

110TH CONGRESS
1ST SESSION

H. R. 1677

To amend the Internal Revenue Code of 1986 to enhance taxpayer protections and outreach.

IN THE HOUSE OF REPRESENTATIVES

MARCH 26, 2007

Mr. RANGEL (for himself and Mr. LEWIS of Georgia) introduced the following bill; which was referred to the Committee on Ways and Means

A BILL

To amend the Internal Revenue Code of 1986 to enhance taxpayer protections and outreach.

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; ETC.**

4 (a) **SHORT TITLE.**—This Act may be cited as the
5 “Taxpayer Protection 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 (c) TABLE OF CONTENTS.—The table of contents for
 4 this Act is as follows:

- Sec. 1. Short title; etc.
- Sec. 2. Family business tax simplification.
- Sec. 3. Taxpayer notification of suspected identity theft.
- Sec. 4. Extension of time for return of property for wrongful levy.
- Sec. 5. Individuals held harmless on wrongful levy, etc., on individual retire-
 ment plan.
- Sec. 6. Clarification of IRS unclaimed refund authority.
- Sec. 7. Prohibition on IRS debt indicators for predatory refund anticipation
 loans.
- Sec. 8. Prohibition on misuse of Department of the Treasury names and sym-
 bols.
- Sec. 9. EITC outreach.

5 **SEC. 2. FAMILY BUSINESS TAX SIMPLIFICATION.**

6 (a) IN GENERAL.—Section 761 (defining terms for
 7 purposes of partnerships) is amended by redesignating
 8 subsection (f) as subsection (g) and by inserting after sub-
 9 section (e) the following new subsection:

10 “(f) QUALIFIED JOINT VENTURE.—

11 “(1) IN GENERAL.—In the case of a qualified
 12 joint venture conducted by a husband and wife who
 13 file a joint return for the taxable year, for purposes
 14 of this title—

15 “(A) such joint venture shall not be treat-
 16 ed as a partnership,

17 “(B) all items of income, gain, loss, deduc-
 18 tion, and credit shall be divided between the
 19 spouses in accordance with their respective in-
 20 terests in the venture, and

1 “(C) each spouse shall take into account
2 such spouse’s respective share of such items as
3 if they were attributable to a trade or business
4 conducted by such spouse as a sole proprietor.

5 “(2) QUALIFIED JOINT VENTURE.—For pur-
6 poses of paragraph (1), the term ‘qualified joint ven-
7 ture’ means any joint venture involving the conduct
8 of a trade or business if—

9 “(A) the only members of such joint ven-
10 ture are a husband and wife,

11 “(B) both spouses materially participate
12 (within the meaning of section 469(h) without
13 regard to paragraph (5) thereof) in such trade
14 or business, and

15 “(C) both spouses elect the application of
16 this subsection.”.

17 (b) NET EARNINGS FROM SELF-EMPLOYMENT.—

18 (1) Subsection (a) of section 1402 (defining net
19 earnings from self-employment) is amended by strik-
20 ing “, and” at the end of paragraph (15) and insert-
21 ing a semicolon, by striking the period at the end of
22 paragraph (16) and inserting “; and”, and by insert-
23 ing after paragraph (16) the following new para-
24 graph:

1 “(17) notwithstanding the preceding provisions
2 of this subsection, each spouse’s share of income or
3 loss from a qualified joint venture shall be taken
4 into account as provided in section 761(f) in deter-
5 mining net earnings from self-employment of such
6 spouse.”.

7 (2) Subsection (a) of section 211 of the Social
8 Security Act (defining net earnings from self-em-
9 ployment) is amended by striking “and” at the end
10 of paragraph (14), by striking the period at the end
11 of paragraph (15) and inserting “; and”, and by in-
12 sserting after paragraph (15) the following new para-
13 graph:

14 “(16) Notwithstanding the preceding provisions
15 of this subsection, each spouse’s share of income or
16 loss from a qualified joint venture shall be taken
17 into account as provided in section 761(f) of the In-
18 ternal Revenue Code of 1986 in determining net
19 earnings from self-employment of such spouse.”.

20 (c) EFFECTIVE DATE.—The amendments made by
21 this section shall apply to taxable years beginning after
22 December 31, 2006.

