

110TH CONGRESS
1ST SESSION

S. 1219

To amend the Internal Revenue Code of 1986 to provide taxpayer protection and assistance, and for other purposes.

IN THE SENATE OF THE UNITED STATES

APRIL 25, 2007

Mr. BINGAMAN (for himself, Mr. SMITH, Mr. KERRY, Mr. AKAKA, Mr. DURBIN, and Mr. LIEBERMAN) introduced the following bill; which was read twice and referred to the Committee on Finance

A BILL

To amend the Internal Revenue Code of 1986 to provide taxpayer protection and assistance, and for other purposes.

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

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

4 (a) **SHORT TITLE.**—This Act may be cited as the
5 “Taxpayer Protection and Assistance Act of 2007”.

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

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

3 **SEC. 2. LOW-INCOME TAXPAYER CLINICS.**

4 (a) GRANTS FOR RETURN PREPARATION CLINICS.—

5 (1) IN GENERAL.—Chapter 77 (relating to mis-
 6 cellaneous provisions) is amended by inserting after
 7 section 7526 the following new section:

8 **“SEC. 7526A. RETURN PREPARATION CLINICS FOR LOW-IN-
 9 COME TAXPAYERS.**

10 “(a) IN GENERAL.—The Secretary may, subject to
 11 the availability of appropriated funds, make grants to pro-
 12 vide matching funds for the development, expansion, or
 13 continuation of qualified return preparation clinics.

14 “(b) DEFINITIONS.—For purposes of this section—

15 “(1) QUALIFIED RETURN PREPARATION CLIN-
 16 IC.—

17 “(A) IN GENERAL.—The term ‘qualified
 18 return preparation clinic’ means a clinic
 19 which—

20 “(i) does not charge more than a
 21 nominal fee for its services (except for re-
 22 imbursement of actual costs incurred), and

23 “(ii) operates programs which assist
 24 low-income taxpayers, including individuals
 25 for whom English is a second language, in

1 preparing and filing their Federal income
2 tax returns, including schedules reporting
3 sole proprietorship or farm income.

4 “(B) ASSISTANCE TO LOW-INCOME TAX-
5 PAYERS.—A clinic is treated as assisting low-in-
6 come taxpayers under subparagraph (A)(ii) if
7 at least 90 percent of the taxpayers assisted by
8 the clinic have incomes which do not exceed 250
9 percent of the poverty level, as determined in
10 accordance with criteria established by the Di-
11 rector of the Office of Management and Budg-
12 et.

13 “(2) CLINIC.—The term ‘clinic’ includes—

14 “(A) a clinical program at an eligible edu-
15 cational institution (as defined in section
16 529(e)(5)) which satisfies the requirements of
17 paragraph (1) through student assistance of
18 taxpayers in return preparation and filing, and

19 “(B) an organization described in section
20 501(c) and exempt from tax under section
21 501(a) which satisfies the requirements of para-
22 graph (1).

23 “(c) SPECIAL RULES AND LIMITATIONS.—

24 “(1) AGGREGATE LIMITATION.—Unless other-
25 wise provided by specific appropriation, the Sec-

1 retary shall not allocate more than \$10,000,000 per
 2 year (exclusive of costs of administering the pro-
 3 gram) to grants under this section.

4 “(2) OTHER APPLICABLE RULES.—Rules simi-
 5 lar to the rules under paragraphs (2) through (7) of
 6 section 7526(c) shall apply with respect to the
 7 awarding of grants to qualified return preparation
 8 clinics.”.

9 (2) CLERICAL AMENDMENT.—The table of sec-
 10 tions for chapter 77 is amended by inserting after
 11 the item relating to section 7526 the following new
 12 item:

“Sec. 7526A. Return preparation clinics for low-income taxpayers.”.

13 (b) GRANTS FOR TAXPAYER REPRESENTATION AND
 14 ASSISTANCE CLINICS.—

15 (1) INCREASE IN AUTHORIZED GRANTS.—Sec-
 16 tion 7526(c)(1) (relating to aggregate limitation) is
 17 amended by striking “\$6,000,000” and inserting
 18 “\$10,000,000”.

