance  
9           with regulations prescribed by the Secretary.

10          “(5) BUSINESS USE RATIO.—For purposes of  
11          this section, the term ‘business use ratio’ means the  
12          ratio of business use to total use for a particular cal-  
13          endar month (or portion thereof if the property was  
14          owned for only part of said calendar month). For ve-  
15          hicles, the business use ratio will be the ratio of  
16          business purpose miles to total miles in a particular  
17          calendar month. For real property, the business use  
18          ratio is the ratio of floor space used primarily for  
19          business purposes to total floor space in a particular  
20          calendar month. For tangible personal property (ex-  
21          cept for vehicles), the business use ratio is the ratio  
22          of total time used for business purposes to total time  
23          used in a particular calendar year. For other prop-  
24          erty or services, the business ratio shall be cal-  
25          culated using a reasonable method. Reasonable

1 records must be maintained to support a person's  
2 business use of the mixed use property or service.

3 “(b) TIMING OF BUSINESS USE CONVERSION CRED-  
4 IT ARISING OUT OF OWNERSHIP OF MIXED USE PROP-  
5 ERTY.—A person entitled to a credit pursuant to sub-  
6 section (a)(3) arising out of the ownership of mixed use  
7 property must account for the mixed use on a calendar  
8 year basis, and may file for the credit with respect to  
9 mixed use property in any month following the calendar  
10 year giving rise to the credit.

11 “(c) CROSS REFERENCE.—For business use conver-  
12 sion credit, see section 202.

13 **“SEC. 706. NOT-FOR-PROFIT ORGANIZATIONS.**

14 “(a) NOT-FOR-PROFIT ORGANIZATIONS.—Dues, con-  
15 tributions, and similar payments to qualified not-for-profit  
16 organizations shall not be considered gross payments for  
17 taxable property or services for purposes of this subtitle.

18 “(b) DEFINITION.—For purposes of this section, the  
19 term ‘qualified not-for-profit organization’ means a not-  
20 for-profit organization organized and operated exclu-  
21 sively—

22 “(1) for religious, charitable, scientific, testing  
23 for public safety, literary, or educational purposes;

24 “(2) as civic leagues or social welfare organiza-  
25 tions;

1           “(3) as labor, agricultural, or horticultural or-  
2           ganizations;

3           “(4) as chambers of commerce, business  
4           leagues, or trade associations; or

5           “(5) as fraternal beneficiary societies, orders, or  
6           associations;

7 no part of the net earnings of which inures to the benefit  
8 of any private shareholder or individual.

9           “(c) QUALIFICATION CERTIFICATES.—Upon applica-  
10 tion in a form prescribed by the Secretary, the sales tax  
11 administering authority shall provide qualification certifi-  
12 cates to qualified not-for-profit organizations.

13           “(d) TAXABLE TRANSACTIONS.—If a qualified not-  
14 for-profit organization provides taxable property or serv-  
15 ices in connection with contributions, dues, or similar pay-  
16 ments to the organization, then it shall be required to  
17 treat the provision of said taxable property or services as  
18 a purchase taxable pursuant to this subtitle at the fair  
19 market value of said taxable property or services.

20           “(e) EXEMPTIONS.—Taxable property and services  
21 purchased by a qualified not-for-profit organization shall  
22 be eligible for the exemptions provided in section 102.

23                           **“CHAPTER 8—FINANCIAL**  
24                           **INTERMEDIATION SERVICES**

“Sec. 801. Determination of financial intermediation services amount.

“Sec. 802. Bad debts.

“Sec. 803. Timing of tax on financial intermediation services.

“Sec. 804. Financing leases.

“Sec. 805. Basic interest rate.

“Sec. 806. Foreign financial intermediation services.

1 **“SEC. 801. DETERMINATION OF FINANCIAL INTERMEDI-**  
 2 **ATION SERVICES AMOUNT.**

3 “(a) FINANCIAL INTERMEDIATION SERVICES.—For  
 4 purposes of this subtitle—

5 “(1) IN GENERAL.—The term ‘financial inter-  
 6 mediation services’ means the sum of—

7 “(A) explicitly charged fees for financial  
 8 intermediation services, and

9 “(B) implicitly charged fees for financial  
 10 intermediation services.

11 “(2) EXPLICITLY CHARGED FEES FOR FINAN-  
 12 CIAL INTERMEDIATION SERVICES.—The term ‘explic-  
 13 itly charged fees for financial intermediation serv-  
 14 ices’ includes—

15 “(A) brokerage fees;

16 “(B) explicitly stated banking, loan origi-  
 17 nation, processing, documentation, credit check  
 18 fees, or other similar fees;

19 “(C) safe-deposit box fees;

20 “(D) insurance premiums, to the extent  
 21 such premiums are not allocable to the invest-  
 22 ment account of the underlying insurance pol-  
 23 icy;

24 “(E) trustees’ fees; and

1           “(F) other financial services fees (includ-  
2           ing mutual fund management, sales, and exit  
3           fees).

4           “(3) IMPLICITLY CHARGED FEES FOR FINAN-  
5           CIAL INTERMEDIATION SERVICES.—

6           “(A) IN GENERAL.—The term ‘implicitly  
7           charged fees for financial intermediation serv-  
8           ices’ includes the gross imputed amount in rela-  
9           tion to any underlying interest-bearing invest-  
10          ment, account, or debt.

11          “(B) GROSS IMPUTED AMOUNT.—For pur-  
12          poses of subparagraph (A), the term ‘gross im-  
13          puted amount’ means—

14               “(i) with respect to any underlying in-  
15               terest-bearing investment or account, the  
16               product of—

17                       “(I) the excess (if any) of the  
18                       basic interest rate (as defined in sec-  
19                       tion 805) over the rate paid on such  
20                       investment; and

21                       “(II) the amount of the invest-  
22                       ment or account; and

23               “(ii) with respect to any underlying  
24               interest-bearing debt, the product of—

1                   “(I) the excess (if any) of the  
2                   rate paid on such debt over the basic  
3                   interest rate (as defined in section  
4                   805); and

5                   “(II) the amount of the debt.

