

# Union Calendar No. 49

110TH CONGRESS  
1ST SESSION

# H. R. 1677

[Report No. 110–84]

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

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## 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

APRIL 16, 2007

Reported with an amendment, committed to the Committee of the Whole House on the State of the Union, and ordered to be printed

[Strike out all after the enacting clause and insert the part printed in italic]

[For text of introduced bill, see copy of bill as introduced on March 26, 2007]

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## 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”.*

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

7           (c) *TABLE OF CONTENTS.*—*The table of contents for*  
 8 *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 retirement 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 symbols.*

*Sec. 9. EITC outreach.*

*Sec. 10. Modification of rules pertaining to FIRPTA nonforeign affidavits.*

*Sec. 11. Disclosure of prisoner return information to Federal Bureau of Prisons.*

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

10           (a) *IN GENERAL.*—*Section 761 (defining terms for*  
 11 *purposes of partnerships) is amended by redesignating sub-*  
 12 *section (f) as subsection (g) and by inserting after sub-*  
 13 *section (e) the following new subsection:*

14           “(f) *QUALIFIED JOINT VENTURE.*—

15                   “(1) *IN GENERAL.*—*In the case of a qualified*  
 16 *joint venture conducted by a husband and wife who*  
 17 *file a joint return for the taxable year, for purposes*  
 18 *of this title—*

1           “(A) such joint venture shall not be treated  
2 as a partnership,

3           “(B) all items of income, gain, loss, deduc-  
4 tion, and credit shall be divided between the  
5 spouses in accordance with their respective inter-  
6 ests in the venture, and

7           “(C) each spouse shall take into account  
8 such spouse’s respective share of such items as if  
9 they were attributable to a trade or business con-  
10 ducted by such spouse as a sole proprietor.

11           “(2) QUALIFIED JOINT VENTURE.—For purposes  
12 of paragraph (1), the term ‘qualified joint venture’  
13 means any joint venture involving the conduct of a  
14 trade or business if—

15           “(A) the only members of such joint venture  
16 are a husband and wife,

17           “(B) both spouses materially participate  
18 (within the meaning of section 469(h) without  
19 regard to paragraph (5) thereof) in such trade or  
20 business, and

21           “(C) both spouses elect the application of  
22 this subsection.”.

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

24           (1) Subsection (a) of section 1402 (defining net  
25 earnings from self-employment) is amended by strik-

1        *ing “, and” at the end of paragraph (15) and insert-*  
2        *ing a semicolon, by striking the period at the end of*  
3        *paragraph (16) and inserting “; and”, and by insert-*  
4        *ing after paragraph (16) the following new para-*  
5        *graph:*

6                *“(17) notwithstanding the preceding provisions*  
7        *of this subsection, each spouse’s share of income or*  
8        *loss from a qualified joint venture shall be taken into*  
9        *account as provided in section 761(f) in determining*  
10       *net earnings from self-employment of such spouse.”.*

11               *(2) Subsection (a) of section 211 of the Social*  
12       *Security Act (defining net earnings from self-employ-*  
13       *ment) is amended by striking “and” at the end of*  
14       *paragraph (14), by striking the period at the end of*  
15       *paragraph (15) and inserting “; and”, and by insert-*  
16       *ing after paragraph (15) the following new para-*  
17       *graph:*

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

1           (c) *EFFECTIVE DATE.*—*The amendments made by this*  
2 *section shall apply to taxable years beginning after Decem-*  
3 *ber 31, 2006.*

4 **SEC. 3. TAXPAYER NOTIFICATION OF SUSPECTED IDENTITY**  
5                                   **THEFT.**

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

9 **“SEC. 7529. NOTIFICATION OF SUSPECTED IDENTITY**  
10                                   **THEFT.**

11           *“If, in the course of an investigation under section*  
12 *7206 (relating to fraud and false statements) or 7207 (relat-*  
13 *ing to fraudulent returns, statements, or other documents),*  
14 *the Secretary determines that there was or may have been*  
15 *an unauthorized use of the identity of the taxpayer or de-*  
16 *pendents, the Secretary shall—*