19 (2) USE OF GRANTS FOR OVERHEAD EXPENSES
 20 PROHIBITED.—

21 (A) IN GENERAL.—Section 7526(c) (relat-
 22 ing to special rules and limitations) is amended
 23 by adding at the end the following new para-
 24 graph:

1 “(6) USE OF GRANTS FOR OVERHEAD EX-
2 PENSES PROHIBITED.—No grant made under this
3 section may be used for the overhead expenses of
4 any clinic or of any institution sponsoring such clin-
5 ic.”.

6 (B) CONFORMING AMENDMENTS.—Section
7 7526(c)(5) is amended—

8 (i) by inserting “qualified” before
9 “low-income”, and

10 (ii) by striking the last sentence.

11 (3) PROMOTION OF CLINICS.—Section 7526(c),
12 as amended by paragraph (2), is amended by adding
13 at the end the following new paragraph:

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

19 (c) EFFECTIVE DATE.—The amendments made by
20 this section shall apply to grants made after the date of
21 the enactment of this Act.

22 **SEC. 3. CLARIFICATION OF ENROLLED AGENT CREDEN-**
23 **TIALS.**

24 Section 330 of title 31, United States Code, is
25 amended—

1 (1) by redesignating subsections (b) and (c) as
2 subsections (c) and (d), respectively, and

3 (2) by inserting after subsection (a) the fol-
4 lowing new subsection:

5 “(b) Any enrolled agents properly licensed to practice
6 as required under rules promulgated under subsection (a)
7 shall be allowed to use the credentials or designation as
8 ‘enrolled agent’, ‘EA’, or ‘E.A.’.”

9 **SEC. 4. REGULATION OF FEDERAL TAX RETURN PRE-**
10 **PARERS.**

11 (a) **AUTHORIZATION.**—Section 330(a)(1) of title 31,
12 United States Code, is amended by inserting “(including
13 compensated preparers of Federal tax returns, documents,
14 and other submissions)” after “representatives”.

15 (b) **REQUIREMENT.**—

16 (1) **IN GENERAL.**—Not later than 1 year after
17 the date of the enactment of this Act, the Secretary
18 of the Treasury shall prescribe regulations under
19 section 330 of title 31, United States Code—

20 (A) to regulate those compensated pre-
21 parers not otherwise regulated under regula-
22 tions promulgated under such section on the
23 date of the enactment of this Act, and

24 (B) to carry out the provisions of, and
25 amendments made by, this section.

1 (2) EXAMINATION.—

2 (A) IN GENERAL.—In promulgating the
3 regulations under paragraph (1), the Secretary
4 shall develop (or approve) and administer an
5 eligibility examination designed to test—

6 (i) the technical knowledge and com-
7 petency of each preparer described in para-
8 graph (1)(A)—

9 (I) to prepare Federal tax re-
10 turns, including individual and busi-
11 ness income tax returns, and

12 (II) to properly claim the earned
13 income tax credit under section 32 of
14 the Internal Revenue Code of 1986
15 with respect to such individual re-
16 turns, and

17 (ii) the knowledge of each such pre-
18 parer regarding such ethical standards for
19 the preparation of such returns as deter-
20 mined appropriate by the Secretary.

21 (B) STATE LICENSING OR REGISTRATION
22 PROGRAMS.—The Secretary is authorized to ac-
23 cept an individual as meeting the eligibility ex-
24 amination requirement of this section if, in lieu

1 of the eligibility examination under this section,
2 the individual passed—

3 (i) a State licensing or State registra-
4 tion program eligibility examination that is
5 comparable to the eligibility examination
6 established by the Secretary, or

7 (ii) an eligibility examination adminis-
8 tered by an existing organization for tax
9 return preparers that is comparable to the
10 eligibility examination established by the
11 Secretary if such test was administered
12 prior to the issuance of the regulations
13 under this section.

14 (3) CONTINUING ELIGIBILITY.—

15 (A) IN GENERAL.—The regulations under
16 paragraph (1) shall require a renewal of eligi-
17 bility every 3 years and shall set forth the man-
18 ner in which a preparer described in paragraph
19 (1)(A) must renew such eligibility.