6           “(b) SELLER OF FINANCIAL INTERMEDIATION SERV-  
7 ICES.—For purposes of section 103(a), the seller of finan-  
8 cial intermediation services shall be—

9                   “(1) in the case of explicitly charged fees for fi-  
10 nancial intermediation services, the seller shall be  
11 the person who receives the gross payments for the  
12 charged financial intermediation services;

13                   “(2) in the case of implicitly charged fees for fi-  
14 nancial intermediation services with respect to any  
15 underlying interest-bearing investment or account,  
16 the person making the interest payments on the in-  
17 terest-bearing investment or account; and

18                   “(3) in the case of implicitly charged fees for fi-  
19 nancial intermediation services with respect to any  
20 interest-bearing debt, the person receiving the inter-  
21 est payments on the interest-bearing debt.

22 **“SEC. 802. BAD DEBTS.**

23           “(a) IN GENERAL.—For purposes of section 205(a),  
24 a bad debt shall be a business debt that becomes wholly  
25 or partially worthless to the payee.

1       “(b) BUSINESS LOAN.—For purposes of subsection  
2 (a), a business loan or debt is a bona fide loan or debt  
3 made for a business purpose that both parties intended  
4 be repaid.

5       “(c) DETERMINATION OF WORTHLESSNESS.—

6           “(1) IN GENERAL.—No loan or debt shall be  
7 considered wholly or partially worthless unless it has  
8 been in arrears for 180 days or more, except that if  
9 a debt is discharged wholly or partially in bank-  
10 ruptcy before 180 days has elapsed, then it shall be  
11 deemed wholly or partially worthless on the date of  
12 discharge.

13           “(2) DETERMINATION BY HOLDER.—A loan or  
14 debt that has been in arrears for 180 days or more  
15 may be deemed wholly or partially worthless by the  
16 holder unless a payment schedule has been entered  
17 into between the debtor and the lender.

18       “(d) CROSS REFERENCE.—See section 205(c) for tax  
19 on subsequent payments.

20 **“SEC. 803. TIMING OF TAX ON FINANCIAL INTERMEDIATION**  
21 **SERVICES.**

22       “The tax on financial intermediation services pro-  
23 vided by section 801 with respect to an underlying invest-  
24 ment account or debt shall be imposed and collected with  
25 the same frequency that statements are rendered by the

1 financial institution in connection with the investment ac-  
2 count or debt but not less frequently than quarterly.

3 **“SEC. 804. FINANCING LEASES.**

4       “(a) DEFINITION.—For purposes of this section, the  
5 term ‘financing lease’ means any lease under which the  
6 lessee has the right to acquire the property for 50 percent  
7 or less of its fair market value at the end of the lease  
8 term.

9       “(b) GENERAL RULE.—Financing leases shall be  
10 taxed in the method set forth in this section.

11       “(c) DETERMINATION OF PRINCIPAL AND INTEREST  
12 COMPONENTS OF FINANCING LEASE.—The Secretary  
13 shall promulgate rules for disaggregating the principal  
14 and interest components of a financing lease. The prin-  
15 cipal amount shall be determined to the extent possible  
16 by examination of the contemporaneous sales price or  
17 prices of property the same or similar as the leased prop-  
18 erty.

19       “(d) ALTERNATIVE METHOD.—In the event that con-  
20 temporaneous sales prices or property the same or similar  
21 as the leased property are not available, the principal and  
22 interest components of a financing lease shall be  
23 disaggregated using the applicable interest rate (as de-  
24 fined in section 512) plus 4 percent.

1       “(e) PRINCIPAL COMPONENT.—The principal compo-  
2       nent of the financing lease shall be subject to tax as if  
3       a purchase in the amount of the principal component had  
4       been made on the day on which said lease was executed.

5       “(f) INTEREST COMPONENT.—The financial inter-  
6       mediation services amount with respect to the interest  
7       component of the financing lease shall be subject to tax  
8       under this subtitle.

9       “(g) COORDINATION.—If the principal component  
10       and financial intermediation services amount with respect  
11       to the interest component of a lease have been taxed pur-  
12       suant to this section, then the gross lease or rental pay-  
13       ments shall not be subject to additional tax.

14       **“SEC. 805. BASIC INTEREST RATE.**

15       “For purposes of this chapter, the basic interest rate  
16       with respect to a debt instrument, investment, financing  
17       lease, or account shall be the applicable interest rate (as  
18       determined in section 512). For debt instruments, invest-  
19       ments, or accounts of contractually fixed interest, the ap-  
20       plicable interest rate of the month of issuance shall apply.  
21       For debt instruments, investments, or accounts of variable  
22       interest rates and which have no reference interest rate,  
23       the applicable interest shall be the Federal short-term in-  
24       terest rate for each month. For debt instruments, invest-  
25       ments, or accounts of variable interest rates and which

1 have a reference interest rate, the applicable interest shall  
2 be the applicable interest rate for the reference interest  
3 rate for each month.

4 **“SEC. 806. FOREIGN FINANCIAL INTERMEDIATION SERV-**  
5 **ICES.**

6 “(a) SPECIAL RULES RELATING TO INTERNATIONAL  
7 FINANCIAL INTERMEDIATION SERVICES.—Financial  
8 intermediation services shall be deemed as used or con-  
9 sumed within the United States if the person (or any re-  
10 lated party as defined in section 205(e)) purchasing the  
11 services is a resident of the United States.