17                           *“(1) as soon as practicable and without jeopard-*  
18                           *izing such investigation, notify the taxpayer of such*  
19                           *determination, and*

20                           *“(2) if any person is criminally charged by in-*  
21                           *dictment or information under either of such sections,*  
22                           *notify such taxpayer as soon as practicable of such*  
23                           *charge.”.*

1       (b) *CLERICAL AMENDMENT.*—*The table of sections for*  
 2 *chapter 77 is amended by adding at the end the following*  
 3 *new item:*

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

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

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

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

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

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

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

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

22           (1) *levies made after the date of the enactment*  
 23 *of this Act, and*

24           (2) *levies made on or before such date if the 9-*  
 25 *month period has not expired under section 6343(b)*

1       of the Internal Revenue Code of 1986 (without regard  
2       to this section) as of such date.

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

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

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

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

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

17                       “(B) interest paid under subsection (c) on  
18                       such amount of money,

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

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

1     *date on which the individual receives the amounts*  
2     *under paragraph (1)—*

3             *“(A) such deposit shall be treated as a roll-*  
4             *over described in section 408(d)(3)(A)(i),*

5             *“(B) to the extent the deposit includes inter-*  
6             *est paid under subsection (c), such interest shall*  
7             *not be includible in gross income, and*

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

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

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

23             *“(4) INTEREST.—Notwithstanding subsection*  
24     *(d), interest shall be allowed under subsection (c) in*  
25     *a case in which the Secretary makes a determination*

1       described in subsection (d)(2)(A) with respect to a  
2       levy upon an individual retirement plan.”.

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

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

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

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

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

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

19                       “(A) *IN GENERAL.*—In carrying out any  
20                       program under this subsection, the Secretary  
21                       shall not provide a debt indicator to any person  
22                       with respect to any refund anticipation loan if  
23                       the Secretary determines that the business prac-  
24                       tices of such person involve refund anticipation



1       **(b) PENALTY FOR MISUSE BY ELECTRONIC MEANS.**—  
2       Subsections (c)(2) and (d)(1) of section 333 of such Code  
3       are each amended by inserting “or any other mass commu-  
4       nications by electronic means,” after “telecast,”.

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

8       **SEC. 9. EITC OUTREACH.**

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

12       **“(n) NOTIFICATION OF POTENTIAL ELIGIBILITY FOR**  
13       **CREDIT AND REFUND.**—

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

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

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

1       *notice that such taxpayer may be eligible to claim*  
2       *such credit and a refund for such taxable year.*

3               “(2) NOTICE.—Notice provided under paragraph  
4       (1) shall be in writing and sent to the last known ad-  
5       dress of the taxpayer.”.

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

9       **SEC. 10. MODIFICATION OF RULES PERTAINING TO FIRPTA**

10                       **NONFOREIGN AFFIDAVITS.**

11       (a) IN GENERAL.—Subsection (b) of section 1445 (re-  
12       lating to exemptions) is amended by adding at the end the  
13       following:

14               “(9) ALTERNATIVE PROCEDURE FOR FURNISHING  
15       NONFOREIGN AFFIDAVIT.—For purposes of para-  
16       graphs (2) and (7)—

17                       “(A) IN GENERAL.—Paragraph (2) shall be  
18       treated as applying to a transaction if, in con-  
19       nection with a disposition of a United States  
20       real property interest—

21                               “(i) the affidavit specified in para-  
22       graph (2) is furnished to a qualified sub-  
23       stitute, and

24                               “(ii) the qualified substitute furnishes  
25       a statement to the transferee stating, under

1                   penalty of perjury, that the qualified sub-  
2                   stitute has such affidavit in his possession.

3                   “(B) REGULATIONS.—The Secretary shall  
4                   prescribe such regulations as may be necessary  
5                   or appropriate to carry out this paragraph.”.

6                   (b) QUALIFIED SUBSTITUTE.—Subsection (f) of section  
7 1445 (relating to definitions) is amended by adding at the  
8 end the following new paragraph:

9                   “(6) QUALIFIED SUBSTITUTE.—The term ‘quali-  
10                  fied substitute’ means, with respect to a disposition of  
11                  a United States real property interest—

12                   “(A) the person (including any attorney or  
13                  title company) responsible for closing the trans-  
14                  action, other than the transferor’s agent, and

15                   “(B) the transferee’s agent.”.

