

In the House of Representatives, U. S.,

April 18, 2002.

Resolved, That the House agree to the amendment of the Senate to the bill (H.R. 586) entitled “An Act to amend the Internal Revenue Code of 1986 to provide that the exclusion from gross income for foster care payments shall also apply to payments by qualified placement agencies, and for other purposes”, with the following

HOUSE AMENDMENTS TO SENATE AMENDMENT:

In lieu of the matter proposed to be inserted by the Senate, strike all after the enacting clause and insert the following:

1 ***SECTION 1. SHORT TITLE; ETC.***

2 (a) *SHORT TITLE.*—*This Act may be cited as the “Tax*
3 *Relief Guarantee Act of 2002”.*

4 (b) *AMENDMENT OF 1986 CODE.*—*Except as otherwise*
5 *expressly provided, whenever in this Act an amendment or*
6 *repeal is expressed in terms of an amendment to, or repeal*
7 *of, a section or other provision, the reference shall be consid-*
8 *ered to be made to a section or other provision of the Inter-*
9 *nal Revenue Code of 1986.*

10 (c) *TABLE OF CONTENTS.*—

Sec. 1. Short title; etc.

TITLE I—TAX REDUCTIONS MADE PERMANENT

- Sec. 101. Tax reductions made permanent.*
Sec. 102. Protection of social security and medicare.

TITLE II—TAXPAYER PROTECTION AND IRS ACCOUNTABILITY

- Sec. 201. Short title.*

Subtitle A—Penalties and Interest

- Sec. 211. Failure to pay estimated tax penalty converted to interest charge on accumulated unpaid balance.*
Sec. 212. Exclusion from gross income for interest on overpayments of income tax by individuals.
Sec. 213. Abatement of interest.
Sec. 214. Deposits made to suspend running of interest on potential underpayments.
Sec. 215. Expansion of interest netting for individuals.
Sec. 216. Waiver of certain penalties for first-time unintentional minor errors.
Sec. 217. Frivolous tax submissions.
Sec. 218. Clarification of application of Federal tax deposit penalty.

Subtitle B—Fairness of Collection Procedures

- Sec. 221. Partial payment of tax liability in installment agreements.*
Sec. 222. Extension of time for return of property.
Sec. 223. Individuals held harmless on wrongful levy, etc. on individual retirement plan.
Sec. 224. Seven-day threshold on tolling of statute of limitations during tax review.
Sec. 225. Study of liens and levies.

Subtitle C—Efficiency of Tax Administration

- Sec. 231. Revisions relating to termination of employment of Internal Revenue Service employees for misconduct.*
Sec. 232. Confirmation of authority of Tax Court to apply doctrine of equitable recoupment.
Sec. 233. Jurisdiction of Tax Court over collection due process cases.
Sec. 234. Office of Chief Counsel review of offers in compromise.
Sec. 235. 15-day delay in due date for electronically filed individual income tax returns.

Subtitle D—Confidentiality and Disclosure

- Sec. 241. Collection activities with respect to joint return disclosable to either spouse based on oral request.*
Sec. 242. Taxpayer representatives not subject to examination on sole basis of representation of taxpayers.
Sec. 243. Disclosure in judicial or administrative tax proceedings of return and return information of persons who are not party to such proceedings.
Sec. 244. Prohibition of disclosure of taxpayer identification information with respect to disclosure of accepted offers-in-compromise.
Sec. 245. Compliance by contractors with confidentiality safeguards.
Sec. 246. Higher standards for requests for and consents to disclosure.

Sec. 247. Notice to taxpayer concerning administrative determination of browsing; annual report.

Sec. 248. Expanded disclosure in emergency circumstances.

Sec. 249. Disclosure of taxpayer identity for tax refund purposes.

Subtitle E—Miscellaneous

Sec. 251. Clarification of definition of church tax inquiry.

Sec. 252. Expansion of declaratory judgment remedy to tax-exempt organizations.

Sec. 253. Employee misconduct report to include summary of complaints by category.

Sec. 254. Annual report on awards of costs and certain fees in administrative and court proceedings.

Sec. 255. Annual report on abatement of penalties.

Sec. 256. Better means of communicating with taxpayers.

Sec. 257. Explanation of statute of limitations and consequences of failure to file.

Sec. 258. Amendment to Treasury auction reforms.

Sec. 259. Enrolled agents.

Sec. 260. Financial management service fees.

Sec. 261. Capital gain treatment under section 631(b) to apply to outright sales by land owner.

Sec. 262. Acceleration of effective date for expansion of adoption tax credit and adoption assistance programs.

Subtitle F—Low-Income Taxpayer Clinics

Sec. 271. Low-income taxpayer clinics.

1 **TITLE I—TAX REDUCTIONS**

2 **MADE PERMANENT**

3 **SEC. 101. TAX REDUCTIONS MADE PERMANENT.**

4 *Title IX of the Economic Growth and Tax Relief Rec-*
5 *onciliation Act of 2001 is hereby repealed.*

6 **SEC. 102. PROTECTION OF SOCIAL SECURITY AND MEDI-**
7 **CARE.**

8 *The amounts transferred to any trust fund under the*
9 *Social Security Act shall be determined as if the Economic*
10 *Growth and Tax Relief Reconciliation Act of 2001 had not*
11 *been enacted.*

1 **TITLE II—TAXPAYER PROTEC-**
 2 **TION AND IRS ACCOUNT-**
 3 **ABILITY**

4 **SEC. 201. SHORT TITLE.**

5 *This title may be cited as the “Taxpayer Protection*
 6 *and IRS Accountability Act of 2002”.*

7 **Subtitle A—Penalties and Interest**

8 **SEC. 211. FAILURE TO PAY ESTIMATED TAX PENALTY CON-**
 9 **VERTED TO INTEREST CHARGE ON ACCUMU-**
 10 **LATED UNPAID BALANCE.**

11 *(a) PENALTY MOVED TO INTEREST CHAPTER OF*
 12 *CODE.—The Internal Revenue Code of 1986 is amended by*
 13 *redesignating section 6654 as section 6641 and by moving*
 14 *section 6641 (as so redesignated) from part I of subchapter*
 15 *A of chapter 68 to the end of subchapter E of chapter 67*
 16 *(as added by subsection (e)(1) of this section).*

17 *(b) PENALTY CONVERTED TO INTEREST CHARGE.—*
 18 *The heading and subsections (a) and (b) of section 6641*
 19 *(as so redesignated) are amended to read as follows:*

20 **“SEC. 6641. INTEREST ON FAILURE BY INDIVIDUAL TO PAY**
 21 **ESTIMATED INCOME TAX.**

22 *“(a) IN GENERAL.—Interest shall be paid on any un-*
 23 *derpayment of estimated tax by an individual for a taxable*
 24 *year for each day of such underpayment. The amount of*
 25 *such interest for any day shall be the product of the under-*

1 *payment rate established under subsection (b)(2) multiplied*
2 *by the amount of the underpayment.*

3 “(b) *AMOUNT OF UNDERPAYMENT; INTEREST RATE.*—

4 *For purposes of subsection (a)—*

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

7 “(A) *the sum of the required installments*
8 *for the taxable year the due dates for which are*
9 *on or before such day, over*

10 “(B) *the sum of the amounts (if any) of es-*
11 *timated tax payments made on or before such*
12 *day on such required installments.*

13 “(2) *DETERMINATION OF INTEREST RATE.*—

14 “(A) *IN GENERAL.*—*The underpayment rate*
15 *with respect to any day in an installment under-*
16 *payment period shall be the underpayment rate*
17 *established under section 6621 for the first day*
18 *of the calendar quarter in which such install-*
19 *ment underpayment period begins.*

20 “(B) *INSTALLMENT UNDERPAYMENT PE-*
21 *RIOD.*—*For purposes of subparagraph (A), the*
22 *term ‘installment underpayment period’ means*
23 *the period beginning on the day after the due*
24 *date for a required installment and ending on*
25 *the due date for the subsequent required install-*

1 *ment (or in the case of the 4th required install-*
2 *ment, the 15th day of the 4th month following*
3 *the close of a taxable year).*