1 **SEC. 3. TAXPAYER NOTIFICATION OF SUSPECTED IDENTITY**

2 **THEFT.**

3 (a) IN GENERAL.—Chapter 77 (relating to miscella-
4 neous provisions) is amended by adding at the end the
5 following new section:

6 **“SEC. 7529. NOTIFICATION OF SUSPECTED IDENTITY**

7 **THEFT.**

8 “If, in the course of an investigation under section
9 7206 (relating to fraud and false statements) or 7207 (re-
10 lating to fraudulent returns, statements, or other docu-
11 ments), the Secretary determines that there may have
12 been an unauthorized use of the identity of the taxpayer
13 or dependents, the Secretary shall—

14 “(1) as soon as practicable and without jeop-
15 ardizing such investigation, notify the taxpayer of
16 such determination, and

17 “(2) if any person is criminally charged by in-
18 dictment or information under either of such sec-
19 tions, notify such taxpayer as soon as practicable of
20 such charge.”.

21 (b) CLERICAL AMENDMENT.—The table of sections
22 for chapter 77 is amended by adding at the end the fol-
23 lowing new item:

“Sec. 7529. Notification of suspected identity theft.”.

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

4 **SEC. 4. EXTENSION OF TIME FOR RETURN OF PROPERTY**
5 **FOR WRONGFUL LEVY.**

6 (a) EXTENSION OF TIME FOR RETURN OF PROPERTY
7 SUBJECT TO LEVY.—Subsection (b) of section 6343 (re-
8 lating to return of property) is amended by striking “9
9 months” and inserting “2 years”.

10 (b) PERIOD OF LIMITATION ON SUITS.—Subsection
11 (c) of section 6532 (relating to suits by persons other than
12 taxpayers) is amended—

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

15 (2) in paragraph (2) by striking “9-month” and
16 inserting “2-year”.

17 (c) EFFECTIVE DATE.—The amendments made by
18 this section shall apply to—

19 (1) levies made after the date of the enactment
20 of this Act, and

21 (2) levies made on or before such date if the 9-
22 month period has not expired under section 6343(b)
23 of the Internal Revenue Code of 1986 (without re-
24 gard to this section) as of such date.

1 **SEC. 5. INDIVIDUALS HELD HARMLESS ON WRONGFUL**
 2 **LEVY, ETC., ON INDIVIDUAL RETIREMENT**
 3 **PLAN.**

4 (a) IN GENERAL.—Section 6343 (relating to author-
 5 ity to release levy and return property) is amended by add-
 6 ing at the end the following new subsection:

7 “(f) INDIVIDUALS HELD HARMLESS ON WRONGFUL
 8 LEVY, ETC. ON INDIVIDUAL RETIREMENT PLAN.—

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

13 “(A) the amount of money returned by the
 14 Secretary on account of such levy, and

15 “(B) interest paid under subsection (c) on
 16 such amount of money,

17 may be deposited into such individual retirement
 18 plan or any other individual retirement plan (other
 19 than an endowment contract) to which a rollover
 20 from the plan levied upon is permitted.

21 “(2) TREATMENT AS ROLLOVER.—If amounts
 22 are deposited into an individual retirement plan
 23 under paragraph (1) not later than the 60th day
 24 after the date on which the individual receives the
 25 amounts under paragraph (1)—

1 “(A) such deposit shall be treated as a
2 rollover described in section 408(d)(3)(A)(i),

3 “(B) to the extent the deposit includes in-
4 terest paid under subsection (c), such interest
5 shall not be includible in gross income, and

6 “(C) such deposit shall not be taken into
7 account under section 408(d)(3)(B).

8 For purposes of subparagraph (B), an amount shall
9 be treated as interest only to the extent that the
10 amount deposited exceeds the amount of the levy.

11 “(3) REFUND, ETC., OF INCOME TAX ON
12 LEVY.—If any amount is includible in gross income
13 for a taxable year by reason of a levy referred to in
14 paragraph (1) and any portion of such amount is
15 treated as a rollover under paragraph (2), any tax
16 imposed by chapter 1 on such portion shall not be
17 assessed, and if assessed shall be abated, and if col-
18 lected shall be credited or refunded as an overpay-
19 ment made on the due date for filing the return of
20 tax for such taxable year.