16                  (c) EXEMPTION NOT TO APPLY IF KNOWLEDGE OR  
17 NOTICE THAT AFFIDAVIT OR STATEMENT IS FALSE.—

18                  (1) IN GENERAL.—Paragraph (7) of section  
19 1445(b) (relating to special rules for paragraphs (2)  
20 and (3)) is amended to read as follows:

21                  “(7) SPECIAL RULES FOR PARAGRAPHS (2), (3),  
22 AND (9).—Paragraph (2), (3), or (9) (as the case may  
23 be) shall not apply to any disposition—

24                  “(A) if—

1           “(i) the transferee or qualified sub-  
2           stitute has actual knowledge that the affi-  
3           davit referred to in such paragraph, or the  
4           statement referred to in paragraph  
5           (9)(A)(ii), is false, or

6           “(ii) the transferee or qualified sub-  
7           stitute receives a notice (as described in sub-  
8           section (d)) from a transferor’s agent, trans-  
9           feree’s agent, or qualified substitute that  
10          such affidavit or statement is false, or

11          “(B) if the Secretary by regulations requires  
12          the transferee or qualified substitute to furnish a  
13          copy of such affidavit or statement to the Sec-  
14          retary and the transferee or qualified substitute  
15          fails to furnish a copy of such affidavit or state-  
16          ment to the Secretary at such time and in such  
17          manner as required by such regulations.”.

18          (2) *LIABILITY.*—

19                 (A) *NOTICE.*—Paragraph (1) of section  
20                 1445(d) (relating to notice of false affidavit; for-  
21                 eign corporations) is amended to read as follows:

22                 “(1) *NOTICE OF FALSE AFFIDAVIT; FOREIGN*  
23                 *CORPORATIONS.*—If—

24                         “(A) the transferor furnishes the transferee  
25                         or qualified substitute an affidavit described in

1 paragraph (2) of subsection (b) or a domestic  
2 corporation furnishes the transferee an affidavit  
3 described in paragraph (3) of subsection (b), and

4 “(B) in the case of—

5 “(i) any transferor’s agent—

6 “(I) such agent has actual knowl-  
7 edge that such affidavit is false, or

8 “(II) in the case of an affidavit  
9 described in subsection (b)(2) furnished  
10 by a corporation, such corporation is a  
11 foreign corporation, or

12 “(ii) any transferee’s agent or qualified  
13 substitute, such agent or substitute has ac-  
14 tual knowledge that such affidavit is false,  
15 such agent or qualified substitute shall so notify  
16 the transferee at such time and in such manner  
17 as the Secretary shall require by regulations.”.

18 (B) FAILURE TO FURNISH NOTICE.—Para-  
19 graph (2) of section 1445(d) (relating to failure  
20 to furnish notice) is amended to read as follows:

21 “(2) FAILURE TO FURNISH NOTICE.—

22 “(A) IN GENERAL.—If any transferor’s  
23 agent, transferee’s agent, or qualified substitute  
24 is required by paragraph (1) to furnish notice,  
25 but fails to furnish such notice at such time or

1           *times and in such manner as may be required*  
2           *by regulations, such agent or substitute shall*  
3           *have the same duty to deduct and withhold that*  
4           *the transferee would have had if such agent or*  
5           *substitute had complied with paragraph (1).*

6           “(B) *LIABILITY LIMITED TO AMOUNT OF*  
7           *COMPENSATION.—An agent’s or substitute’s li-*  
8           *ability under subparagraph (A) shall be limited*  
9           *to the amount of compensation the agent or sub-*  
10           *stitute derives from the transaction.”.*

11           (C) *CONFORMING AMENDMENT.—The head-*  
12           *ing for section 1445(d) is amended by striking*  
13           *“OR TRANSFEREE’S AGENTS” and inserting “,*  
14           *TRANSFEREE’S AGENTS, OR QUALIFIED SUB-*  
15           *STITUTES”.*