4 “(C) *DAILY RATE.*—*The rate determined*
5 *under subparagraph (A) shall be applied on a*
6 *daily basis and shall be based on the assumption*
7 *of 365 days in a calendar year.*

8 “(3) *TERMINATION OF ESTIMATED TAX INTER-*
9 *EST.*—*No day after the end of the installment under-*
10 *payment period for the 4th required installment spec-*
11 *ified in paragraph (2)(B) for a taxable year shall be*
12 *treated as a day of underpayment with respect to*
13 *such taxable year.”.*

14 (c) *INCREASE IN SAFE HARBOR WHERE TAX IS*
15 *SMALL.*—

16 (1) *IN GENERAL.*—*Clause (i) of section*
17 *6641(d)(1)(B) (as so redesignated) is amended to read*
18 *as follows:*

19 “(i) *the lesser of—*

20 “(I) *90 percent of the tax shown*
21 *on the return for the taxable year (or,*
22 *if no return is filed, 90 percent of the*
23 *tax for such year), or*

24 “(II) *the tax shown on the return*
25 *for the taxable year (or, if no return is*

1 *filed, the tax for such year) reduced*
2 *(but not below zero) by \$2,000, or”.*

3 (2) *CONFORMING AMENDMENT.—Subsection (e)*
4 *of section 6641 (as so redesignated) is amended by*
5 *striking paragraph (1) and redesignating paragraphs*
6 *(2) and (3) as paragraphs (1) and (2), respectively.*

7 (d) *CONFORMING AMENDMENTS.—*

8 (1) *Paragraphs (1) and (2) of subsection (e) (as*
9 *redesignated by subsection (c)(2)) and subsection (h)*
10 *of section 6641 (as so designated) are each amended*
11 *by striking “addition to tax” each place it occurs and*
12 *inserting “interest”.*

13 (2) *Section 167(g)(5)(D) is amended by striking*
14 *“6654” and inserting “6641”.*

15 (3) *Section 460(b)(1) is amended by striking*
16 *“6654” and inserting “6641”.*

17 (4) *Section 3510(b) is amended—*

18 (A) *by striking “section 6654” in para-*
19 *graph (1) and inserting “section 6641”;*

20 (B) *by amending paragraph (2)(B) to read*
21 *as follows:*

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

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

4 (D) by striking paragraph (4).

5 (5) Section 6201(b)(1) is amended by striking
6 “6654” and inserting “6641”.

7 (6) Section 6601(h) is amended by striking
8 “6654” and inserting “6641”.

9 (7) Section 6621(b)(2)(B) is amended by striking
10 “addition to tax under section 6654” and inserting
11 “interest required to be paid under section 6641”.

12 (8) Section 6622(b) is amended—

13 (A) by striking “PENALTY FOR” in the
14 heading; and

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

19 (9) Section 6658(a) is amended—

20 (A) by striking “6654, or 6655” and insert-
21 ing “or 6655, and no interest shall be required
22 to be paid under section 6641,”; and

23 (B) by inserting “or paying interest” after
24 “the tax” in paragraph (2)(B)(i).

25 (10) Section 6665(b) is amended—

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

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

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

7 (e) CLERICAL AMENDMENTS.—

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

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

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

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

“Subchapter D. Notice requirements.

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

15 (3) The table of sections for part I of subchapter
16 A of chapter 68 is amended by striking the item relat-
17 ing to section 6654.

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

1 **SEC. 212. EXCLUSION FROM GROSS INCOME FOR INTEREST**
2 **ON OVERPAYMENTS OF INCOME TAX BY INDI-**
3 **VIDUALS.**

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

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

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

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

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

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

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

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

8 **SEC. 213. ABATEMENT OF INTEREST.**

9 (a) *ABATEMENT OF INTEREST WITH RESPECT TO ER-*
 10 *RONEOUS REFUND CHECK WITHOUT REGARD TO SIZE OF*
 11 *REFUND.*—*Paragraph (2) of section 6404(e) is amended by*
 12 *striking “unless—” and all that follows and inserting “un-*
 13 *less the taxpayer (or a related party) has in any way*
 14 *caused such erroneous refund.”.*

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

19 (1) *in the subsection heading, by striking “PEN-*
 20 *ALTY OR ADDITION” and inserting “INTEREST, PEN-*
 21 *ALTY, OR ADDITION”;* *and*

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

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

4 **SEC. 214. DEPOSITS MADE TO SUSPEND RUNNING OF IN-**
5 **TEREST ON POTENTIAL UNDERPAYMENTS.**

6 (a) *IN GENERAL.*—*Subchapter A of chapter 67 (relat-*
7 *ing to interest on underpayments) is amended by adding*
8 *at the end the following new section:*

9 **“SEC. 6603. DEPOSITS MADE TO SUSPEND RUNNING OF IN-**
10 **TEREST ON POTENTIAL UNDERPAYMENTS,**
11 **ETC.**

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

19 “(b) *NO INTEREST IMPOSED.*—*To the extent that such*
20 *deposit is used by the Secretary to pay tax, for purposes*
21 *of section 6601 (relating to interest on underpayments), the*
22 *tax shall be treated as paid when the deposit is made.*

23 “(c) *RETURN OF DEPOSIT.*—*Except in a case where*
24 *the Secretary determines that collection of tax is in jeop-*
25 *ardy, the Secretary shall return to the taxpayer any*

1 *amount of the deposit (to the extent not used for a payment*
2 *of tax) which the taxpayer requests in writing.*

3 “(d) *PAYMENT OF INTEREST.*—

4 “(1) *IN GENERAL.*—*For purposes of section 6611*
5 *(relating to interest on overpayments), a deposit*
6 *which is returned to a taxpayer shall be treated as a*
7 *payment of tax for any period to the extent (and only*
8 *to the extent) attributable to a disputable tax for such*
9 *period. Under regulations prescribed by the Secretary,*
10 *rules similar to the rules of section 6611(b)(2) shall*
11 *apply.*

12 “(2) *DISPUTABLE TAX.*—

13 “(A) *IN GENERAL.*—*For purposes of this*
14 *section, the term ‘disputable tax’ means the*
15 *amount of tax specified at the time of the deposit*
16 *as the taxpayer’s reasonable estimate of the max-*
17 *imum amount of any tax attributable to disput-*
18 *able items.*

19 “(B) *SAFE HARBOR BASED ON 30-DAY LET-*
20 *TER.*—*In the case of a taxpayer who has been*
21 *issued a 30-day letter, the maximum amount of*
22 *tax under subparagraph (A) shall not be less*
23 *than the amount of the proposed deficiency speci-*
24 *fied in such letter.*

1 “(3) *OTHER DEFINITIONS.*—For purposes of
2 *paragraph (2)*—

3 “(A) *DISPUTABLE ITEM.*—The term ‘disput-
4 *able item*’ means any item of income, gain, loss,
5 *deduction, or credit if the taxpayer—*

6 “(i) *has a reasonable basis for its*
7 *treatment of such item, and*

8 “(ii) *reasonably believes that the Sec-*
9 *retary also has a reasonable basis for dis-*
10 *allowing the taxpayer’s treatment of such*
11 *item.*

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

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

21 “(e) *USE OF DEPOSITS.*—

22 “(1) *PAYMENT OF TAX.*—Except as otherwise
23 *provided by the taxpayer, deposits shall be treated as*
24 *used for the payment of tax in the order deposited.*

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

4 (b) *CLERICAL AMENDMENT.*—*The table of sections for*
5 *subchapter A of chapter 67 is amended by adding at the*
6 *end the following new item:*

“Sec. 6603. Deposits made to suspend running of interest on poten-
tial underpayments, etc.”.

