

104TH CONGRESS
1ST SESSION

H. R. 2337

To amend the Internal Revenue Code of 1986 to provide for increased taxpayer protections.

IN THE HOUSE OF REPRESENTATIVES

SEPTEMBER 14, 1995

Mrs. JOHNSON of Connecticut (for herself and Mr. MATSUI) 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 provide for increased taxpayer protections.

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

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

4 **TABLE OF CONTENTS.**

5 (a) SHORT TITLE.—This Act may be cited as the
6 “Taxpayer Bill of Rights 2”.

7 (b) AMENDMENT OF 1986 CODE.—Except as other-
8 wise expressly provided, whenever in this Act an amend-
9 ment or repeal is expressed in terms of an amendment
10 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.—

Sec. 1. Short title; amendment of 1986 Code; table of contents.

TITLE I—TAXPAYER ADVOCATE

Sec. 101. Establishment of position of Taxpayer Advocate within Internal Revenue Service.

Sec. 102. Expansion of authority to issue Taxpayer Assistance Orders.

TITLE II—MODIFICATIONS TO INSTALLMENT AGREEMENT PROVISIONS

Sec. 201. Notification of reasons for termination of installment agreements.

Sec. 202. Administrative review of termination of installment agreement.

TITLE III—ABATEMENT OF INTEREST AND PENALTIES

Sec. 301. Expansion of authority to abate interest.

Sec. 302. Review of IRS failure to abate interest.

Sec. 303. Extension of interest-free period for payment of tax after notice and demand.

Sec. 304. Abatement of penalty for failure to make required deposits of payroll taxes in certain cases.

TITLE IV—JOINT RETURNS

Sec. 401. Studies of joint return-related issues.

Sec. 402. Joint return may be made after separate returns without full payment of tax.

Sec. 403. Disclosure of collection activities.

TITLE V—COLLECTION ACTIVITIES

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Sec. 502. Offers-in-compromise.

TITLE VI—INFORMATION RETURNS

Sec. 601. Civil damages for fraudulent filing of information returns.

Sec. 602. Requirement to conduct reasonable investigations of information returns.

TITLE VII—AWARDING OF COSTS AND CERTAIN FEES

Sec. 701. United States must establish that position in proceeding was substantially justified.

Sec. 702. Increased limit on attorney fees.

Sec. 703. Failure to agree to extension not taken into account.

Sec. 704. Award of litigation costs permitted in declaratory judgment proceedings.

Sec. 705. Effective date.

TITLE VIII—MODIFICATION TO RECOVERY OF CIVIL DAMAGES
FOR UNAUTHORIZED COLLECTION ACTIONS

- Sec. 801. Increase in limit on recovery of civil damages for unauthorized collection actions.
- Sec. 802. Court discretion to reduce award for litigation costs for failure to exhaust administrative remedies.

TITLE IX—MODIFICATIONS TO PENALTY FOR FAILURE TO
COLLECT AND PAY OVER TAX

- Sec. 901. Preliminary notice requirement.
- Sec. 902. Disclosure of certain information where more than 1 person liable for penalty for failure to collect and pay over tax.
- Sec. 903. Right of contribution where more than 1 person liable for penalty for failure to collect and pay over tax.
- Sec. 904. Volunteer board members of tax-exempt organizations exempt from penalty for failure to collect and pay over tax.

TITLE X—MODIFICATIONS OF RULES RELATING TO SUMMONSES

- Sec. 1001. Enrolled agents included as third-party recordkeepers.
- Sec. 1002. Safeguards relating to designated summonses.
- Sec. 1003. Annual report to Congress concerning designated summonses.

TITLE XI—RELIEF FROM RETROACTIVE APPLICATION OF
TREASURY DEPARTMENT REGULATIONS

- Sec. 1101. Relief from retroactive application of Treasury Department regulations.

TITLE XII—MISCELLANEOUS PROVISIONS

- Sec. 1201. Report on pilot program for appeal of enforcement actions.
- Sec. 1202. Phone number of person providing payee statements required to be shown on such statement.
- Sec. 1203. Required notice of certain payments.
- Sec. 1204. Unauthorized enticement of information disclosure.
- Sec. 1205. Annual reminders to taxpayers with outstanding delinquent accounts.
- Sec. 1206. 5-year extension of authority for undercover operations.
- Sec. 1207. Disclosure of Form 8300 information on cash transactions.
- Sec. 1208. Disclosure of returns and return information to designee of taxpayer.
- Sec. 1209. Study of netting of interest on overpayments and liabilities.