20 (B) CONTINUING EDUCATION REQUIRE-
21 MENTS.—As part of the renewal of eligibility,
22 such regulations shall require that each such
23 preparer show evidence of completion of such
24 continuing education requirements as specified
25 by the Secretary.

1 (C) NONMONETARY SANCTIONS.—The reg-
2 ulations under paragraph (1) shall provide for
3 the suspension or termination of such eligibility
4 in the event of any failure to comply with the
5 requirements for such eligibility.

6 (4) PENALTY FOR UNAUTHORIZED PREPARA-
7 TION OF RETURNS, ETC.—In promulgating the regu-
8 lations under paragraph (1), the Secretary shall im-
9 pose a penalty of \$1,000 for each Federal tax re-
10 turn, document, or other submission prepared by a
11 preparer described in paragraph (1)(A) who is not in
12 compliance with the requirements of paragraph (2)
13 or (3) or who is suspended or disbarred from prac-
14 tice before the Department of the Treasury under
15 such regulations. Such penalty shall be in addition
16 to any other penalty which may be imposed.

17 (e) OFFICE OF PROFESSIONAL RESPONSIBILITY.—
18 Section 330 of title 31, United States Code, is amended
19 by adding at the end the following new subsection:

20 “(e) OFFICE OF PROFESSIONAL RESPONSIBILITY.—

21 “(1) IN GENERAL.—There shall be in the Inter-
22 nal Revenue Service an Office of Professional Re-
23 sponsibility the functions of which shall be as pre-
24 scribed by the Secretary of the Treasury, including
25 the carrying out of the purposes of this section.

1 “(2) DIRECTOR.—

2 “(A) IN GENERAL.—The Office of Profes-
3 sional Responsibility shall be under the super-
4 vision and direction of an official known as the
5 ‘Director, Office of Professional Responsibility’.
6 The Director, Office of Professional Responsi-
7 bility, shall report directly to the Commissioner
8 of Internal Revenue and shall be entitled to
9 compensation at the same rate as the highest
10 rate of basic pay established for the Senior Ex-
11 ecutive Service under section 5382 of title 5, or,
12 if the Secretary of the Treasury so determines,
13 at a rate fixed under section 9503 of such title.

14 “(B) APPOINTMENT.—The Director, Office
15 of Professional Responsibility, shall be ap-
16 pointed by the Secretary of the Treasury with-
17 out regard to the provisions of title 5 relating
18 to appointments in the competitive service or
19 the Senior Executive Service.

20 “(3) HEARING.—Any hearing on an action ini-
21 tiated by the Director, Office of Professional Re-
22 sponsibility, to impose a sanction under regulations
23 promulgated under this section shall be conducted in
24 accordance with sections 556 and 557 of title 5 by
25 1 or more administrative law judges appointed by

1 the Secretary of the Treasury under section 3105 of
2 title 5.

3 “(4) COORDINATION WITH STATE SANCTION
4 PROGRAMS.—In carrying out the purposes of this
5 section, the Director, Office of Professional Respon-
6 sibility shall coordinate with appropriate State offi-
7 cials in order to collect information regarding rep-
8 resentatives, employers, firms and other entities
9 which have been disciplined or suspended under
10 State or local rules.

11 “(5) INFORMATION ON SANCTIONS TO BE
12 AVAILABLE TO THE PUBLIC.—

13 “(A) SANCTIONS INITIATED BY ACTION.—
14 When an action is initiated by the Director, Of-
15 fice of Professional Responsibility, to impose a
16 sanction under regulations promulgated under
17 this section, the pleadings, and the record of
18 the proceeding and hearing shall be open to the
19 public (subject to restrictions imposed under
20 subparagraph (C)).

21 “(B) SANCTION NOT INITIATED BY AC-
22 TION.—When a sanction under regulations pro-
23 mulgated under this section (other than a pri-
24 vate reprimand) is imposed without initiation of
25 an action, the Director, Office of Professional

1 Responsibility, shall make available to the pub-
2 lic information identifying the representative,
3 employer, firm, or other entity sanctioned, as
4 well as information about the conduct which
5 gave rise to the sanction (subject to restrictions
6 imposed under subparagraph (C)).