7 (c) *EFFECTIVE DATE.*—

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

11 (2) *COORDINATION WITH DEPOSITS MADE UNDER*
12 *REVENUE PROCEDURE 84-58.*—*In the case of an*
13 *amount held by the Secretary of the Treasury or his*
14 *delegate on the date of the enactment of this Act as*
15 *a deposit in the nature of a cash bond deposit pursu-*
16 *ant to Revenue Procedure 84-58, the date that the*
17 *taxpayer identifies such amount as a deposit made*
18 *pursuant to section 6603 of the Internal Revenue*
19 *Code (as added by this Act) shall be treated as the*
20 *date such amount is deposited for purposes of such*
21 *section 6603.*

1 **SEC. 215. EXPANSION OF INTEREST NETTING FOR INDIVID-**
 2 **UALS.**

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

9 (b) *EFFECTIVE DATE.*—The amendment made by sub-
 10 section (a) shall apply to interest accrued after December
 11 31, 2002.

12 **SEC. 216. WAIVER OF CERTAIN PENALTIES FOR FIRST-TIME**
 13 **UNINTENTIONAL MINOR ERRORS.**

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

17 “(i) *TREATMENT OF FIRST-TIME UNINTENTIONAL*
 18 *MINOR ERRORS.*—

19 “(1) *IN GENERAL.*—In the case of a return of tax
 20 imposed by subtitle A filed by an individual, the Sec-
 21 retary may waive an addition to tax under subsection

22 (a) if—

23 “(A) the individual has a history of compli-
 24 ance with the requirements of this title,

25 “(B) it is shown that the failure is due to
 26 an unintentional minor error,

1 “(C) the penalty would be grossly dis-
2 proportionate to the action or expense that would
3 have been needed to avoid the error, and impos-
4 ing the penalty would be against equity and
5 good conscience,

6 “(D) waiving the penalty would promote
7 compliance with the requirements of this title
8 and effective tax administration, and

9 “(E) the taxpayer took all reasonable steps
10 to remedy the error promptly after discovering
11 it.

12 “(2) *EXCEPTIONS.*—Paragraph (1) shall not
13 apply if—

14 “(A) the Secretary has waived any addition
15 to tax under this subsection with respect to any
16 prior failure by such individual,

17 “(B) the failure is a mathematical or cler-
18 ical error (as defined in section 6213(g)(2)), or

19 “(C) the failure is the lack of a required sig-
20 nature.”.

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

23 **SEC. 217. FRIVOLOUS TAX SUBMISSIONS.**

24 (a) *CIVIL PENALTIES.*—Section 6702 is amended to
25 read as follows:

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

2 “(a) *CIVIL PENALTY FOR FRIVOLOUS TAX RE-*
3 *URNS.—A person shall pay a penalty of \$5,000 if—*

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

6 “(A) *does not contain information on which*
7 *the substantial correctness of the self-assessment*
8 *may be judged, or*

9 “(B) *contains information that on its face*
10 *indicates that the self-assessment is substantially*
11 *incorrect; and*

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

13 “(A) *is based on a position which the Sec-*
14 *retary has identified as frivolous under sub-*
15 *section (c), or*

16 “(B) *reflects a desire to delay or impede the*
17 *administration of Federal tax laws.*

18 “(b) *CIVIL PENALTY FOR SPECIFIED FRIVOLOUS SUB-*
19 *MISSIONS.—*

20 “(1) *IMPOSITION OF PENALTY.—Except as pro-*
21 *vided in paragraph (3), any person who submits a*
22 *specified frivolous submission shall pay a penalty of*
23 *\$5,000.*

24 “(2) *SPECIFIED FRIVOLOUS SUBMISSION.—For*
25 *purposes of this section—*

1 “(A) *SPECIFIED FRIVOLOUS SUBMISSION.*—
2 *The term ‘specified frivolous submission’ means*
3 *a specified submission if any portion of such*
4 *submission—*

5 “(i) *is based on a position which the*
6 *Secretary has identified as frivolous under*
7 *subsection (c), or*

8 “(ii) *reflects a desire to delay or im-*
9 *pede the administration of Federal tax*
10 *laws.*

11 “(B) *SPECIFIED SUBMISSION.*—*The term*
12 *‘specified submission’ means—*

13 “(i) *a request for a hearing under—*

14 “(I) *section 6320 (relating to no-*
15 *tice and opportunity for hearing upon*
16 *filing of notice of lien), or*

17 “(II) *section 6330 (relating to no-*
18 *tice and opportunity for hearing before*
19 *levy), and*

20 “(ii) *an application under—*

21 “(I) *section 7811 (relating to tax-*
22 *payer assistance orders),*

23 “(II) *section 6159 (relating to*
24 *agreements for payment of tax liability*
25 *in installments), or*

1 “(III) section 7122 (relating to
2 *compromises*).

3 “(3) *OPPORTUNITY TO WITHDRAW SUBMIS-*
4 *SION.—If the Secretary provides a person with notice*
5 *that a submission is a specified frivolous submission*
6 *and such person withdraws such submission promptly*
7 *after such notice, the penalty imposed under para-*
8 *graph (1) shall not apply with respect to such submis-*
9 *sion.*

10 “(c) *LISTING OF FRIVOLOUS POSITIONS.—The Sec-*
11 *retary shall prescribe (and periodically revise) a list of posi-*
12 *tions which the Secretary has identified as being frivolous*
13 *for purposes of this subsection. The Secretary shall not in-*
14 *clude in such list any position that the Secretary deter-*
15 *mines meets the requirement of section*
16 *6662(d)(2)(B)(ii)(II).*

17 “(d) *REDUCTION OF PENALTY.—The Secretary may*
18 *reduce the amount of any penalty imposed under this sec-*
19 *tion if the Secretary determines that such reduction would*
20 *promote compliance with and administration of the Federal*
21 *tax laws.*

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

1 **(b) TREATMENT OF FRIVOLOUS REQUESTS FOR HEAR-**
2 **INGS BEFORE LEVY.—**

3 **(1) FRIVOLOUS REQUESTS DISREGARDED.—***Sec-*
4 *tion 6330 (relating to notice and opportunity for*
5 *hearing before levy) is amended by adding at the end*
6 *the following new subsection:*

7 **“(g) FRIVOLOUS REQUESTS FOR HEARING, ETC.—**
8 *Notwithstanding any other provision of this section, if the*
9 *Secretary determines that any portion of a request for a*
10 *hearing under this section or section 6320 meets the require-*
11 *ment of clause (i) or (ii) of section 6702(b)(2)(A), then the*
12 *Secretary may treat such portion as if it were never sub-*
13 *mitted and such portion shall not be subject to any further*
14 *administrative or judicial review.”.*

15 **(2) PRECLUSION FROM RAISING FRIVOLOUS**
16 **ISSUES AT HEARING.—***Section 6330(c)(4) is*
17 *amended—*

18 **(A) by striking “(A)” and inserting**
19 **“(A)(i)”;**

20 **(B) by striking “(B)” and inserting “(i)”;**

21 **(C) by striking the period at the end of the**
22 **first sentence and inserting “; or”;** and

23 **(D) by inserting after subparagraph (A)(ii)**
24 **(as so redesignated) the following:**

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

3 (3) STATEMENT OF GROUNDS.—Section
4 6330(b)(1) is amended by striking “under subsection
5 (a)(3)(B)” and inserting “in writing under subsection
6 (a)(3)(B) and states the grounds for the requested
7 hearing”.

8 (c) TREATMENT OF FRIVOLOUS REQUESTS FOR HEAR-
9 INGS UPON FILING OF NOTICE OF LIEN.—Section 6320 is
10 amended—

11 (1) in subsection (b)(1), by striking “under sub-
12 section (a)(3)(B)” and inserting “in writing under
13 subsection (a)(3)(B) and states the grounds for the re-
14 quested hearing”, and

15 (2) in subsection (c), by striking “and (e)” and
16 inserting “(e), and (g)”.

17 (d) TREATMENT OF FRIVOLOUS APPLICATIONS FOR
18 OFFERS-IN-COMPROMISE AND INSTALLMENT AGREE-
19 MENTS.—Section 7122 is amended by adding at the end
20 the following new subsection:

21 “(e) FRIVOLOUS SUBMISSIONS, ETC.—Notwith-
22 standing any other provision of this section, if the Secretary
23 determines that any portion of an application for an offer-
24 in-compromise or installment agreement submitted under
25 this section or section 6159 meets the requirement of clause

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

5 *(e) CLERICAL AMENDMENT.—The table of sections for*
 6 *part I of subchapter B of chapter 68 is amended by striking*
 7 *the item relating to section 6702 and inserting the following*
 8 *new item:*

“Sec. 6702. Frivolous tax submissions.”.