12 “(b) DESIGNATION OF TAX REPRESENTATIVE.—Any  
13 person that provides financial intermediation services to  
14 United States residents must, as a condition of lawfully  
15 providing such services, designate, in a form prescribed  
16 by the Secretary, a tax representative for purposes of this  
17 subtitle. The tax representative shall be responsible for en-  
18 suring that the taxes imposed by this subtitle are collected  
19 and remitted and shall be jointly and severally liable for  
20 collecting and remitting these taxes. The Secretary may  
21 require reasonable bond of the tax representative. The  
22 Secretary or a sales tax administering authority may bring  
23 an action seeking a temporary restraining order, an in-  
24 junction, or such other order as may be appropriate to  
25 enforce this section.

1       “(c) CROSS REFERENCES.—For definition of person,  
2 see section 901.

3       **“CHAPTER 9—ADDITIONAL MATTERS**

“Sec. 901. Additional matters.

“Sec. 902. Transition matters.

“Sec. 903. Wages to be reported to Social Security Administration.

“Sec. 904. Trust Fund revenue.

“Sec. 905. Withholding of tax on nonresident aliens and foreign corporations.

4       **“SEC. 901. ADDITIONAL MATTERS.**

5       “(a) INTANGIBLE PROPERTY ANTI-AVOIDANCE  
6 RULE.—Notwithstanding section 2(a)(14)(a)(i), the sale  
7 of a copyright or trademark shall be treated as the sale  
8 of taxable services (within the meaning of section 101(a))  
9 if the substance of the sales of copyright or trademark  
10 constituted the sale of the services that produced the copy-  
11 righted material or the trademark.

12       “(b) DE MINIMIS PAYMENTS.—Up to \$400 of gross  
13 payments per calendar year shall be exempt from the tax  
14 imposed by section 101 if—

15               “(1) made by a person not in connection with  
16 a trade or business at any time during such calendar  
17 year prior to making said gross payments, and

18               “(2) made to purchase any taxable property or  
19 service which is imported into the United States by  
20 such person for use or consumption by such person  
21 in the United States.

1       “(c) DE MINIMIS SALES.—Up to \$1,200 per calendar  
2 year of gross payments shall be exempt from the tax im-  
3 posed by section 101 if received—

4               “(1) by a person not in connection with a trade  
5 or business during such calendar year prior to the  
6 receipt of said gross payments; and

7               “(2) in connection with a casual or isolated  
8 sale.

9       “(d) DE MINIMIS SALE OF FINANCIAL INTERMEDI-  
10 ATION SERVICES.—Up to \$10,000 per calendar year of  
11 gross payments received by a person from the sale of fi-  
12 nancial intermediation services (as determined in accord-  
13 ance with section 801) shall be exempt from the tax im-  
14 posed by section 101. The exemption provided by this sub-  
15 section is in addition to other exemptions afforded by this  
16 chapter. The exemption provided by this subsection shall  
17 not be available to large sellers (as defined in section  
18 501(e)(3)).

19       “(e) PROXY BUYING TAXABLE.—If a registered per-  
20 son provides taxable property or services to a person either  
21 as a gift, prize, reward, or as remuneration for employ-  
22 ment, and such taxable property or services were not pre-  
23 viously subject to tax pursuant to section 101, then the  
24 provision of such taxable property or services by the reg-  
25 istered person shall be deemed the conversion of such tax-

1 able property or services to personal use subject to tax  
2 pursuant to section 103(c) at the tax inclusive fair market  
3 value of such taxable property or services.

4 “(f) SUBSTANCE OVER FORM.—The substance of a  
5 transaction will prevail over its form if the transaction has  
6 no bona fide economic purpose and is designed to evade  
7 tax imposed by this subtitle.

8 “(g) CERTAIN EMPLOYEE DISCOUNTS TAXABLE.—

9 “(1) EMPLOYEE DISCOUNT.—For purposes of  
10 this subsection, the term ‘employee discount’ means  
11 an employer’s offer of taxable property or services  
12 for sale to its employees or their families (within the  
13 meaning of section 302(b)) for less than the offer of  
14 such taxable property or services to the general pub-  
15 lic.

16 “(2) EMPLOYEE DISCOUNT AMOUNT.—For pur-  
17 poses of this subsection, the employee discount  
18 amount is the amount by which taxable property or  
19 services are sold pursuant to an employee discount  
20 below the amount for which such taxable property or  
21 services would have been sold to the general public.

22 “(3) TAXABLE AMOUNT.—If the employee dis-  
23 count amount exceeds 20 percent of the price that  
24 the taxable property or services would have been sold  
25 to the general public, then the sale of such taxable

1 property or services by the employer shall be deemed  
2 the conversion of such taxable property or services  
3 to personal use and tax shall be imposed on the tax-  
4 able employee discount amount. The taxable em-  
5 ployee discount amount shall be—

6 “(A) the employee discount amount, minus

7 “(B) 20 percent of the amount for which  
8 said taxable property or services would have  
9 been sold to the general public.

10 “(h) SATURDAY, SUNDAY, OR LEGAL HOLIDAY.—

11 When the last day prescribed for performing any act re-  
12 quired by this subtitle falls on a Saturday, Sunday, or  
13 legal holiday (in the jurisdiction where the return is to  
14 be filed), the performance of such act shall be considered  
15 timely if it is performed on the next day which is not a  
16 Saturday, Sunday, or legal holiday (in the jurisdiction  
17 where the return is to be filed).

18 **“SEC. 902. TRANSITION MATTERS.**

19 “(a) INVENTORY.—

20 “(1) QUALIFIED INVENTORY.—Inventory held  
21 by a trade or business on the close of business on  
22 December 31, 2008, shall be qualified inventory if it  
23 is sold—

24 “(A) before December 31, 2009;

25 “(B) by a registered person; and

1           “(C) subject to the tax imposed by section  
2           101.

3           “(2) COSTS.—For purposes of this section,  
4           qualified inventory shall have the cost that it had for  
5           Federal income tax purposes for the trade or busi-  
6           ness as of December 31, 2008 (including any  
7           amounts capitalized by reason of section 263A of the  
8           Internal Revenue Code of 1986 as in effect on De-  
9           cember 31, 2008).