21 “(4) INTEREST.—Notwithstanding subsection
22 (d), interest shall be allowed under subsection (c) in
23 a case in which the Secretary makes a determination
24 described in subsection (d)(2)(A) with respect to a
25 levy upon an individual retirement plan.”.

1 (b) EFFECTIVE DATE.—The amendment made by
2 this section shall apply to amounts paid under subsections
3 (b), (c), and (d)(2)(A) of section 6343 of the Internal Rev-
4 enue Code of 1986 after the date of the enactment of this
5 Act.

6 **SEC. 6. CLARIFICATION OF IRS UNCLAIMED REFUND AU-**
7 **THORITY.**

8 Section 6103(m)(1) (relating to tax refunds) is
9 amended by inserting after “media” and “, and through
10 any other means of mass communication,”.

11 **SEC. 7. PROHIBITION ON IRS DEBT INDICATORS FOR PRED-**
12 **ATORY REFUND ANTICIPATION LOANS.**

13 (a) IN GENERAL.—Subsection (f) of section 6011 (re-
14 lating to promotion of electronic filing) is amended by add-
15 ing at the end the following new paragraph:

16 “(3) PROHIBITION ON IRS DEBT INDICATORS
17 FOR PREDATORY REFUND ANTICIPATION LOANS.—

18 “(A) IN GENERAL.—In carrying out any
19 program under this subsection, the Secretary
20 shall not provide a debt indicator to any person
21 with respect to any refund anticipation loan if
22 the Secretary determines that the business
23 practices of such person involve refund anticipa-
24 tions loans and related charges and fees that
25 are predatory.

1 “(B) REFUND ANTICIPATION LOAN.—For
2 purposes of this paragraph, the term ‘refund
3 anticipation loan’ means a loan of money or of
4 any other thing of value to a taxpayer secured
5 by the taxpayer’s anticipated receipt of a Fed-
6 eral tax refund.

7 “(C) IRS DEBT INDICATOR.—For purposes
8 of this paragraph, the term ‘debt indicator’
9 means a notification provided through a tax re-
10 turn’s acknowledgment file that a refund will be
11 offset to repay debts for delinquent Federal or
12 State taxes, student loans, child support, or
13 other Federal agency debt.”.

14 (b) EFFECTIVE DATE.—The amendment made by
15 this section shall apply with respect to returns filed after
16 the date of the enactment of this Act.

17 **SEC. 8. PROHIBITION ON MISUSE OF DEPARTMENT OF THE**
18 **TREASURY NAMES AND SYMBOLS.**

19 (a) IN GENERAL.—Subsection (a) of section 333 of
20 title 31, United States Code, is amended by inserting
21 “internet domain address,” after “solicitation,” both
22 places it appears.

23 (b) PENALTY FOR MISUSE BY ELECTRONIC
24 MEANS.—Subsections (c)(2) and (d)(1) of section 333 of
25 such Code are each amended by inserting “or any other

1 mass communications by electronic means,” after “tele-
2 cast,”.

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

6 **SEC. 9. EITC OUTREACH.**

7 (a) IN GENERAL.—Section 32 (relating to earned in-
8 come) is amended by adding at the end the following new
9 subsection:

10 “(n) NOTIFICATION OF POTENTIAL ELIGIBILITY FOR
11 CREDIT AND REFUND.—

12 “(1) IN GENERAL.—To the extent possible and
13 on an annual basis, the Secretary shall provide to
14 each taxpayer who—

15 “(A) for any preceding taxable year for
16 which credit or refund is not precluded by sec-
17 tion 6511, and

18 “(B) did not claim the credit under sub-
19 section (a) but may be allowed such credit for
20 any such taxable year based on return or return
21 information (as defined in section 6103(b))
22 available to the Secretary,

23 notice that such taxpayer may be eligible to claim
24 such credit and a refund for such taxable year.

1 “(2) NOTICE.—Notice provided under para-
2 graph (1) shall be in writing and sent to the last
3 known address of the taxpayer.”.

4 (b) EFFECTIVE DATE.—The amendment made by
5 this section shall take effect on the date of the enactment
6 of this Act.

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