16           (d) *EFFECTIVE DATE.—The amendments made by this*  
17           *section shall apply to dispositions of United States real*  
18           *property interests after the date of the enactment of this*  
19           *Act.*

20           **SEC. 11. DISCLOSURE OF PRISONER RETURN INFORMATION**  
21                                   **TO FEDERAL BUREAU OF PRISONS.**

22           (a) *IN GENERAL.—Subsection (k) of section 6103 (re-*  
23           *lating to disclosure of certain return and return informa-*  
24           *tion for tax administration purposes) is amended by add-*  
25           *ing at the end the following new paragraph:*

1           “(10) *DISCLOSURE OF CERTAIN RETURN INFOR-*  
2           *MATION OF PRISONERS TO FEDERAL BUREAU OF*  
3           *PRISONS.—*

4           “(A) *IN GENERAL.—Under such procedures*  
5           *as the Secretary may prescribe, the Secretary*  
6           *may disclose to the head of the Federal Bureau*  
7           *of Prisons any return information with respect*  
8           *to individuals incarcerated in Federal prison*  
9           *whom the Secretary has determined may have*  
10           *filed or facilitated the filing of a false return to*  
11           *the extent that the Secretary determines that*  
12           *such disclosure is necessary to permit effective*  
13           *Federal tax administration.*

14           “(B) *RESTRICTION ON REDISCLOSURE.—*  
15           *Notwithstanding subsection (n), the head of the*  
16           *Federal Bureau of Prisons may not disclose any*  
17           *information obtained under subparagraph (A) to*  
18           *any person other than an officer or employee of*  
19           *such Bureau.*

20           “(C) *RESTRICTION ON USE OF DISCLOSED*  
21           *INFORMATION.—Return information received*  
22           *under this paragraph shall be used only for pur-*  
23           *poses of and to the extent necessary in taking ad-*  
24           *ministrative action to prevent the filing of false*  
25           *and fraudulent returns, including administrative*

1           *actions to address possible violations of adminis-*  
2           *trative rules and regulations of the prison facil-*  
3           *ity.*

4           “(D) *ANNUAL REPORT.*—*In each of the cal-*  
5           *endar years 2007 through 2010, the Secretary*  
6           *shall submit to Congress and make publicly*  
7           *available a report on the filing of false and*  
8           *fraudulent returns by individuals incarcerated*  
9           *in Federal and State prisons. Such report shall*  
10          *include statistics on the number of false and*  
11          *fraudulent returns associated with each Federal*  
12          *and State prison.*

13          “(E) *TERMINATION.*—*No disclosure may be*  
14          *made under this paragraph after December 31,*  
15          *2010.”.*

16          “(b) *RECORDKEEPING.*—*Paragraph (4) of section*  
17          *6103(p) is amended by striking “(k)(8)” both places it ap-*  
18          *pears and inserting “(k)(8) or (10)”.*

19          “(c) *EVALUATION BY TREASURY INSPECTOR GENERAL*  
20          *FOR TAX ADMINISTRATION.*—*Paragraph (3) of section*  
21          *7803(d) is amended by striking “and” at the end of sub-*  
22          *paragraph (A), by striking the period at the end of subpara-*  
23          *graph (B) and inserting “; and”, and by adding at the end*  
24          *the following new subparagraph:*

1           “(C) not later than December 31, 2009, sub-  
2           mit a written report to Congress on the imple-  
3           mentation of section 6103(k)(10).”.

4           (d) *EFFECTIVE DATE.*—

5           (1) *IN GENERAL.*—*Except as provided in para-*  
6           *graph (2), the amendments made by this section shall*  
7           *apply to disclosures made after December 31, 2007.*

8           (2) *ANNUAL REPORT.*—*Section 6103(k)(10)(D) of*  
9           *the Internal Revenue Code of 1986 (relating to an-*  
10          *nual reports), as added by this section, shall apply to*  
11          *reports submitted after the date of the enactment of*  
12          *this Act.*

**Union Calendar No. 49**

110<sup>TH</sup> CONGRESS  
1<sup>ST</sup> Session

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