10           “(3) TRANSITIONAL INVENTORY CREDIT.—The  
11           trade or business which held the qualified inventory  
12           on the close of business on December 31, 2008, shall  
13           be entitled to a transitional inventory credit equal to  
14           the cost of the qualified inventory (determined in ac-  
15           cordance with paragraph (2)) times the rate of tax  
16           imposed by section 101.

17           “(4) TIMING OF CREDIT.—The credit provided  
18           under paragraph (3) shall be allowed with respect to  
19           the month when the inventory is sold subject to the  
20           tax imposed by this subtitle. Said credit shall be re-  
21           ported as an intermediate and export sales credit  
22           and the person claiming said credit shall attach sup-  
23           porting schedules in the form that the Secretary  
24           may prescribe.

1       “(b) WORK-IN-PROCESS.—For purposes of this sec-  
2 tion, inventory shall include work-in-process.

3       “(c) QUALIFIED INVENTORY HELD BY BUSINESSES  
4 NOT SELLING SAID QUALIFIED INVENTORY AT RE-  
5 TAIL.—

6               “(1) IN GENERAL.—Qualified inventory held by  
7 businesses that sells said qualified inventory not sub-  
8 ject to tax pursuant to section 102(a) shall be eligi-  
9 ble for the transitional inventory credit only if that  
10 business (or a business that has successor rights  
11 pursuant to paragraph (2)) receives certification in  
12 a form satisfactory to the Secretary that the quali-  
13 fied inventory was subsequently sold subject to the  
14 tax imposed by this subtitle.

15               “(2) TRANSITIONAL INVENTORY CREDIT RIGHT  
16 MAY BE SOLD.—The business entitled to the transi-  
17 tional inventory credit may sell the right to receive  
18 said transitional inventory credit to the purchaser of  
19 the qualified inventory that gave rise to the credit  
20 entitlement. Any purchaser of such qualified inven-  
21 tory (or property or services into which the qualified  
22 inventory has been incorporated) may sell the right  
23 to said transitional inventory credit to a subsequent  
24 purchaser of said qualified inventory (or property or

1 services into which the qualified inventory has been  
2 incorporated).

3 **“SEC. 903. WAGES TO BE REPORTED TO SOCIAL SECURITY**  
4 **ADMINISTRATION.**

5 “(a) IN GENERAL.—Employers shall submit such in-  
6 formation to the Social Security Administration as is re-  
7 quired by the Social Security Administration to calculate  
8 Social Security benefits under title II of the Social Secu-  
9 rity Act, including wages paid, in a form prescribed by  
10 the Secretary. A copy of the employer submission to the  
11 Social Security Administration relating to each employee  
12 shall be provided to each employee by the employer.

13 “(b) WAGES.—For purposes of this section, the term  
14 ‘wages’ means all cash remuneration for employment (in-  
15 cluding tips to an employee by third parties provided that  
16 the employer or employee maintains records documenting  
17 such tips) including self-employment income; except that  
18 such term shall not include—

19 “(1) any insurance benefits received (including  
20 death benefits);

21 “(2) pension or annuity benefits received;

22 “(3) tips received by an employee over \$5,000  
23 per year; and

1           “(4) benefits received under a government enti-  
2           tlement program (including Social Security benefits  
3           and unemployment compensation benefits).

4           “(c) SELF-EMPLOYMENT INCOME.—For purposes of  
5           subsection (b), the term ‘self-employment income’ means  
6           gross payments received for taxable property or services  
7           minus the sum of—

8           “(1) gross payments made for taxable property  
9           or services (without regard to whether tax was paid  
10          pursuant to section 101 on such taxable property or  
11          services), and

12          “(2) wages paid by the self-employed person to  
13          employees of the self-employed person.

14   **“SEC. 904. TRUST FUND REVENUE.**

15          “(a) SECRETARY TO MAKE ALLOCATION OF SALES  
16          TAX REVENUE.—The Secretary shall allocate the revenue  
17          received by virtue of the tax imposed by section 101 in  
18          accordance with this section. The revenue shall be allo-  
19          cated among—

20                 “(1) the general revenue,

21                 “(2) the old-age and survivors insurance trust  
22          fund,

23                 “(3) the disability insurance trust fund,

24                 “(4) the hospital insurance trust fund, and

1           “(5) the Federal supplementary medical insur-  
2           ance trust fund.

3           “(b) GENERAL RULE.—

4           “(1) GENERAL REVENUE.—The proportion of  
5           total revenue allocated to the general revenue shall  
6           be the same proportion as the rate in section  
7           101(b)(4) bears to the combined Federal tax rate  
8           percentage (as defined in section 101(b)(3)).

9           “(2) The amount of revenue allocated to the  
10          old-age and survivors insurance and disability insur-  
11          ance trust funds shall be the same proportion as the  
12          old-age, survivors and disability insurance rate (as  
13          defined in subsection (d)) bears to the combined  
14          Federal tax rate percentage (as defined in section  
15          101(b)(3)).

16          “(3) The amount of revenue allocated to the  
17          hospital insurance and Federal supplementary med-  
18          ical insurance trust funds shall be the same propor-  
19          tion as the hospital insurance rate (as defined in  
20          subsection (e)) bears to the combined Federal tax  
21          rate percentage (as defined in section 101(b)(3)).

22          “(c) CALENDAR YEAR 2009.—Notwithstanding sub-  
23          section (b), the revenue allocation pursuant to subsection  
24          (a) for calendar year 2009 shall be as follows:

1           “(1) 64.83 percent of total revenue to general  
2 revenue;

3           “(2) 27.43 percent of total revenue to the old-  
4 age and survivors insurance and disability insurance  
5 trust funds, and

6           “(3) 7.74 percent of total revenue to the hos-  
7 pital insurance and Federal supplementary medical  
8 insurance trust funds.