9 *(f) EFFECTIVE DATE.—The amendments made by this*
 10 *section shall apply to submissions made and issues raised*
 11 *after the date on which the Secretary first prescribes a list*
 12 *under section 6702(c) of the Internal Revenue Code of 1986,*
 13 *as amended by subsection (a).*

14 **SEC. 218. CLARIFICATION OF APPLICATION OF FEDERAL**
 15 **TAX DEPOSIT PENALTY.**

16 *Nothing in section 6656 of the Internal Revenue Code*
 17 *of 1986 shall be construed to permit the percentage specified*
 18 *in subsection (b)(1)(A)(iii) thereof to apply other than in*
 19 *a case where the failure is for more than 15 days.*

20 ***Subtitle B—Fairness of Collection***
 21 ***Procedures***

22 **SEC. 221. PARTIAL PAYMENT OF TAX LIABILITY IN INSTALL-**
 23 **MENT AGREEMENTS.**

24 *(a) IN GENERAL.—*

1 (1) *Section 6159(a) (relating to authorization of*
2 *agreements) is amended—*

3 (A) *by striking “satisfy liability for pay-*
4 *ment of” and inserting “make payment on”, and*

5 (B) *by inserting “full or partial” after “fa-*
6 *cilitate”.*

7 (2) *Section 6159(c) (relating to Secretary re-*
8 *quired to enter into installment agreements in certain*
9 *cases) is amended in the matter preceding paragraph*
10 *(1) by inserting “full” before “payment”.*

11 (b) *REQUIREMENT TO REVIEW PARTIAL PAYMENT*
12 *AGREEMENTS EVERY TWO YEARS.—Section 6159 is*
13 *amended by redesignating subsections (d) and (e) as sub-*
14 *sections (e) and (f), respectively, and inserting after sub-*
15 *section (c) the following new subsection:*

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

22 (c) *EFFECTIVE DATE.—The amendments made by this*
23 *section shall apply to agreements entered into on or after*
24 *the date of the enactment of this Act.*

1 **SEC. 222. EXTENSION OF TIME FOR RETURN OF PROPERTY.**

2 (a) *EXTENSION OF TIME FOR RETURN OF PROPERTY*
3 *SUBJECT TO LEVY.*—Subsection (b) of section 6343 (relat-
4 *ing to return of property) is amended by striking “9*
5 *months” and inserting “2 years”.*

6 (b) *PERIOD OF LIMITATION ON SUITS.*—Subsection (c)
7 *of section 6532 (relating to suits by persons other than tax-*
8 *payers) is amended—*

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

11 (2) *in paragraph (2) by striking “9-month” and*
12 *inserting “2-year”.*

13 (c) *EFFECTIVE DATE.*—*The amendments made by this*
14 *section shall apply to—*

15 (1) *levies made after the date of the enactment*
16 *of this Act, and*

17 (2) *levies made on or before such date if the 9-*
18 *month period has not expired under section 6343(b)*
19 *of the Internal Revenue Code of 1986 (without regard*
20 *to this section) as of such date.*

21 **SEC. 223. INDIVIDUALS HELD HARMLESS ON WRONGFUL**
22 **LEVY, ETC. ON INDIVIDUAL RETIREMENT**
23 **PLAN.**

24 (a) *IN GENERAL.*—Section 6343 (relating to authority
25 *to release levy and return property) is amended by adding*
26 *at the end the following new subsection:*

1 “(f) *INDIVIDUALS HELD HARMLESS ON WRONGFUL*
2 *LEVY, ETC. ON INDIVIDUAL RETIREMENT PLAN.—*

3 “(1) *IN GENERAL.—If the Secretary determines*
4 *that an individual retirement plan has been levied*
5 *upon in a case to which subsection (b) or (d)(2)(A)*
6 *applies, an amount equal to the sum of—*

7 “(A) *the amount of money returned by the*
8 *Secretary on account of such levy, and*

9 “(B) *interest paid under subsection (c) on*
10 *such amount of money,*

11 *may be deposited into an individual retirement plan*
12 *(other than an endowment contract) to which a roll-*
13 *over from the plan levied upon is permitted.*

14 “(2) *TREATMENT AS ROLLOVER.—The distribu-*
15 *tion on account of the levy and any deposit under*
16 *paragraph (1) with respect to such distribution shall*
17 *be treated for purposes of this title as if such distribu-*
18 *tion and deposit were part of a rollover described in*
19 *section 408(d)(3)(A)(i); except that—*

20 “(A) *interest paid under subsection (c) shall*
21 *be treated as part of such distribution and as not*
22 *includible in gross income,*

23 “(B) *the 60-day requirement in such section*
24 *shall be treated as met if the deposit is made not*
25 *later than the 60th day after the day on which*

1 *the individual receives an amount under para-*
2 *graph (1) from the Secretary, and*

3 “(C) *such deposit shall not be taken into ac-*
4 *count under section 408(d)(3)(B).*”

5 “(3) *REFUND, ETC., OF INCOME TAX ON LEVY.—*
6 *If any amount is includible in gross income for a tax-*
7 *able year by reason of a levy referred to in paragraph*
8 *(1) and any portion of such amount is treated as a*
9 *rollover under paragraph (2), any tax imposed by*
10 *chapter 1 on such portion shall not be assessed, and*
11 *if assessed shall be abated, and if collected shall be*
12 *credited or refunded as an overpayment made on the*
13 *due date for filing the return of tax for such taxable*
14 *year.*”

15 “(4) *INTEREST.—Notwithstanding subsection*
16 *(d), interest shall be allowed under subsection (c) in*
17 *a case in which the Secretary makes a determination*
18 *described in subsection (d)(2)(A) with respect to a*
19 *levy upon an individual retirement plan.*”

20 “(b) *EFFECTIVE DATE.—The amendment made by this*
21 *section shall apply to amounts paid under subsections (b),*
22 *(c), and (d)(2)(A) of section 6343 of the Internal Revenue*
23 *Code of 1986 after December 31, 2002.*”

1 **SEC. 224. SEVEN-DAY THRESHOLD ON TOLLING OF STAT-**
2 **UTE OF LIMITATIONS DURING TAX REVIEW.**

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

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

11 **SEC. 225. STUDY OF LIENS AND LEVIES.**

12 *The Secretary of the Treasury, or the Secretary’s dele-*
13 *gate, shall conduct a study of the practices of the Internal*
14 *Revenue Service concerning liens and levies. The study shall*
15 *examine—*

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

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

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

1 **Subtitle C—Efficiency of Tax**
2 **Administration**

3 **SEC. 231. REVISIONS RELATING TO TERMINATION OF EM-**
4 **PLOYMENT OF INTERNAL REVENUE SERVICE**
5 **EMPLOYEES FOR MISCONDUCT.**

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

9 **“SEC. 7804A. DISCIPLINARY ACTIONS FOR MISCONDUCT.**

10 “(a) *DISCIPLINARY ACTIONS.*—

11 “(1) *IN GENERAL.*—Subject to subsection (c), the
12 Commissioner shall take an action in accordance with
13 the guidelines established under paragraph (2)
14 against any employee of the Internal Revenue Service
15 if there is a final administrative or judicial deter-
16 mination that such employee committed any act or
17 omission described under subsection (b) in the per-
18 formance of the employee’s official duties or where a
19 nexus to the employee’s position exists.

20 “(2) *GUIDELINES.*—The Commissioner shall
21 issue guidelines for determining the appropriate level
22 of discipline, up to and including termination of em-
23 ployment, for committing any act or omission de-
24 scribed under subsection (b).