7 “(C) RESTRICTIONS ON RELEASE OF IN-
8 FORMATION.—Information about clients of the
9 representative, employer, firm, or other entity
10 and medical information with respect to the
11 representative shall not be released to the pub-
12 lic or discussed in an open hearing, except to
13 the extent necessary to understand the nature,
14 scope, and impact of the conduct giving rise to
15 the sanction or proposed sanction. Disagree-
16 ments regarding the application of this sub-
17 paragraph shall be resolved by the administra-
18 tive law judge or, when a sanction is imposed
19 without initiation of an action, by the Director,
20 Office of Professional Responsibility.

21 “(6) FEES.—Any fees imposed under regula-
22 tions promulgated under this section shall be avail-
23 able without fiscal year limitation to the Office of
24 Professional Responsibility for the purpose of reim-

1 bursement of the costs of administering and enforce-
2 ing the requirements of such regulations.”.

3 (d) BAN ON AUDIT INSURANCE.—Section 330 of title
4 31, United States Code, as amended by subsection (c), is
5 amended by adding at the end the following new sub-
6 section:

7 “(f) BAN ON AUDIT INSURANCE.—No person admit-
8 ted to practice before the Department of the Treasury may
9 directly or indirectly offer or provide insurance to cover
10 professional fees and other expenses incurred in respond-
11 ing to or defending an audit by the Internal Revenue Serv-
12 ice.”.

13 (e) PENALTIES.—

14 (1) INCREASE IN CERTAIN PENALTIES.—Sub-
15 sections (a), (b), and (c) of section 6695 (relating to
16 other assessable penalties with respect to the prepa-
17 ration of income tax returns for other persons) are
18 each amended by striking “a penalty of \$50” and all
19 that follows and inserting “a penalty equal to—

20 “(1) \$1,000, or

21 “(2) in the case of 3 or more such failures in
22 a calendar year, \$500 for each such failure.

23 The preceding sentence shall not apply with respect to any
24 failure if such failure is due to reasonable cause and not
25 due to willful neglect.”.

1 (2) USE OF PENALTIES.—Unless specifically
2 appropriated otherwise, there is authorized to be ap-
3 propriated and is appropriated to the Office of Pro-
4 fessional Responsibility for each fiscal year for the
5 administration of the public awareness campaign de-
6 scribed in subsection (g) an amount equal to the
7 penalties collected during the preceding fiscal year
8 under sections 6694 and 6695 of the Internal Rev-
9 enue Code of 1986 and under the regulations pro-
10 mulgated under section 330 of title 31, United
11 States Code (by reason of subsection (b)(1)).

12 (3) REVIEW BY THE TREASURY INSPECTOR
13 GENERAL FOR TAX ADMINISTRATION.—Section
14 7803(d)(2)(A) is amended—

15 (A) by striking “and” at the end of clause
16 (iii),

17 (B) by striking the period at the end of
18 clause (iv) and inserting “, and”, and

19 (C) by adding at the end the following new
20 clause:

21 “(v) a summary of the penalties as-
22 sessed and collected during the reporting
23 period under sections 6694 and 6695 and
24 under the regulations promulgated under
25 section 330 of title 31, United States

1 Code, and a review of the procedures by
2 which violations are identified and pen-
3 alties are assessed under those sections,”.

4 (f) COORDINATION WITH SECTION 6060(a).—The
5 Secretary of the Treasury shall coordinate the require-
6 ments under the regulations promulgated under section
7 330 of title 31, United States Code, with the return re-
8 quirements of section 6060 of the Internal Revenue Code
9 of 1986.

10 (g) PUBLIC AWARENESS CAMPAIGN.—The Secretary
11 of the Treasury or the Secretary’s delegate shall conduct
12 a public information and consumer education campaign,
13 utilizing paid advertising—

14 (1) to encourage taxpayers to use for Federal
15 tax matters only professionals who establish their
16 competency under the regulations promulgated
17 under section 330 of title 31, United States Code,
18 and

19 (2) to inform the public of the requirements
20 that any compensated preparer of tax returns, docu-
21 ments, and submissions subject to the requirements
22 under the regulations promulgated under such sec-
23 tion must sign the return, document, or submission
24 prepared for a fee and display notice of such pre-
25 parer’s compliance under such regulations.