9           “(d) OLD-AGE, SURVIVORS AND DISABILITY INSUR-  
10 ANCE RATE.—The old-age, survivors and disability insur-  
11 ance rate shall be determined by the Social Security Ad-  
12 ministration. The old-age, survivors and disability insur-  
13 ance rate shall be that sales tax rate which is necessary  
14 to raise the same amount of revenue that would have been  
15 raised by imposing a 12.4 percent tax on the Social Secu-  
16 rity wage base (including self-employment income) as de-  
17 termined in accordance with chapter 21 of the Internal  
18 Revenue Code most recently in effect prior to the enact-  
19 ment of this Act. The rate shall be determined using actu-  
20 arially sound methodology and announced at least 6  
21 months prior to the beginning of the Calendar year for  
22 which it applies.

23           “(e) HOSPITAL INSURANCE RATE.—The hospital in-  
24 surance rate shall be determined by the Social Security  
25 Administration. The hospital insurance rate shall be that

1 sales tax rate which is necessary to raise the same amount  
2 of revenue that would have been raised by imposing a 2.9  
3 percent tax on the Medicare wage base (including self-em-  
4 ployment income) as determined in accordance with chap-  
5 ter 21 of the Internal Revenue Code most recently in effect  
6 prior to the enactment of this Act. The rate shall be deter-  
7 mined using actuarially sound methodology and an-  
8 nounced at least 6 months prior to the beginning of the  
9 calendar year for which it applies.

10 “(f) ASSISTANCE.—The Secretary shall provide such  
11 technical assistance as the Social Security Administration  
12 shall require to determine the old-age, survivors and dis-  
13 ability insurance rate and the hospital insurance rate.

14 “(g) FURTHER ALLOCATIONS.—

15 “(1) OLD-AGE, SURVIVORS AND DISABILITY IN-  
16 SURANCE.—The Secretary shall allocate revenue re-  
17 ceived because of the old-age, survivors and dis-  
18 ability insurance rate to the old-age and survivors  
19 insurance trust fund and the disability insurance  
20 trust fund in accordance with law or, in the absence  
21 of other statutory provision, in the same proportion  
22 that the old-age and survivors insurance trust fund  
23 receipts bore to the sum of the old-age and survivors  
24 insurance trust fund receipts and the disability in-  
25 surance trust fund receipts in calendar year 2008

1 (taking into account only receipts pursuant to chap-  
2 ter 21 of the Internal Revenue Code).

3 “(2) HOSPITAL INSURANCE.—The Secretary  
4 shall allocate revenue received because of the hos-  
5 pital insurance rate to the hospital insurance trust  
6 fund and the Federal supplementary medical insur-  
7 ance trust fund in accordance with law or, in the ab-  
8 sence of other statutory provision, in the same pro-  
9 portion that hospital insurance trust fund receipts  
10 bore to the sum of the hospital insurance trust fund  
11 receipts and Federal supplementary medical insur-  
12 ance trust fund receipts in calendar year 2008 (tak-  
13 ing into account only receipts pursuant to chapter  
14 21 of the Internal Revenue Code).

15 **“SEC. 905. WITHHOLDING OF TAX ON NONRESIDENT ALIENS**  
16 **AND FOREIGN CORPORATIONS.**

17 “(a) IN GENERAL.—All persons, in whatever capacity  
18 acting (including lessees or mortgagors or real or personal  
19 property, fiduciaries, employers, and all officers and em-  
20 ployees of the United States) having control, receipt, cus-  
21 tody, disposal, or payment of any income to the extent  
22 such income constitutes gross income from sources within  
23 the United States of any nonresident alien individual, for-  
24 eign partnership, or foreign corporation shall deduct and

1 withhold from that income a tax equal to 23 percent there-  
2 of.

3 “(b) EXCEPTION.—No tax shall be required to be de-  
4 ducted from interest on portfolio debt investments.

5 “(c) TREATY COUNTRIES.—In the case of payments  
6 to nonresident alien individuals, foreign partnerships, or  
7 foreign corporations that have a residence in (or the na-  
8 tionality of a country) that has entered into a tax treaty  
9 with the United States, then the rate of withholding tax  
10 prescribed by the treaty shall govern.”.

11 **SEC. 202. CONFORMING AND TECHNICAL AMENDMENTS.**

12 (a) REPEALS.—The following provisions of the Inter-  
13 nal Revenue Code of 1986 are repealed:

14 (1) Subchapter A of chapter 61 of subtitle D  
15 (as redesignated by section 104) (relating to infor-  
16 mation and returns).

17 (2) Sections 6103 through 6116 of subchapter  
18 B of chapter 61 of subtitle D (as so redesignated).

19 (3) Section 6157 (relating to unemployment  
20 taxes).

21 (4) Section 6163 (relating to estate taxes).

22 (5) Section 6164 (relating to corporate taxes).

23 (6) Section 6166 (relating to estate taxes).

24 (7) Section 6167 (relating to foreign expropria-  
25 tion losses).

1           (8) Sections 6201, 6205 and 6207 (relating to  
2 assessments).

3           (9) Subchapter C of chapter 63 of subtitle D  
4 (as so redesignated) (relating to tax treatment of  
5 partnership items).

6           (10) Section 6305 (relating to collections of cer-  
7 tain liabilities).

8           (11) Sections 6314, 6315, 6316, and 6317 (re-  
9 lating to payments of repealed taxes).

10          (12) Sections 6324, 6324A and 6324B (relat-  
11 ing to liens for estate and gift taxes).

12          (13) Section 6344 (relating to cross references).

13          (14) Section 6411 (relating to carrybacks).

14          (15) Section 6413 (relating to employment  
15 taxes).

16          (16) Section 6414 (relating to withheld income  
17 taxes).