1 “(b) *ACTS OR OMISSIONS.*—*The acts or omissions de-*
2 *scribed under this subsection are—*

3 “(1) *willful failure to obtain the required ap-*
4 *proval signatures on documents authorizing the sei-*
5 *zure of a taxpayer’s home, personal belongings, or*
6 *business assets;*

7 “(2) *willfully providing a false statement under*
8 *oath with respect to a material matter involving a*
9 *taxpayer or taxpayer representative;*

10 “(3) *with respect to a taxpayer or taxpayer rep-*
11 *resentative, the willful violation of—*

12 “(A) *any right under the Constitution of the*
13 *United States;*

14 “(B) *any civil right established under—*

15 “(i) *title VI or VII of the Civil Rights*
16 *Act of 1964;*

17 “(ii) *title IX of the Education Amend-*
18 *ments of 1972;*

19 “(iii) *the Age Discrimination in Em-*
20 *ployment Act of 1967;*

21 “(iv) *the Age Discrimination Act of*
22 *1975;*

23 “(v) *section 501 or 504 of the Rehabili-*
24 *tation Act of 1973; or*

1 “(vi) title I of the Americans with Dis-
2 abilities Act of 1990; or

3 “(C) the Internal Revenue Service policy on
4 unauthorized inspection of returns or return in-
5 formation;

6 “(4) willfully falsifying or destroying documents
7 to conceal mistakes made by any employee with re-
8 spect to a matter involving a taxpayer or taxpayer
9 representative;

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

14 “(6) willful violations of this title, Department of
15 the Treasury regulations, or policies of the Internal
16 Revenue Service (including the Internal Revenue
17 Manual) for the purpose of retaliating against, or
18 harassing, a taxpayer or taxpayer representative;

19 “(7) willful misuse of the provisions of section
20 6103 for the purpose of concealing information from
21 a congressional inquiry;

22 “(8) willful failure to file any return of tax re-
23 quired under this title on or before the date prescribed
24 therefor (including any extensions) when a tax is due

1 *and owing, unless such failure is due to reasonable*
2 *cause and not due to willful neglect;*

3 “(9) *willful understatement of Federal tax liability,*
4 *unless such understatement is due to reasonable*
5 *cause and not due to willful neglect; and*

6 “(10) *threatening to audit a taxpayer, or to take*
7 *other action under this title, for the purpose of ex-*
8 *tracting personal gain or benefit.*

9 “(c) *DETERMINATIONS OF COMMISSIONER.—*

10 “(1) *IN GENERAL.—The Commissioner may take*
11 *a personnel action other than a disciplinary action*
12 *provided for in the guidelines under subsection (a)(2)*
13 *for an act or omission described under subsection (b).*

14 “(2) *DISCRETION.—The exercise of authority*
15 *under paragraph (1) shall be at the sole discretion of*
16 *the Commissioner and may not be delegated to any*
17 *other officer. The Commissioner, in his sole discretion,*
18 *may establish a procedure to determine if an indi-*
19 *vidual should be referred to the Commissioner for a*
20 *determination by the Commissioner under paragraph*
21 *(1).*

22 “(3) *NO APPEAL.—Notwithstanding any other*
23 *provision of law, any determination of the Commis-*
24 *sioner under this subsection may not be reviewed in*
25 *any administrative or judicial proceeding. A finding*

1 *that an act or omission described under subsection (b)*
2 *occurred may be reviewed.*

3 “(d) *DEFINITION.*—*For the purposes of the provisions*
4 *described in clauses (i), (ii), and (iv) of subsection*
5 *(b)(3)(B), references to a program or activity regarding*
6 *Federal financial assistance or an education program or*
7 *activity receiving Federal financial assistance shall include*
8 *any program or activity conducted by the Internal Revenue*
9 *Service for a taxpayer.*

10 “(e) *ANNUAL REPORT.*—*The Commissioner shall sub-*
11 *mit to Congress annually a report on disciplinary actions*
12 *under this section.”.*

13 (b) *CLERICAL AMENDMENT.*—*The table of sections for*
14 *chapter 80 is amended by inserting after the item relating*
15 *to section 7804 the following new item:*

“*Sec. 7804A. Disciplinary actions for misconduct.*”.

16 (c) *REPEAL OF SUPERSEDED SECTION.*—*Section 1203*
17 *of the Internal Revenue Service Restructuring and Reform*
18 *Act of 1998 (Public Law 105–206; 112 Stat. 720) is re-*
19 *pealed.*

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

1 **SEC. 232. CONFIRMATION OF AUTHORITY OF TAX COURT TO**
2 **APPLY DOCTRINE OF EQUITABLE**
3 **RECOUPMENT.**

4 (a) *CONFIRMATION OF AUTHORITY OF TAX COURT TO*
5 *APPLY DOCTRINE OF EQUITABLE RECOUPMENT.*—Sub-
6 *section (b) of section 6214 (relating to jurisdiction over*
7 *other years and quarters) is amended by adding at the end*
8 *the following new sentence: “Notwithstanding the preceding*
9 *sentence, the Tax Court may apply the doctrine of equitable*
10 *recoupment to the same extent that it is available in civil*
11 *tax cases before the district courts of the United States and*
12 *the United States Court of Federal Claims.”.*

13 (b) *EFFECTIVE DATE.*—*The amendments made by this*
14 *section shall apply to any action or proceeding in the Tax*
15 *Court with respect to which a decision has not become final*
16 *(as determined under section 7481 of the Internal Revenue*
17 *Code of 1986) as of the date of the enactment of this Act.*

18 **SEC. 233. JURISDICTION OF TAX COURT OVER COLLECTION**
19 **DUE PROCESS CASES.**

20 (a) *IN GENERAL.*—*Section 6330(d)(1) (relating to ju-*
21 *dicial review of determination) is amended to read as fol-*
22 *lows:*

23 “(1) *JUDICIAL REVIEW OF DETERMINATION.*—
24 *The person may, within 30 days of a determination*
25 *under this section, appeal such determination to the*

1 *Tax Court (and the Tax Court shall have jurisdiction*
2 *with respect to such matter).”.*

3 **(b) EFFECTIVE DATE.**—*The amendment made by sub-*
4 *section (a) shall apply to judicial appeals filed after the*
5 *date of the enactment of this Act.*

6 **SEC. 234. OFFICE OF CHIEF COUNSEL REVIEW OF OFFERS**
7 **IN COMPROMISE.**

8 **(a) IN GENERAL.**—*Section 7122(b) (relating to record)*
9 *is amended by striking “Whenever a compromise” and all*
10 *that follows through “his delegate” and inserting “If the*
11 *Secretary determines that an opinion of the General Coun-*
12 *sel for the Department of the Treasury, or the Counsel’s del-*
13 *egate, is required with respect to a compromise, there shall*
14 *be placed on file in the office of the Secretary such opinion”.*

15 **(b) CONFORMING AMENDMENTS.**—*Section 7122(b) is*
16 *amended by striking the second and third sentences.*

17 **(c) EFFECTIVE DATE.**—*The amendments made by this*
18 *section shall apply to offers-in-compromise submitted or*
19 *pending on or after the date of the enactment of this Act.*

20 **SEC. 235. 15-DAY DELAY IN DUE DATE FOR ELECTRONI-**
21 **CALLY FILED INDIVIDUAL INCOME TAX RE-**
22 **TURNS.**

23 **(a) IN GENERAL.**—*Section 6072 (relating to time for*
24 *filing income tax returns) is amended by adding at the end*
25 *the following new subsection:*

1 “(f) *ELECTRONICALLY FILED RETURNS OF INDIVID-*
2 *UALS.—*

3 “(1) *IN GENERAL.—Returns of an individual*
4 *under section 6012 or 6013 (other than an individual*
5 *to whom subsection (c) applies) which are filed*
6 *electronically—*

7 “(A) *in the case of returns filed on the basis*
8 *of a calendar year, shall be filed on or before the*
9 *30th day of April following the close of the cal-*
10 *endar year, and*

11 “(B) *in the case of returns filed on the basis*
12 *of a fiscal year, shall be filed on or before the last*
13 *day of the 4th month following the close of the*
14 *fiscal year.*

15 “(2) *ELECTRONIC FILING.—Paragraph (1) shall*
16 *not apply to any return unless—*

17 “(A) *such return is accepted by the Sec-*
18 *retary, and*

19 “(B) *the balance due (if any) shown on*
20 *such return is paid electronically in a manner*
21 *prescribed by the Secretary.*

22 “(3) *SPECIAL RULES.—*

23 “(A) *ESTIMATED TAX.—If—*

24 “(i) *paragraph (1) applies to an indi-*
25 *vidual for any taxable year, and*

1 “(i) there is an overpayment of tax
2 shown on the return for such year which the
3 individual allows against the individual’s
4 obligation under section 6641,
5 then, with respect to the amount so allowed, any
6 reference in section 6641 to the April 15 fol-
7 lowing such taxable year shall be treated as a
8 reference to April 30.