1 (h) ADDITIONAL FUNDS AVAILABLE FOR COMPLI-
2 ANCE ACTIVITIES.—The Secretary of the Treasury may
3 use any specifically appropriated funds for earned income
4 tax credit compliance to improve and expand enforcement
5 of the regulations promulgated under section 330 of title
6 31, United States Code.

7 (i) ADDITIONAL CERTIFICATION ON DOCUMENTS
8 OTHER THAN RETURNS.—The Secretary of the Treasury
9 shall require that each document or other submission filed
10 with the Internal Revenue Service (other than a return
11 signed by the taxpayer) shall be signed under penalty of
12 perjury and the identifying number of any paid preparer
13 who prepared such document (if any) under rules similar
14 to the rules under section 6109(a)(4).

15 **SEC. 5. CONTRACT AUTHORITY FOR EXAMINATIONS OF**
16 **PREPARERS.**

17 The Secretary of the Treasury is authorized to con-
18 tract for the development or administration, or both, of
19 any examinations under the regulations promulgated
20 under section 330 of title 31, United States Code.

21 **SEC. 6. REGULATION OF REFUND ANTICIPATION LOAN**
22 **FACILITATORS.**

23 (a) REGULATION OF REFUND ANTICIPATION LOAN
24 FACILITATORS.—

1 (1) IN GENERAL.—Chapter 77 (relating to mis-
2 cellaneous provisions) is amended by inserting at the
3 end the following new section:

4 **“SEC. 7529. REFUND ANTICIPATION LOAN FACILITATORS.**

5 “(a) REGISTRATION.—Each refund loan facilitator
6 shall register with the Secretary on an annual basis. As
7 a part of such registration, each refund loan facilitator
8 shall provide the Secretary with the name, address, and
9 taxpayer identification number of such facilitator, and the
10 fee schedule of such facilitator for the year of such reg-
11 istration.

12 “(b) DISCLOSURE.—Each refund loan facilitator
13 shall disclose to a taxpayer both orally and on a separate
14 written form at the time such taxpayer applies for a re-
15 fund anticipation loan the following information:

16 “(1) NATURE OF THE TRANSACTION.—The re-
17 fund loan facilitator shall disclose—

18 “(A) that the taxpayer is applying for a
19 loan that is based upon the taxpayer’s antici-
20 pated income tax refund,

21 “(B) the expected time within which the
22 loan will be paid to the taxpayer if such loan is
23 approved,

1 “(C) the time frame in which income tax
2 refunds are typically paid based upon the dif-
3 ferent filing options available to the taxpayer,

4 “(D) that there is no guarantee that a re-
5 fund will be paid in full or received within a
6 specified time period and that the taxpayer is
7 responsible for the repayment of the loan even
8 if the refund is not paid in full or has been de-
9 layed,

10 “(E) if the refund loan facilitator has an
11 agreement with another refund loan facilitator
12 (or any lender working in conjunction with an-
13 other refund loan facilitator) to offset out-
14 standing liabilities for previous refund anticipa-
15 tion loans provided by such other refund loan
16 facilitator, that any refund paid to the taxpayer
17 may be so offset and the implication of any
18 such offset,

19 “(F) that the taxpayer may file an elec-
20 tronic return without applying for a refund an-
21 ticipation loan and the fee for filing such an
22 electronic return, and

23 “(G) that the loan may have substantial
24 fees and interest charges that may exceed those

1 of other sources of credit and the taxpayer
2 should carefully consider—

3 “(i) whether such a loan is appro-
4 priate for the taxpayer, and

5 “(ii) other sources of credit.