18          (17) Section 6422 (relating to cross references).

19          (18) Section 6425 (relating to overpayment of  
20 corporate estimated taxes).

21          (19) Section 6504 (relating to cross references).

22          (20) Section 6652 (relating to failure to file  
23 certain information returns).

24          (21) Sections 6654 and 6655 (relating to fail-  
25 ure to payment estimated income tax).

1 (22) Section 6662 (relating to penalties).

2 (23) Sections 6677 through 6711 (relating to  
3 income tax related penalties).

4 (24) Part II of subchapter B of chapter 68 (re-  
5 lating to certain information returns).

6 (25) Part I of subchapter A of chapter 70 (re-  
7 lating to termination of taxable year).

8 (26) Section 6864 (relating to certain  
9 carrybacks).

10 (27) Section 7103 (relating to cross references).

11 (28) Section 7204 (relating to withholding  
12 statements).

13 (29) Section 7211 (relating certain statements).

14 (30) Section 7231 (relating to failure to obtain  
15 certain licenses).

16 (31) Section 7270 (relating to insurance poli-  
17 cies).

18 (32) Section 7404 (relating to estate taxes).

19 (33) Section 7404 (relating to income tax pre-  
20 parers).

21 (34) Section 7408 (relating to income tax shel-  
22 ters).

23 (35) Section 7409 (relating to 501(c)(3) organi-  
24 zations).

1           (36) Section 7427 (relating to income tax pre-  
2           parers).

3           (37) Section 7428 (relating to 501(c)(3) organi-  
4           zations).

5           (38) Section 7476 (relating to declaratory judg-  
6           ments relating to retirement plans).

7           (39) Section 7478 (relating to declaratory judg-  
8           ments relating to certain tax-exempt obligations).

9           (40) Section 7508 (relating to postponing time  
10          for certain actions required by the income, estate,  
11          and gift tax).

12          (41) Section 7509 (relating to Postal Service  
13          payroll taxes).

14          (42) Section 7512 (relating to payroll taxes).

15          (43) Section 7517 (relating to estate and gift  
16          tax evaluation).

17          (44) Section 7518 (relating to Merchant Marine  
18          tax incentives).

19          (45) Section 7519 (relating to taxable years).

20          (46) Section 7520 (relating to insurance and  
21          annuity valuation tables).

22          (47) Section 7523 (relating to reporting Fed-  
23          eral income and outlays on Form 1040s).

1           (48) Section 7611 (relating to church income  
2 tax exemptions and church unrelated business in-  
3 come tax inquiries).

4           (49) Section 7654 (relating to possessions' in-  
5 come taxes).

6           (50) Section 7655 (relating to cross references).

7           (51) Section 7701(a)(16).

8           (52) Section 7701(a)(19).

9           (53) Section 7701(a)(20).

10          (54) Paragraphs (32) through (38) of section  
11 7701(a).

12          (55) Paragraphs (41) through (46) of section  
13 7701(a).

14          (56) Section 7701(b).

15          (57) Subsections (e) through (m) of section  
16 7701.

17          (58) Section 7702 (relating to life insurance  
18 contracts).

19          (59) Section 7702A (relating to modified en-  
20 dowment contracts).

21          (60) Section 7702B (relating to long-term care  
22 insurance).

23          (61) Section 7703 (relating to the determina-  
24 tion of marital status).

1           (62) Section 7704 (relating to publicly traded  
2       partnerships).

3           (63) Section 7805.

4           (64) Section 7851.

5           (65) Section 7872.

6           (66) Section 7873.

7       (b) OTHER CONFORMING AND TECHNICAL AMEND-  
8       MENTS.—

9           (1) Section 6151 is amended by striking sub-  
10       section (b) and by redesignating subsection (c) as  
11       subsection (b).

12          (2) Section 6161 is amended to read as follows:

13       **“SEC. 6161. EXTENSION OF TIME FOR PAYING TAX.**

14       “The Secretary, except as otherwise provided in this  
15       title, may extend the time for payment of the amount of  
16       the tax shown or required to be shown on any return, re-  
17       port, or declaration required under authority of this title  
18       for a reasonable period not to exceed 6 months (12 months  
19       in the case of a taxpayer who is abroad).”.

20          (3) Section 6211(a) is amended—

21               (A) by striking “income, estate and gift  
22       taxes imposed by subtitles A and B and”,

23               (B) by striking “subtitle A or B, or”, and

24               (C) by striking “, as defined in subsection  
25       (b)(2),” in paragraph (2).

1           (4) Section 6211(b) is amended to read as fol-  
2           lows:

3           “(b) REBATE DEFINED.—For purposes of subsection  
4 (a)(2), the term ‘rebate’ means so much of an abatement,  
5 credit, refund, or other payment, as was made on the  
6 ground that the tax imposed by chapter 41, 42, 43, or  
7 44 was less than the excess of the amount specified in  
8 subsection (a)(1) over the rebates previously made.”.

9           (5) Section 6212(b) is amended to read as fol-  
10          lows:

11          “(b) ADDRESS FOR NOTICE OF DEFICIENCY.—In the  
12 absence of notice to the Secretary under section 6903 of  
13 the existence of a fiduciary relationship, notice of a defi-  
14 ciency in respect of a tax imposed by chapter 42, 43, or  
15 44 if mailed to the taxpayer at his last known address,  
16 shall be sufficient for purposes of such chapter and this  
17 chapter even if such taxpayer is deceased, or is under a  
18 legal disability, or, in the case of a corporation has termi-  
19 nated its existence.”.

20          (6) Section 6302(b) is amended by striking  
21          “21,”.

22          (7) Section 6302 is amended by striking sub-  
23          sections (g) and (i) and by redesignating subsection  
24          (h) as subsection (g).

1           (8) Section 6325 is amended by striking sub-  
2           section (c) and by redesignating subsections (d)  
3           through (h) as subsections (c) through (g), respec-  
4           tively.