1 **TITLE I—TAXPAYER ADVOCATE**

2 **SEC. 101. ESTABLISHMENT OF POSITION OF TAXPAYER AD-**
3 **VOCATE WITHIN INTERNAL REVENUE SERV-**
4 **ICE.**

5 (a) GENERAL RULE.—Section 7802 (relating to
6 Commissioner of Internal Revenue; Assistant Commis-
7 sioner (Employee Plans and Exempt Organizations)) is
8 amended by adding at the end the following new sub-
9 section:

10 “(d) OFFICE OF TAXPAYER ADVOCATE.—

11 “(1) IN GENERAL.—There is established in the
12 Internal Revenue Service an office to be known as
13 the ‘Office of the Taxpayer Advocate’. Such office
14 shall be under the supervision and direction of an of-
15 ficial to be known as the ‘Taxpayer Advocate’ who
16 shall be appointed by and report directly to the
17 Commissioner of Internal Revenue. The Taxpayer
18 Advocate shall be entitled to compensation at the
19 same rate as the highest level official reporting di-
20 rectly to the Deputy Commissioner of the Internal
21 Revenue Service.

22 “(2) FUNCTIONS OF OFFICE.—

23 “(A) IN GENERAL.—It shall be the func-
24 tion of the Office of Taxpayer Advocate to—

1 “(i) assist taxpayers in resolving prob-
2 lems with the Internal Revenue Service,

3 “(ii) identify areas in which taxpayers
4 have problems in dealings with the Internal
5 Revenue Service,

6 “(iii) to the extent possible, propose
7 changes in the administrative practices of
8 the Internal Revenue Service to mitigate
9 problems identified under clause (ii), and

10 “(iv) identify potential legislative
11 changes which may be appropriate to miti-
12 gate such problems.

13 “(B) ANNUAL REPORTS.—

14 “(i) OBJECTIVES.—Not later than
15 June 30 of each calendar year after 1995,
16 the Taxpayer Advocate shall report to the
17 Committee on Ways and Means of the
18 House of Representatives and the Commit-
19 tee on Finance of the Senate on the objec-
20 tives of the Taxpayer Advocate for the fis-
21 cal year beginning in such calendar year.
22 Any such report shall contain full and sub-
23 stantive analysis, in addition to statistical
24 information.

1 “(ii) ACTIVITIES.—Not later than De-
2 cember 31 of each calendar year after
3 1995, the Taxpayer Advocate shall report
4 to the Committee on Ways and Means of
5 the House of Representatives and the
6 Committee on Finance of the Senate on
7 the activities of the Taxpayer Advocate
8 during the fiscal year ending during such
9 calendar year. Any such report shall con-
10 tain full and substantive analysis, in addi-
11 tion to statistical information, and shall—

12 “(I) identify the initiatives the
13 Taxpayer Advocate has taken on im-
14 proving taxpayer services and Internal
15 Revenue Service responsiveness,

16 “(II) contain recommendations
17 received from individuals with the au-
18 thority to issue Taxpayer Assistance
19 Orders under section 7811,

20 “(III) contain a summary of at
21 least 20 of the most serious problems
22 encountered by taxpayers, including a
23 description of the nature of such prob-
24 lems,

1 “(IV) contain an inventory of the
2 items described in subclauses (I), (II),
3 and (III) for which action has been
4 taken and the result of such action,

5 “(V) contain an inventory of the
6 items described in subclauses (I), (II),
7 and (III) for which action remains to
8 be completed and the period during
9 which each item has remained on such
10 inventory,

11 “(VI) contain an inventory of the
12 items described in subclauses (II) and
13 (III) for which no action has been
14 taken, the period during which each
15 item has remained on such inventory,
16 the reasons for the inaction, and iden-
17 tify any Internal Revenue Service offi-
18 cial who is responsible for such inac-
19 tion,

20 “(VII) identify any Taxpayer As-
21 sistance Order which was not honored
22 by the Internal Revenue Service in a
23 timely manner, as specified under sec-
24 tion 7811(b),

1 “(VIII) contain recommendations
2 for such administrative and legislative
3 action as may be appropriate to re-
4 solve problems encountered by tax-
5 payers,

6 “(IX) describe the extent to
7 which regional problem resolution offi-
8 cers participate in the selection and
9 evaluation of local problem resolution
10 officers, and

11 “(X) include such other informa-
12 tion as the Taxpayer Advocate may
13 deem advisable.

14 “(iii) REPORT TO BE SUBMITTED DI-
15 RECTLY.—Each report required under this
16 subparagraph shall be provided directly to
17 the Committees referred to in clauses (i)
18 and (ii) without any prior review or com-
19 ment from the Commissioner, the Sec-
20 retary of the Treasury, any other officer or
21 employee of the Department of the Treas-
22 ury, or the Office of Management and
23 Budget.