9 “(B) REFERENCES TO DUE DATE.—Para-
10 graph (1) shall apply solely for purposes of de-
11 termining the due date for the individual’s obli-
12 gation to file and pay tax and, except as other-
13 wise provided by the Secretary, shall be treated
14 as an extension of the due date for any other
15 purpose under this title.”.

16 (b) EFFECTIVE DATE.—The amendment made by this
17 section shall apply to taxable years beginning after Decem-
18 ber 31, 2001.

19 **Subtitle D—Confidentiality and** 20 **Disclosure**

21 **SEC. 241. COLLECTION ACTIVITIES WITH RESPECT TO** 22 **JOINT RETURN DISCLOSABLE TO EITHER** 23 **SPOUSE BASED ON ORAL REQUEST.**

24 (a) IN GENERAL.—Paragraph (8) of section 6103(e)
25 (relating to disclosure of collection activities with respect

1 to joint return) is amended by striking “in writing” the
2 first place it appears.

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

6 **SEC. 242. TAXPAYER REPRESENTATIVES NOT SUBJECT TO**
7 **EXAMINATION ON SOLE BASIS OF REPRESENTATION OF TAXPAYERS.**
8

9 (a) *IN GENERAL.*—Subsection (h) of section 6103 (re-
10 lating to disclosure to certain Federal officers and employ-
11 ees for purposes of tax administration, etc.) is amended by
12 adding at the end the following new paragraph:

13 “(7) *TAXPAYER REPRESENTATIVES.*—Notwith-
14 standing paragraph (1), the return of the representa-
15 tive of a taxpayer whose return is being examined by
16 an officer or employee of the Department of the Treas-
17 ury shall not be open to inspection by such officer or
18 employee on the sole basis of the representative’s rela-
19 tionship to the taxpayer unless a supervisor of such
20 officer or employee has approved the inspection of the
21 return of such representative on a basis other than by
22 reason of such relationship.”.

23 (b) *EFFECTIVE DATE.*—The amendment made by this
24 section shall take effect on the date of the enactment of this
25 Act.

1 **SEC. 243. DISCLOSURE IN JUDICIAL OR ADMINISTRATIVE**
2 **TAX PROCEEDINGS OF RETURN AND RETURN**
3 **INFORMATION OF PERSONS WHO ARE NOT**
4 **PARTY TO SUCH PROCEEDINGS.**

5 (a) *IN GENERAL.*—Paragraph (4) of section 6103(h)
6 (relating to disclosure to certain Federal officers and em-
7 ployees for purposes of tax administration, etc.) is amended
8 by adding at the end the following new subparagraph:

9 “(B) *DISCLOSURE IN JUDICIAL OR ADMINIS-*
10 *TRATIVE TAX PROCEEDINGS OF RETURN AND RE-*
11 *TURN INFORMATION OF PERSONS NOT PARTY TO*
12 *SUCH PROCEEDINGS.*—

13 “(i) *NOTICE.*—Return or return infor-
14 mation of any person who is not a party to
15 a judicial or administrative proceeding de-
16 scribed in this paragraph shall not be dis-
17 closed under clause (ii) or (iii) of subpara-
18 graph (A) until after the Secretary makes a
19 reasonable effort to give notice to such per-
20 son and an opportunity for such person to
21 request the deletion of matter from such re-
22 turn or return information, including any
23 of the items referred to in paragraphs (1)
24 through (7) of section 6110(c). Such notice
25 shall include a statement of the issue or
26 issues the resolution of which is the reason

1 *such return or return information is sought.*
2 *In the case of S corporations, partnerships,*
3 *estates, and trusts, such notice shall be*
4 *made at the entity level.*

5 “(ii) *DISCLOSURE LIMITED TO PERTI-*
6 *NENT PORTION.—The only portion of a re-*
7 *turn or return information described in*
8 *clause (i) which may be disclosed under*
9 *subparagraph (A) is that portion of such re-*
10 *turn or return information that directly re-*
11 *lates to the resolution of an issue in such*
12 *proceeding.*

13 “(iii) *EXCEPTIONS.—Clause (i) shall*
14 *not apply—*

15 “(I) *to any civil action under sec-*
16 *tion 7407, 7408, or 7409,*

17 “(II) *to any ex parte proceeding*
18 *for obtaining a search warrant, order*
19 *for entry on premises or safe deposit*
20 *boxes, or similar ex parte proceeding,*

21 “(III) *to disclosure of third party*
22 *return information by indictment or*
23 *criminal information, or*

24 “(IV) *if the Attorney General or*
25 *the Attorney General’s delegate deter-*

1 *mines that the application of such*
2 *clause would seriously impair a crimi-*
3 *nal tax investigation or proceeding.”.*

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

6 *(1) by striking “PROCEEDINGS.—A return” and*
7 *inserting “PROCEEDINGS.—*

8 *“(A) IN GENERAL.—Except as provided in*
9 *subparagraph (B), a return”;*

10 *(2) by redesignating subparagraphs (A), (B),*
11 *(C), and (D) as clauses (i), (ii), (iii), and (iv), re-*
12 *spectively; and*

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

17 *(c) EFFECTIVE DATE.—The amendments made by this*
18 *section shall apply to proceedings commenced after the date*
19 *of the enactment of this Act.*

20 **SEC. 244. PROHIBITION OF DISCLOSURE OF TAXPAYER**
21 **IDENTIFICATION INFORMATION WITH RE-**
22 **SPECT TO DISCLOSURE OF ACCEPTED OF-**
23 **FERS-IN-COMPROMISE.**

24 *(a) IN GENERAL.—Paragraph (1) of section 6103(k)*
25 *(relating to disclosure of certain returns and return infor-*

1 mation for tax administrative purposes) is amended by in-
2 serting “(other than the taxpayer’s address and TIN)” after
3 “Return information”.

4 (b) *EFFECTIVE DATE.*—The amendment made by this
5 section shall apply to disclosures made after the date of the
6 enactment of this Act.

7 **SEC. 245. COMPLIANCE BY CONTRACTORS WITH CONFIDEN-**
8 **TIALITY SAFEGUARDS.**

9 (a) *IN GENERAL.*—Section 6103(p) (relating to State
10 law requirements) is amended by adding at the end the fol-
11 lowing new paragraph:

12 “(9) *DISCLOSURE TO CONTRACTORS.*—Notwith-
13 standing any other provision of this section, no re-
14 turn or return information shall be disclosed by any
15 officer or employee of any Federal agency or State to
16 any contractor of such agency or State unless such
17 agency or State—

18 “(A) has requirements in effect which re-
19 quire each contractor of such agency or State
20 which would have access to returns or return in-
21 formation to provide safeguards (within the
22 meaning of paragraph (4)) to protect the con-
23 fidentiality of such returns or return informa-
24 tion,

1 “(B) agrees to conduct an annual, on-site
2 review (mid-point review in the case of contracts
3 of less than 1 year in duration) of each con-
4 tractor to determine compliance with such re-
5 quirements,

6 “(C) submits the findings of the most recent
7 review conducted under subparagraph (B) to the
8 Secretary as part of the report required by para-
9 graph (4)(E), and

10 “(D) certifies to the Secretary for the most
11 recent annual period that all contractors are in
12 compliance with all such requirements.