5           (9) Section 6402(d) is amended by striking  
6           paragraph (3).

7           (10) Section 6402 is amended by striking sub-  
8           section (j) and by redesignating subsection (k) as  
9           subsection (j).

10          (11) Section 6501(b) is amended—

11               (A) by striking “except tax imposed by  
12               chapter 3, 21, or 24,” in paragraph (1), and

13               (B) by striking paragraph (2) and by re-  
14               designation paragraphs (3) and (4) as para-  
15               graphs (2) and (3), respectively.

16          (12) Section 6501(c) is amended by striking  
17          paragraphs (5) through (9).

18          (13) Section 6501(e) is amended by striking  
19          “subsection (c)—” and all that follows through  
20          “subtitle D” in paragraph (3) and inserting “sub-  
21          section (c), in the case of a return of a tax imposed  
22          under a provision of subtitle B”.

23          (14) Section 6501 is amended by striking sub-  
24          section (f) through (k) and subsections (m) and (n)

1 and by redesignating subsection (1) as subsection  
2 (f).

3 (15) Section 6503(a) is amended—

4 (A) by striking paragraph (2),

5 (B) by striking “DEFICIENCY.—” and all  
6 that follows through “The running” and insert-  
7 ing “DEFICIENCY.—The running”, and

8 (C) by striking “income, estate, gift and”.

9 (16) Section 6503 is amended by striking sub-  
10 sections (e), (f), (i), and (k) and by redesignating  
11 subsections (g), (h), and (j) as subsections (e), (f),  
12 and (g), respectively.

13 (17) Section 6511 is amended by striking sub-  
14 sections (d) and (g) and by redesignating sub-  
15 sections (f) and (h) as subsections (d) and (e), re-  
16 spectively.

17 (18) Section 6512(b)(1) is amended by striking  
18 “of income tax for the same taxable year, of gift tax  
19 for the same calendar year or calendar quarter, of  
20 estate tax in respect of the taxable estate of the  
21 same decedent or”.

22 (19) Section 6513 is amended—

23 (A) by striking “(a) EARLY RETURN OR  
24 ADVANCE PAYMENT OF TAX.—”,

25 (B) by striking subsections (b) and (e).

1           (20) Chapter 67 is amended by striking sub-  
2           chapters A through D and inserting the following:

3   **“SEC. 6601. INTEREST ON OVERPAYMENTS AND UNDER-**  
4                           **PAYMENT.**

5           “(a) UNDERPAYMENTS.—If any amount of tax im-  
6           posed by this title is not paid on or before the last date  
7           prescribed for payment, interest on such amount at the  
8           Federal short-term rate (as defined in section 512(b))  
9           shall be paid from such last date to the date paid.

10          “(b) OVERPAYMENTS.—Interest shall be allowed and  
11          paid upon any overpayment in respect of any internal rev-  
12          enue tax at the Federal short-term rate (as defined in sec-  
13          tion 512(b)) from 60 days after the date of the overpay-  
14          ment until the date the overpayment is refunded.”.

15          (21) Section 6651(a)(1) is amended by striking  
16          “subchapter A of chapter 61 (other than part III  
17          thereof,”.

18          (22) Section 6656 is amended by striking sub-  
19          section (e) and by redesignating subsection (d) as  
20          subsection (e).

21          (23) Section 6663 is amended by striking sub-  
22          section (c).

23          (24) Section 6664(c) is amended—

1 (A) by striking “Exception.—” and all  
2 that follows through “No penalty” and insert-  
3 ing “Exception.—No penalty,” and

4 (B) by striking paragraphs (2) and (3).

5 (25) Chapter 72 is amended by striking all  
6 matter preceding section 7011.

7 (26) Section 7422 is amended by striking sub-  
8 sections (h) and (i) and by redesignating subsections  
9 (j) and (k) as subsections (h) and (i), respectively.

10 (27) Section 7451 is amended to read as fol-  
11 lows:

12 **“SEC. 7451. FEE FOR FILING PETITION.**

13 “The Tax Court is authorized to impose a fee in an  
14 amount not in excess of \$60 to be fixed by the Tax Court  
15 for the filing of any petition for the redetermination of  
16 a deficiency.”.

17 (28) Section 7454 is amended by striking sub-  
18 section (b) and by redesignating subsection (c) as  
19 subsection (b).

20 (29) Section 7463(a) is amended—

21 (A) by striking paragraphs (2) and (3),

22 (B) by redesignating paragraph (4) as  
23 paragraph (2), and

24 (C) by striking “D” in paragraph (2) (as  
25 so redesignated) and inserting “B”.

1           (30) Section 7463(c) is amended by striking  
2           “sections 6214(a) and” and inserting “section”.

3           (31) Section 7463(c) is amended by striking “,  
4           to the extent that the procedures described in sub-  
5           chapter B of chapter 63 apply”.

6           (32) Section 7481 is amended by striking sub-  
7           section (d).

8           (33) Section 7608 is amended by striking “sub-  
9           title E” each place it appears and inserting “subtitle  
10          C”.

11          (34) Section 7651 is amended by striking para-  
12          graph (5).

13          (35) Section 7701(a)(29) is amended by strik-  
14          ing “1986” and inserting “2007”.

15          (36) Section 7809(c) is amended by striking  
16          paragraphs (1) and (4) and by redesignating para-  
17          graphs (2) and (3) as paragraphs (1) and (2), re-  
18          spectively.

19          (37) Section 7871(a) is amended by striking  
20          paragraphs (1) and (3) through (6) and by redesign-  
21          ating paragraphs (2) and (7) as paragraphs (1)  
22          and (2), respectively.

23          (38) Section 7871 is amended by striking sub-  
24          section (c) and by redesignating subsections (d) and  
25          (e) as subsections (c) and (d), respectively.