6 “(2) FEES AND INTEREST.—The refund loan
7 facilitator shall disclose all refund anticipation loan
8 fees with respect to the refund anticipation loan.
9 Such disclosure shall include—

10 “(A) a copy of the fee schedule of the re-
11 fund loan facilitator,

12 “(B) the typical fees and interest rates
13 (using annual percentage rates as defined by
14 section 107 of the Truth in Lending Act (15
15 U.S.C. 1606)) for several typical amounts of
16 such loans and of other types of consumer cred-
17 it,

18 “(C) typical fees and interest charges if a
19 refund is not paid or delayed, and

20 “(D) the amount of a fee (if any) that will
21 be charged if the loan is not approved.

22 “(3) OTHER INFORMATION.—The refund loan
23 facilitator shall disclose any other information re-
24 quired to be disclosed by the Secretary.

25 “(c) FINES AND SANCTIONS.—

1 “(1) IN GENERAL.—The Secretary may impose
2 a monetary penalty on any refund loan facilitator
3 who—

4 “(A) fails to register under subsection (a),
5 or

6 “(B) fails to disclose any information re-
7 quired under subsection (b).

8 “(2) MAXIMUM MONETARY PENALTY.—Any
9 monetary penalty imposed under paragraph (1) shall
10 not exceed—

11 “(A) in the case of a failure to register,
12 the gross income derived from all refund antici-
13 pation loans made during the period the refund
14 loan facilitator was not registered, and

15 “(B) in the case of a failure to disclose in-
16 formation, the gross income derived from all re-
17 fund anticipation loans with respect to which
18 such failure applied.

19 “(3) REASONABLE CAUSE EXCEPTIONS.—No
20 penalty may be imposed under this subsection with
21 respect to any failure if it is shown that such failure
22 is due to reasonable cause.

23 “(d) DEFINITIONS.—For purposes of this section—

24 “(1) REFUND LOAN FACILITATOR.—

1 “(A) IN GENERAL.—The term ‘refund loan
2 facilitator’ means any electronic return origi-
3 nator who—

4 “(i) solicits for, processes, receives, or
5 accepts delivery of an application for a re-
6 fund anticipation loan, or

7 “(ii) facilitates the making of a refund
8 anticipation loan in any other manner.

9 “(B) ELECTRONIC RETURN ORIGINATOR.—
10 For purposes of subparagraph (A), the term
11 ‘electronic return originator’ means a person
12 who originates the electronic submission of in-
13 come tax returns for another person.

14 “(2) REFUND ANTICIPATION LOAN.—The term
15 ‘refund anticipation loan’ means any loan of money
16 or any other thing of value to a taxpayer in connec-
17 tion with the taxpayer’s anticipated receipt of a Fed-
18 eral tax refund. Such term includes a loan secured
19 by the tax refund or an arrangement to repay a loan
20 from the tax refund.

21 “(3) REFUND ANTICIPATION LOAN FEES.—The
22 term ‘refund anticipation loan fees’ means the fees,
23 charges, interest, and other consideration charged or
24 imposed by the lender or facilitator for the making
25 of a refund anticipation loan.

1 “(e) REGULATIONS.—The Secretary may prescribe
2 such regulations as necessary to implement the require-
3 ments of this section.”.

4 (2) CLERICAL AMENDMENT.—The table of sec-
5 tions for chapter 77, as amended by this Act, is
6 amended by adding at the end the following new
7 item:

“Sec. 7529. Refund anticipation loan facilitators.”.

8 (b) DISCLOSURE OF PENALTY.—Section 6103(k) (re-
9 lating to disclosure of certain returns and return informa-
10 tion for tax administration purposes) is amended by add-
11 ing at the end the following new paragraph:

12 “(10) DISCLOSURE OF PENALTIES ON REFUND
13 ANTICIPATION LOAN FACILITATORS.—The Secretary
14 may disclose the name and employer (including the
15 employer’s address) of any person with respect to
16 whom a penalty has been imposed under section
17 7529 and the amount of any such penalty.”.

18 (c) USE OF PENALTIES.—Unless specifically appro-
19 priated otherwise, there is authorized to be appropriated
20 and is appropriated to the Internal Revenue Service for
21 each fiscal year for the administration of the public aware-
22 ness campaign described in subsection (d) an amount
23 equal to the penalties collected during the preceding fiscal
24 year under section 7529 of the Internal Revenue Code of
25 1986.