13 *The certification required by subparagraph (D) shall*
14 *include the name and address of each contractor, a*
15 *description of the contract of the contractor with the*
16 *Federal agency or State, and the duration of such*
17 *contract.”.*

18 **(b) CONFORMING AMENDMENT.**—Subparagraph (B) of
19 section 6103(p)(8) is amended by inserting “or paragraph
20 (9)” after “subparagraph (A)”.

21 **(c) EFFECTIVE DATE.**—

22 **(1) IN GENERAL.**—The amendments made by
23 this section shall apply to disclosures made after De-
24 cember 31, 2002.

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

5 **SEC. 246. HIGHER STANDARDS FOR REQUESTS FOR AND**
6 **CONSENTS TO DISCLOSURE.**

7 (a) *IN GENERAL.*—*Subsection (c) of section 6103 (re-*
8 *lating to disclosure of returns and return information to*
9 *designee of taxpayer) is amended by adding at the end the*
10 *following new paragraphs:*

11 “(2) *REQUIREMENTS FOR VALID REQUESTS AND*
12 *CONSENTS.*—*A request for or consent to disclosure*
13 *under paragraph (1) shall only be valid for purposes*
14 *of this section or sections 7213, 7213A, or 7431 if—*

15 “(A) *at the time of execution, such request*
16 *or consent designates a recipient of such disclo-*
17 *sure and is dated, and*

18 “(B) *at the time such request or consent is*
19 *submitted to the Secretary, the submitter of such*
20 *request or consent certifies, under penalty of per-*
21 *jury, that such request or consent complied with*
22 *subparagraph (A).*

23 “(3) *RESTRICTIONS ON PERSONS OBTAINING IN-*
24 *FORMATION.*—*Any person shall, as a condition for re-*

1 *ceiving return or return information under para-*
2 *graph (1)—*

3 *“(A) ensure that such return and return in-*
4 *formation is kept confidential,*

5 *“(B) use such return and return informa-*
6 *tion only for the purpose for which it was re-*
7 *quested, and*

8 *“(C) not disclose such return and return in-*
9 *formation except to accomplish the purpose for*
10 *which it was requested, unless a separate consent*
11 *from the taxpayer is obtained.*

12 *“(4) REQUIREMENTS FOR FORM PRESCRIBED BY*
13 *SECRETARY.—For purposes of this subsection, the Sec-*
14 *retary shall prescribe a form for requests and consents*
15 *which shall—*

16 *“(A) contain a warning, prominently dis-*
17 *played, informing the taxpayer that the form*
18 *should not be signed unless it is completed,*

19 *“(B) state that if the taxpayer believes there*
20 *is an attempt to coerce him to sign an incom-*
21 *plete or blank form, the taxpayer should report*
22 *the matter to the Treasury Inspector General for*
23 *Tax Administration, and*

1 “(C) contain the address and telephone
2 number of the Treasury Inspector General for
3 Tax Administration.”.

4 (b) *REPORT.*—Not later than 18 months after the date
5 of the enactment of this Act, the Treasury Inspector General
6 for Tax Administration shall submit a report to the Con-
7 gress on compliance with the designation and certification
8 requirements applicable to requests for or consent to disclo-
9 sure of returns and return information under section
10 6103(c) of the Internal Revenue Code of 1986, as amended
11 by subsection (a). Such report shall—

12 (1) evaluate (on the basis of random sampling)
13 whether—

14 (A) the amendment made by subsection (a)
15 is achieving the purposes of this section;

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

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

21 (2) include such recommendations that the
22 Treasury Inspector General for Tax Administration
23 considers necessary or appropriate to better achieve
24 the purposes of this section.

1 (c) *CONFORMING AMENDMENT.*—Section 6103(c) is
 2 amended by striking “TAXPAYER.—The Secretary” and in-
 3 serting “TAXPAYER.—

4 “(1) *IN GENERAL.*—The Secretary”.

5 (d) *EFFECTIVE DATE.*—The amendments made by this
 6 section shall apply to requests and consents made after 3
 7 months after the date of the enactment of this Act.

8 **SEC. 247. NOTICE TO TAXPAYER CONCERNING ADMINISTRA-**
 9 **TIVE DETERMINATION OF BROWSING; AN-**
 10 **NUAL REPORT.**

11 (a) *NOTICE TO TAXPAYER.*—Subsection (e) of section
 12 7431 (relating to notification of unlawful inspection and
 13 disclosure) is amended by adding at the end the following:
 14 “The Secretary shall also notify such taxpayer if the Treas-
 15 ury Inspector General for Tax Administration determines
 16 that such taxpayer’s return or return information was in-
 17 spected or disclosed in violation of any of the provisions
 18 specified in paragraph (1), (2), or (3).”.

19 (b) *REPORTS.*—Subsection (p) of section 6103 (relat-
 20 ing to procedure and recordkeeping), as amended by section
 21 245, is further amended by adding at the end the following
 22 new paragraph:

23 “(10) *REPORT ON UNAUTHORIZED DISCLOSURE*
 24 *AND INSPECTION.*—As part of the report required by
 25 paragraph (3)(C) for each calendar year, the Sec-

1 retary shall furnish information regarding the unau-
2 thorized disclosure and inspection of returns and re-
3 turn information, including the number, status, and
4 results of—

5 “(A) administrative investigations,

6 “(B) civil lawsuits brought under section
7 7431 (including the amounts for which such law-
8 suits were settled and the amounts of damages
9 awarded), and

10 “(C) criminal prosecutions.”.

11 (c) *EFFECTIVE DATE.*—

12 (1) *NOTICE.*—The amendment made by sub-
13 section (a) shall apply to determinations made after
14 the date of the enactment of this Act.

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

18 **SEC. 248. EXPANDED DISCLOSURE IN EMERGENCY CIR-**
19 **CUMSTANCES.**

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

23 (b) *EFFECTIVE DATE.*—The amendment made by this
24 section shall take effect on the date of the enactment of this
25 Act.

1 **SEC. 249. DISCLOSURE OF TAXPAYER IDENTITY FOR TAX**
2 **REFUND PURPOSES.**

3 (a) *IN GENERAL.*—Paragraph (1) of section 6103(m)
4 (relating to disclosure of taxpayer identity information) is
5 amended by striking “and other media” and by inserting
6 “, other media, and through any other means of mass com-
7 munication,”.

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

11 **Subtitle E—Miscellaneous**

12 **SEC. 251. CLARIFICATION OF DEFINITION OF CHURCH TAX**
13 **INQUIRY.**

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

19 “(6) information provided by the Secretary re-
20 lated to the standards for exemption from tax under
21 this title and the requirements under this title relat-
22 ing to unrelated business taxable income.”.

23 **SEC. 252. EXPANSION OF DECLARATORY JUDGMENT REM-
24 EDY TO TAX-EXEMPT ORGANIZATIONS.**

25 (a) *IN GENERAL.*—Paragraph (1) of section 7428(a)
26 (relating to creation of remedy) is amended—

1 (1) in subparagraph (B) by inserting after
2 “509(a)” the following: “or as a private operating
3 foundation (as defined in section 4942(j)(3))”; and

4 (2) by amending subparagraph (C) to read as
5 follows:

6 “(C) with respect to the initial qualification
7 or continuing qualification of an organization as
8 an organization described in section 501(c)
9 (other than paragraph (3)) which is exempt from
10 tax under section 501(a), or”.

11 (b) *COURT JURISDICTION*.—Subsection (a) of section
12 7428 is amended in the material following paragraph (2)
13 by striking “United States Tax Court, the United States
14 Claims Court, or the district court of the United States for
15 the District of Columbia” and inserting the following:
16 “United States Tax Court (in the case of any such deter-
17 mination or failure) or the United States Claims Court or
18 the district court of the United States for the District of
19 Columbia (in the case of a determination or failure with
20 respect to an issue referred to in subparagraph (A) or (B)
21 of paragraph (1)),”.

22 (c) *EFFECTIVE DATE*.—The amendments made by this
23 section shall apply to pleadings filed with respect to deter-
24 minations (or requests for determinations) made after the
25 date of the enactment of this Act.