24 “(3) RESPONSIBILITIES OF COMMISSIONER.—
25 The Commissioner of Internal Revenue shall estab-

1 lish procedures requiring a formal response to all
2 recommendations submitted to the Commissioner
3 by the Taxpayer Advocate within 3 months after
4 submission to the Commissioner.”

5 (b) CONFORMING AMENDMENTS.—

6 (1) Section 7811 (relating to Taxpayer Assist-
7 ance Orders) is amended—

8 (A) by striking “the Office of Ombuds-
9 man” in subsection (a) and inserting “the Of-
10 fice of the Taxpayer Advocate”, and

11 (B) by striking “Ombudsman” each place
12 it appears (including in the headings of sub-
13 sections (e) and (f)) and inserting “Taxpayer
14 Advocate”.

15 (2) The heading for section 7802 is amended to
16 read as follows:

17 **“SEC. 7802. COMMISSIONER OF INTERNAL REVENUE; AS-**
18 **SISTANT COMMISSIONERS; TAXPAYER ADVO-**
19 **CATE.”**

20 (3) The table of sections for subchapter A of
21 chapter 80 is amended by striking the item relating
22 to section 7802 and inserting the following new
23 item:

 “Sec. 7802. Commissioner of Internal Revenue; Assistant Com-
 missioners; Taxpayer Advocate.”

1 (c) EFFECTIVE DATE.—The amendments made by
2 this section shall take effect on the date of the enactment
3 of this Act.

4 **SEC. 102. EXPANSION OF AUTHORITY TO ISSUE TAXPAYER**
5 **ASSISTANCE ORDERS.**

6 (a) TERMS OF ORDERS.—Subsection (b) of section
7 7811 (relating to terms of Taxpayer Assistance Orders)
8 is amended—

9 (1) by inserting “within a specified time pe-
10 riod” after “the Secretary”, and

11 (2) by inserting “take any action as permitted
12 by law,” after “cease any action,”.

13 (b) LIMITATION ON AUTHORITY TO MODIFY OR RE-
14 SCIND.—Section 7811(c) (relating to authority to modify
15 or rescind) is amended to read as follows:

16 “(c) AUTHORITY TO MODIFY OR RESCIND.—Any
17 Taxpayer Assistance Order issued by the Taxpayer Advo-
18 cate under this section may be modified or rescinded—

19 “(1) only by the Taxpayer Advocate, the Com-
20 missioner of Internal Revenue, the Deputy Commis-
21 sioner of Internal Revenue, or a regional problem
22 resolution officer, and

23 “(2) only if a written explanation of the reasons
24 for the modification or rescission is provided to the
25 Taxpayer Advocate.”

1 (c) EFFECTIVE DATE.—The amendments made by
2 this section shall take effect on the date of the enactment
3 of this Act.

4 **TITLE II—MODIFICATIONS TO**
5 **INSTALLMENT AGREEMENT**
6 **PROVISIONS**

7 **SEC. 201. NOTIFICATION OF REASONS FOR TERMINATION**
8 **OF INSTALLMENT AGREEMENTS.**

9 (a) TERMINATIONS.—Subsection (b) of section 6159
10 (relating to extent to which agreements remain in effect)
11 is amended by adding at the end the following new para-
12 graph:

13 “(5) NOTICE REQUIREMENTS.—The Secretary
14 may not take any action under paragraph (2), (3),
15 or (4) unless—

16 “(A) a notice of such action is provided to
17 the taxpayer not later than the day 30 days be-
18 fore the date of such action, and

19 “(B) such notice includes an explanation
20 why the Secretary intends to take such action.

21 The preceding sentence shall not apply in any case
22 in which the Secretary believes that collection of any
23 tax to which an agreement under this section relates
24 is in jeopardy.”

1 (b) CONFORMING AMENDMENT.—Paragraph (3) of
2 section 6159(b) is amended to read as follows:

3 “(3) SUBSEQUENT CHANGE IN FINANCIAL CON-
4 DITIONS.—If the Secretary makes a determination
5 that the financial condition of a taxpayer with whom
6 the Secretary has entered into an agreement under
7 subsection (a) has significantly changed, the Sec-
8 retary may alter, modify, or terminate such agree-
9 ment.”

10 (c) EFFECTIVE DATE.—The amendments made by
11 this section shall take effect on the date 6 months after
12 the date of the enactment of this Act.