1 (d) PUBLIC AWARENESS CAMPAIGN.—The Secretary
2 of the Treasury or the Secretary’s delegate shall conduct
3 a public information and consumer education campaign,
4 utilizing paid advertising, to educate the public on making
5 sound financial decisions with respect to refund antici-
6 tion loans (as defined under section 7529 of the Internal
7 Revenue Code of 1986), including the need to compare—

8 (1) the rates and fees of such loans with the
9 rates and fees of conventional loans; and

10 (2) the amount of money received under the
11 loan after taking into consideration such costs and
12 fees with the total amount of the refund.

13 (e) EFFECTIVE DATE.—The amendments made by
14 this section shall take effect on the date that is 1 year
15 after the date of the enactment of this Act.

16 (f) TERMINATION OF DEBT INDICATOR PROGRAM.—
17 The Secretary of the Treasury shall terminate the Debt
18 Indicator program announced in Internal Revenue Service
19 Notice 9958 and may not implement any similar program.

20 **SEC. 7. TAXPAYER ACCESS TO FINANCIAL INSTITUTIONS.**

21 (a) ESTABLISHMENT OF PROGRAM.—The Secretary
22 of the Treasury is authorized to award demonstration
23 project grants (including multi-year grants) to eligible en-
24 tities which partner with volunteer and low-income prepa-
25 ration organizations to provide tax preparation services

1 and assistance in connection with establishing an account
2 in a federally insured depository institution for individuals
3 that currently do not have such an account.

4 (b) ELIGIBLE ENTITIES.—

5 (1) IN GENERAL.—An entity is eligible to re-
6 ceive a grant under this section if such an entity
7 is—

8 (A) an organization described in section
9 501(c)(3) of the Internal Revenue Code of 1986
10 and exempt from tax under section 501(a) of
11 such Code,

12 (B) a federally insured depository institu-
13 tion,

14 (C) an agency of a State or local govern-
15 ment,

16 (D) a community development financial in-
17 stitution,

18 (E) an Indian tribal organization,

19 (F) an Alaska Native Corporation,

20 (G) a Native Hawaiian organization,

21 (H) a labor organization, or

22 (I) a partnership comprised of 1 or more
23 of the entities described in the preceding sub-
24 paragraphs.

1 (2) DEFINITIONS.—For purposes of this sec-
2 tion—

3 (A) FEDERALLY INSURED DEPOSITORY IN-
4 STITUTION.—The term “federally insured de-
5 pository institution” means any insured depository
6 institution (as defined in section 3 of the
7 Federal Deposit Insurance Act (12 U.S.C.
8 1813)) and any insured credit union (as defined
9 in section 101 of the Federal Credit Union Act
10 (12 U.S.C. 1752)).

11 (B) COMMUNITY DEVELOPMENT FINAN-
12 CIAL INSTITUTION.—The term “community de-
13 velopment financial institution” means any or-
14 ganization that has been certified as such pur-
15 suant to section 1805.201 of title 12, Code of
16 Federal Regulations.

17 (C) ALASKA NATIVE CORPORATION.—The
18 term “Alaska Native Corporation” has the
19 same meaning as the term “Native Corpora-
20 tion” under section 3(m) of the Alaska Native
21 Claims Settlement Act (43 U.S.C. 1602(m)).

22 (D) NATIVE HAWAIIAN ORGANIZATION.—
23 The term “Native Hawaiian organization”
24 means any organization that—

1 (i) serves and represents the interests
2 of Native Hawaiians, and

3 (ii) has as a primary and stated pur-
4 pose the provision of services to Native
5 Hawaiians.

6 (E) LABOR ORGANIZATION.—The term
7 “labor organization” means an organization—

8 (i) in which employees participate,

9 (ii) which exists for the purpose, in
10 whole or in part, of dealing with employers
11 concerning grievances, labor disputes,
12 wages, rates of pay, hours of employment,
13 or conditions of work, and

14 (iii) which is described in section
15 501(c)(5) of the Internal Revenue Code of
16 1986.