1 **SEC. 253. EMPLOYEE MISCONDUCT REPORT TO INCLUDE**
2 **SUMMARY OF COMPLAINTS BY CATEGORY.**

3 (a) *IN GENERAL.*—Clause (ii) of section 7803(d)(2)(A)
4 is amended by inserting before the semicolon at the end the
5 following: “, including a summary (by category) of the 10
6 most common complaints made and the number of such
7 common complaints”.

8 (b) *EFFECTIVE DATE.*—The amendment made by sub-
9 section (a) shall apply with respect to reporting periods
10 ending after the date of the enactment of this Act.

11 **SEC. 254. ANNUAL REPORT ON AWARDS OF COSTS AND CER-**
12 **TAIN FEES IN ADMINISTRATIVE AND COURT**
13 **PROCEEDINGS.**

14 Not later than 3 months after the close of each Federal
15 fiscal year after fiscal year 2001, the Treasury Inspector
16 General for Tax Administration shall submit a report to
17 Congress which specifies for such year—

18 (1) the number of payments made by the United
19 States pursuant to section 7430 of the Internal Rev-
20 enue Code of 1986 (relating to awarding of costs and
21 certain fees);

22 (2) the amount of each such payment;

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

25 (4) changes (if any) which will be implemented
26 as a result of such analysis and other changes (if

1 *any) recommended by the Treasury Inspector General*
2 *for Tax Administration as a result of such analysis.*

3 **SEC. 255. ANNUAL REPORT ON ABATEMENT OF PENALTIES.**

4 *Not later than 6 months after the close of each Federal*
5 *fiscal year after fiscal year 2001, the Treasury Inspector*
6 *General for Tax Administration shall submit a report to*
7 *Congress on abatements of penalties under the Internal Rev-*
8 *enue Code of 1986 during such year, including information*
9 *on the reasons and criteria for such abatements.*

10 **SEC. 256. BETTER MEANS OF COMMUNICATING WITH TAX-**
11 **PAYERS.**

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

19 **SEC. 257. EXPLANATION OF STATUTE OF LIMITATIONS AND**
20 **CONSEQUENCES OF FAILURE TO FILE.**

21 *The Secretary of the Treasury or the Secretary's dele-*
22 *gate shall, as soon as practicable but not later than 180*
23 *days after the date of the enactment of this Act, revise the*
24 *statement required by section 6227 of the Omnibus Tax-*
25 *payer Bill of Rights (Internal Revenue Service Publication*

1 No. 1), and any instructions booklet accompanying a gen-
2 eral income tax return form for taxable years beginning
3 after 2001 (including forms 1040, 1040A, 1040EZ, and any
4 similar or successor forms relating thereto), to provide for
5 an explanation of—

6 (1) the limitations imposed by section 6511 of
7 the Internal Revenue Code of 1986 on credits and re-
8 funds; and

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

11 **SEC. 258. AMENDMENT TO TREASURY AUCTION REFORMS.**

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

17 (b) *EFFECTIVE DATE.*—The amendment made by sub-
18 section (a) shall apply to meetings held after the date of
19 the enactment of this Act.

20 **SEC. 259. ENROLLED AGENTS.**

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

1 **“SEC. 7527. ENROLLED AGENTS.**

2 “(a) *IN GENERAL.*—*The Secretary may prescribe such*
3 *regulations as may be necessary to regulate the conduct of*
4 *enrolled agents in regards to their practice before the Inter-*
5 *nal Revenue Service.*

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

11 “(b) *CLERICAL AMENDMENT.*—*The table of sections for*
12 *chapter 77 is amended by adding at the end the following*
13 *new item:*

 “*Sec. 7525. Enrolled agents.*”.

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

19 **SEC. 260. FINANCIAL MANAGEMENT SERVICE FEES.**

20 *Notwithstanding any other provision of law, the Fi-*
21 *nancial Management Service may charge the Internal Rev-*
22 *enue Service, and the Internal Revenue Service may pay*
23 *the Financial Management Service, a fee sufficient to cover*
24 *the full cost of implementing a continuous levy program*
25 *under subsection (h) of section 6331 of the Internal Revenue*

1 *Code of 1986. Any such fee shall be based on actual levies*
2 *made and shall be collected by the Financial Management*
3 *Service by the retention of a portion of amounts collected*
4 *by levy pursuant to that subsection. Amounts received by*
5 *the Financial Management Service as fees under that sub-*
6 *section shall be deposited into the account of the Depart-*
7 *ment of the Treasury under section 3711(g)(7) of title 31,*
8 *United States Code, and shall be collected and accounted*
9 *for in accordance with the provisions of that section. The*
10 *amount credited against the taxpayer's liability on account*
11 *of the continuous levy shall be the amount levied, without*
12 *reduction for the amount paid to the Financial Manage-*
13 *ment Service as a fee.*

14 **SEC. 261. CAPITAL GAIN TREATMENT UNDER SECTION**
15 **631(b) TO APPLY TO OUTRIGHT SALES BY**
16 **LAND OWNER.**

17 *(a) IN GENERAL.—The first sentence of section 631(b)*
18 *(relating to disposal of timber with a retained economic in-*
19 *terest) is amended by striking “retains an economic interest*
20 *in such timber” and inserting “either retains an economic*
21 *interest in such timber or makes an outright sale of such*
22 *timber”.*

23 *(b) CONFORMING AMENDMENT.—The third sentence of*
24 *section 631(b) is amended by striking “The date of dis-*

1 *posal” and inserting “In the case of disposal of timber with*
 2 *a retained economic interest, the date of disposal”.*

3 (c) *EFFECTIVE DATE.*—*The amendments made by this*
 4 *section shall apply to sales after the date of the enactment*
 5 *of this Act.*

6 **SEC. 262. ACCELERATION OF EFFECTIVE DATE FOR EXPAN-**
 7 **SION OF ADOPTION TAX CREDIT AND ADOP-**
 8 **TION ASSISTANCE PROGRAMS.**

9 (a) *IN GENERAL.*—*Subsection (g) of section 202 of the*
 10 *Economic Growth and Tax Relief Reconciliation Act of*
 11 *2001 is amended to read as follows:*

12 “(g) *EFFECTIVE DATE.*—*The amendments made by*
 13 *this section shall apply to taxable years beginning after De-*
 14 *cember 31, 2001.”.*

15 (b) *TECHNICAL CORRECTIONS.*—*Paragraph (3) of sec-*
 16 *tion 411(c) of the Job Creation and Worker Assistance Act*
 17 *of 2002 is amended to read as follows:*

18 “(3) *EFFECTIVE DATE.*—*The amendments made*
 19 *by this subsection shall apply to taxable years begin-*
 20 *ning after December 31, 2001.”.*

21 **Subtitle F—Low-Income Taxpayer**
 22 **Clinics**

23 **SEC. 271. LOW-INCOME TAXPAYER CLINICS.**

24 (a) *LIMITATION ON AMOUNT OF GRANTS.*—*Paragraph*
 25 *(1) of section 7526(c) (relating to special rules and limita-*

1 tions) is amended by striking “\$6,000,000 per year” and
2 inserting “\$9,000,000 for 2002, \$12,000,000 for 2003, and
3 \$15,000,000 for each year thereafter”.

4 (b) *LIMITATION ON USE OF CLINICS FOR TAX RETURN*
5 *PREPARATION.*—Subparagraph (A) of section 7526(b)(1) is
6 amended by adding at the end the following flush language:

7 “The term does not include a clinic that provides
8 routine tax return preparation. The preceding
9 sentence shall not apply to return preparation in
10 connection with a controversy with the Internal
11 Revenue Service.”.

12 (c) *PROMOTION OF CLINICS.*—Section 7526(c) is
13 amended by adding at the end the following new paragraph:

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

Amend the title so as to read “An Act to amend the Internal Revenue Code of 1986 to make permanent the tax reductions enacted by the Economic Growth and Tax Relief Reconciliation Act of 2001 and to protect taxpayers and ensure accountability of the Internal Revenue Service.”.

Attest:

Clerk.

107TH CONGRESS
2D SESSION

H.R. 586

**HOUSE AMENDMENTS TO
SENATE AMENDMENT**