1           (39) Section 8021 is amended by striking sub-  
2           section (a) and by redesignating subsections (b)  
3           through (f) as subsections (a) through (e), respec-  
4           tively.

5           (40) Section 8022(a)(2)(A) is amended by  
6           striking “, particularly the income tax”.

7           (41) Section 8023 is amended by striking “In-  
8           ternal Revenue Service” each place it appears and  
9           inserting “Department of the Treasury”.

10          (42) Section 9501(b)(2) is amended by striking  
11          subparagraph (C).

12          (43) Section 9702(a) is amended by striking  
13          paragraph (4).

14          (44) Section 9705(a) is amended by striking  
15          paragraph (4) and by redesignating paragraph (5)  
16          as paragraph (4).

17          (45) Section 9706(d)(2)(A) is amended by  
18          striking “6103” and inserting “605(e)”.

19          (46) Section 9707 is amended by striking sub-  
20          section (f).

21          (47) Section 9712(d) is amended by striking  
22          paragraph (5) and by redesignating paragraph (6)  
23          as paragraph (5).

24          (48) Section 9803(a) is amended by striking  
25          “(as defined in section 414(f))”.

1       **TITLE III—OTHER MATTERS**

2       **SEC. 301. PHASE-OUT OF ADMINISTRATION OF REPEALED**  
3               **FEDERAL TAXES.**

4           (a) **APPROPRIATIONS.**—Appropriations for any ex-  
5 penses of the Internal Revenue Service including proc-  
6 essing tax returns for years prior to the repeal of the taxes  
7 repealed by title I of this Act, revenue accounting, man-  
8 agement, transfer of payroll and wage data to the Social  
9 Security Administration for years after fiscal year 2011  
10 shall not be authorized.

11          (b) **RECORDS.**—Federal records related to the admin-  
12 istration of taxes repealed by title I of this Act shall be  
13 destroyed by the end of fiscal year 2011, except that any  
14 records necessary to calculate Social Security benefits  
15 shall be retained by the Social Security Administration  
16 and any records necessary to support ongoing litigation  
17 with respect to taxes owed or refunds due shall be retained  
18 until final disposition of such litigation.

19          (c) **CONFORMING AMENDMENTS.**—Section 7802 is  
20 amended—

21               (1) by striking subsections (a) and (b) and by  
22               redesignating subsections (c) and (d) as subsections  
23               (a) and (b),

1           (2) by striking “Internal Revenue Service” each  
2           place it appears and inserting “Department of the  
3           Treasury”, and

4           (3) by striking “Commissioner” or “Commis-  
5           sioner of Internal Revenue” each place they appear  
6           and inserting “Secretary”.

7           (d) EFFECTIVE DATE.—The amendments made by  
8           subsection (c) shall take effect on January 1, 2011.

9           **SEC. 302. ADMINISTRATION OF OTHER FEDERAL TAXES.**

10          (a) IN GENERAL.—Section 7801 (relating to the au-  
11          thority of the Department of the Treasury) is amended  
12          by adding at the end the following:

13           “(d) EXCISE TAX BUREAU.—There shall be in the  
14          Department of the Treasury an Excise Tax Bureau to ad-  
15          minister those excise taxes not administered by the Bu-  
16          reau of Alcohol, Tobacco and Firearms.

17           “(e) SALES TAX BUREAU.—There shall be in the De-  
18          partment of the Treasury a Sales Tax Bureau to admin-  
19          ister the national sales tax in those States where it is re-  
20          quired pursuant to section 404, and to discharge other  
21          Federal duties and powers relating to the national sales  
22          tax (including those required by sections 402, 403, and  
23          405). The Office of Revenue Allocation shall be within the  
24          Sales Tax Bureau.”.

1 (b) ASSISTANT GENERAL COUNSELS.—Section  
2 7801(b)(2) is amended to read as follows:

3 “(2) ASSISTANT GENERAL COUNSELS.—The  
4 Secretary of the Treasury may appoint, without re-  
5 gard to the provisions of the civil service laws, and  
6 fix the duties of not more than 5 assistant general  
7 counsels.”.

8 **SEC. 303. SALES TAX INCLUSIVE SOCIAL SECURITY BENE-**  
9 **FITS INDEXATION.**

10 Subparagraph (D) of section 215(i)(1) of the Social  
11 Security Act (42 U.S.C. 415(i)(1)) (relating to cost-of-liv-  
12 ing increases in Social Security benefits) is amended to  
13 read as follows:

14 “(D) with respect to a base quarter or  
15 cost-of-living quarter in any calendar year—

16 “(i) the term ‘CPI increase percent-  
17 age’ means the percentage (rounded to the  
18 nearest one-tenth of 1 percent) by which  
19 the Consumer Price Index for that quarter  
20 (as prepared by the Department of Labor)  
21 exceeds such index for the most recent  
22 prior calendar quarter which was a base  
23 quarter under subparagraph (A)(ii) or, if  
24 later, the most recent cost-of-living com-  
25 putation quarter under subparagraph (B);

1           “(ii) if the Consumer Price Index (as  
2           so prepared) does not include the national  
3           sales tax paid, then the term ‘CPI increase  
4           percentage’ means the percentage (rounded  
5           to the nearest one-tenth of 1 percent) by  
6           which the product of the Consumer Price  
7           Index for that quarter (as so prepared)  
8           and the national sales tax factor exceeds  
9           such index for the most recent prior cal-  
10          endar quarter which was a base quarter  
11          under subparagraph (A)(ii) or, if later, the  
12          most recent cost of living computation  
13          quarter under subparagraph (B); and

14           “(iii) the national sales tax factor is  
15          equal to 1 plus the quotient that is—

16                   “(I) the sales tax rate imposed  
17                   by section 101 of the Internal Rev-  
18                   enue Code of 2007, divided by

19                           “(II) the quantity that is 1  
20                           minus such sales tax rate;”.

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