17 (c) APPLICATION.—An eligible entity desiring a grant
18 under this section shall submit an application to the Sec-
19 retary of the Treasury in such form and containing such
20 information as the Secretary may require.

21 (d) LIMITATION ON ADMINISTRATIVE COSTS.—A re-
22 cipient of a grant under this section may not use more
23 than 6 percent of the total amount of such grant in any
24 fiscal year for the administrative costs of carrying out the
25 programs funded by such grant in such fiscal year.

1 (e) EVALUATION AND REPORT.—For each fiscal year
2 in which a grant is awarded under this section, the Sec-
3 retary of the Treasury shall submit a report to Congress
4 containing a description of the activities funded, amounts
5 distributed, and measurable results, as appropriate and
6 available.

7 (f) AUTHORIZATION OF APPROPRIATIONS.—There is
8 authorized to be appropriated to the Secretary of the
9 Treasury, for the grant program described in this section,
10 \$10,000,000, or such additional amounts as deemed nec-
11 essary, to remain available until expended.

12 (g) REGULATIONS.—The Secretary of the Treasury
13 is authorized to promulgate regulations to implement and
14 administer the grant program under this section.

15 (h) STUDY ON DELIVERY OF TAX REFUNDS.—

16 (1) IN GENERAL.—The Secretary of the Treas-
17 ury, in consultation with the National Taxpayer Ad-
18 vocate, shall conduct a study on the payment of tax
19 refunds through Treasury debit cards or other elec-
20 tronic means to assist individuals that do not have
21 access to financial accounts or institutions.

22 (2) REPORT.—Not later than 1 year after the
23 date of the enactment of this Act, the Secretary of
24 the Treasury shall submit a report to Congress con-

1 taining the result of the study conducted under sub-
2 section (a).

3 **SEC. 8. CLARIFICATION OF TAXPAYER ASSISTANCE ORDER**

4 **AUTHORITY.**

5 (a) IN GENERAL.—Section 7811(b)(2) is amended—

6 (1) by redesignating subparagraphs (C) and
7 (D) as subparagraphs (D) and (E), respectively, and

8 (2) by inserting after subparagraph (B) the fol-
9 lowing new subparagraph:

10 “(C) chapter 74 (relating to closing agree-
11 ments and compromises),”.

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

15 **SEC. 9. CLARIFICATION OF STANDARDS FOR EVALUATION**

16 **OF COMPROMISE OFFERS.**

17 Section 7122(d)(1) is amended—

18 (1) by inserting “based on doubt as to liability,
19 doubt as to collectibility, or equitable consideration”
20 after “dispute”, and

21 (2) by inserting at the end the following new
22 paragraph:

23 “(4) EQUITABLE CONSIDERATION.—In pre-
24 scribing guidelines under paragraph (1), the Sec-
25 retary shall compromise a liability to promote effec-

1 tive tax administration when it is inequitable to col-
2 lect any unpaid tax (or any portion thereof, includ-
3 ing penalties and interest) based on all of the facts
4 and circumstances, including—

5 “(A) whether the taxpayer acted reason-
6 ably, responsibly, and in good faith under the
7 circumstances, such as, by taking reasonable
8 actions to avoid or mitigate the tax liability or
9 delayed resolution of such liability,

10 “(B) whether the taxpayer is a victim of a
11 bad act by a third party or any other unex-
12 pected event that significantly contributed to
13 the tax liability or delayed resolution of such li-
14 ability,

15 “(C) whether the taxpayer has a recent
16 history of compliance with tax filing and pay-
17 ment obligations (before and after the situation
18 that led to the current tax liability) or has a
19 reasonable explanation for previous noncompli-
20 ance,

21 “(D) whether any Internal Revenue Serv-
22 ice processing errors, systemic or employee-re-
23 lated, led to or significantly contributed to the
24 tax liability,

1 “(E) whether the Internal Revenue Service
2 action or inaction has unreasonably delayed res-
3 olution of the tax liability, and

4 “(F) any other fact or circumstance that
5 would lead a reasonable person to conclude that
6 a compromise would be fair, equitable, and in
7 the best interest of tax administration.”.

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