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(Original Signature of Member)

109<sup>TH</sup> CONGRESS  
2<sup>D</sup> SESSION

# H. R. \_\_\_\_\_

To amend the Internal Revenue Code of 1986 to clarify the restriction on disclosures and use of information by tax return preparers.

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## IN THE HOUSE OF REPRESENTATIVES

Mr. STARK (for himself, Mr. McDERMOTT, Ms. BEAN, and Mr. INSLEE) introduced the following bill; which was referred to the Committee on

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# A BILL

To amend the Internal Revenue Code of 1986 to clarify the restriction on disclosures and use of information by tax return preparers.

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

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Taxpayer Privacy Act  
5 of 2006”.



1 **SEC. 2. CLARIFICATION OF RESTRICTION ON DISCLOSURES**  
2 **AND USE OF INFORMATION BY TAX RETURN**  
3 **PREPARERS.**

4 (a) RESTRICTION ON FOREIGN USE AND DISCLO-  
5 SURE.—Section 7216 of the Internal Revenue Code of  
6 1986 (relating to disclosure or use of information by pre-  
7 parers of returns) is amended by adding at the end the  
8 following new subsection:

9 “(c) RESTRICTION ON FOREIGN USE AND DISCLO-  
10 SURE.—

11 “(1) IN GENERAL.—Any disqualified foreign  
12 use or disclosure by a tax return preparer shall be  
13 treated as a violation of subsection (a).

14 “(2) DISQUALIFIED FOREIGN USE OR DISCLO-  
15 SURE.—For purposes of this subsection—

16 “(A) IN GENERAL.—The term ‘disqualified  
17 foreign use or disclosure’ means—

18 “(i) any use by the tax return pre-  
19 parer (or any officer or employee of such  
20 preparer) outside the United States of in-  
21 formation described in subsection (a), and

22 “(ii) any disclosure by the tax return  
23 preparer of information described in sub-  
24 section (a) to any person (including any of-  
25 ficer or employee of any person) who is lo-  
26 cated outside the United States.



1           “(B) EXCEPTIONS.—Such term shall not  
2           include any use or disclosure of information  
3           if—

4                   “(i) the taxpayer initially furnishes  
5                   such information to a tax return preparer  
6                   located outside the United States, or

7                   “(ii) the taxpayer has significant busi-  
8                   ness activities outside the United States  
9                   and use or disclosure is appropriate given  
10                  such activities.

11           “(3) TAX RETURN PREPARER.—For purposes  
12           of this subsection, the term ‘tax return preparer’  
13           means any person who is engaged in the business of  
14           preparing, or providing services in connection with  
15           the preparation of, returns of the tax imposed by  
16           chapter 1, or any person who for compensation pre-  
17           pares any such return for any other person.

18           “(4) UNITED STATES.—For purposes of this  
19           subsection, the term ‘United States’ includes any  
20           territory or possession of the United States.”.

21           (b) PROHIBITION ON TAXPAYER CONSENT TO DIS-  
22           CLOSURE OR USE OF INFORMATION.—Paragraph (3) of  
23           section 7216(b) of such Code is amended to read as fol-  
24           lows:

25           “(3) REGULATIONS.—



1           “(A) IN GENERAL.—Subsection (a) shall  
2 not apply to a disclosure or use of information  
3 which is permitted by regulations prescribed by  
4 the Secretary under this section.

5           “(B) QUALITY OR PEER REVIEWS.—Such  
6 regulations shall permit (subject to such condi-  
7 tions as such regulations shall provide) the dis-  
8 closure or use of information for quality or peer  
9 reviews.

10           “(C) PROHIBITION ON DISCLOSURE AND  
11 USE BASED ON TAXPAYER CONSENT.—

12           “(i) IN GENERAL.—Such regulations  
13 may not permit the disclosure or use of  
14 any information on the basis of the tax-  
15 payer’s consent to such disclosure or use.

16           “(ii) EXCEPTIONS.—Clause (i) shall  
17 not apply to any disclosure or use with re-  
18 spect to tax administration, legal pro-  
19 ceedings, related parties or fiduciaries of  
20 the taxpayer, the performance of account-  
21 ing or legal services (other than the solici-  
22 tation therefor), and other similar pur-  
23 poses.”.



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