13 **SEC. 202. ADMINISTRATIVE REVIEW OF TERMINATION OF**
14 **INSTALLMENT AGREEMENT.**

15 (a) GENERAL RULE.—Section 6159 (relating to
16 agreements for payment of tax liability in installments)
17 is amended by adding at the end the following new sub-
18 section:

19 “(c) ADMINISTRATIVE REVIEW.—The Secretary shall
20 establish procedures for an independent administrative re-
21 view of terminations of installment agreements under this
22 section for taxpayers who request such a review.”

23 (b) EFFECTIVE DATE.—The amendment made by
24 subsection (a) shall take effect on January 1, 1996.

1 **TITLE III—ABATEMENT OF**
2 **INTEREST AND PENALTIES**

3 **SEC. 301. EXPANSION OF AUTHORITY TO ABATE INTEREST.**

4 (a) GENERAL RULE.—Paragraph (1) of section
5 6404(e) (relating to abatement of interest in certain cases)
6 is amended—

7 (1) by inserting “unreasonable” before “error”
8 each place it appears in subparagraphs (A) and (B),
9 and

10 (2) by striking “in performing a ministerial
11 act” each place it appears and inserting “in per-
12 forming a ministerial or managerial act”.

13 (b) CLERICAL AMENDMENT.—The subsection head-
14 ing for subsection (e) of section 6404 is amended—

15 (1) by striking “ASSESSMENTS” and inserting
16 “ABATEMENT”, and

17 (2) by inserting “UNREASONABLE” before “ER-
18 RORS”.

19 (c) EFFECTIVE DATE.—The amendments made by
20 this section shall apply to interest accruing with respect
21 to deficiencies or payments for taxable years beginning
22 after the date of the enactment of this Act.

23 **SEC. 302. REVIEW OF IRS FAILURE TO ABATE INTEREST.**

24 (a) IN GENERAL.—Section 6404 is amended by add-
25 ing at the end the following new subsection:

1 “(g) REVIEW OF DENIAL OF REQUEST FOR ABATE-
2 MENT OF INTEREST.—The Tax Court shall have jurisdic-
3 tion over any action brought by a taxpayer who meets the
4 requirements referred to in section 7430(c)(4)(A)(iii) to
5 determine whether the Secretary’s failure to abate interest
6 under this section was an abuse of discretion if such action
7 is brought within 6 months after the date of the Sec-
8 retary’s final determination not to abate such interest.”

9 (b) EFFECTIVE DATE.—The amendment made by
10 this section shall apply to requests for abatement after the
11 date of the enactment of this Act.

12 **SEC. 303. EXTENSION OF INTEREST-FREE PERIOD FOR PAY-**
13 **MENT OF TAX AFTER NOTICE AND DEMAND.**

14 (a) GENERAL RULE.—Paragraph (3) of section
15 6601(e) (relating to payments made within 10 days after
16 notice and demand) is amended to read as follows:

17 “(3) PAYMENTS MADE WITHIN SPECIFIED PE-
18 RIOD AFTER NOTICE AND DEMAND.—If notice and
19 demand is made for payment of any amount and if
20 such amount is paid within 21 calendar days (10
21 business days if the amount for which such notice
22 and demand is made equals or exceeds \$100,000)
23 after the date of such notice and demand, interest
24 under this section on the amount so paid shall not

1 be imposed for the period after the date of such no-
2 tice and demand.”

3 (b) CONFORMING AMENDMENTS.—

4 (1) Subparagraph (A) of section 6601(e)(2) is
5 amended by striking “10 days from the date of no-
6 tice and demand therefor” and inserting “21 cal-
7 endar days from the date of notice and demand
8 therefor (10 business days if the amount for which
9 such notice and demand is made equals or exceeds
10 \$100,000)”.

11 (2) Paragraph (3) of section 6651(a) is amend-
12 ed by striking “10 days of the date of the notice and
13 demand therefor” and inserting “21 calendar days
14 from the date of notice and demand therefor (10
15 business days if the amount for which such notice
16 and demand is made equals or exceeds \$100,000)”.

17 (c) EFFECTIVE DATE.—The amendments made by
18 this section shall apply in the case of any notice and de-
19 mand given after June 30, 1996.

20 **SEC. 304. ABATEMENT OF PENALTY FOR FAILURE TO MAKE**
21 **REQUIRED DEPOSITS OF PAYROLL TAXES IN**
22 **CERTAIN CASES.**

23 (a) IN GENERAL.—Section 6656 (relating to failure
24 to make deposit of taxes) is amended by adding at the
25 end the following new subsections:

1 “(c) EXCEPTION FOR FIRST-TIME DEPOSITORS OF
2 EMPLOYMENT TAXES.—The Secretary may waive the pen-
3 alty imposed by subsection (a) on a person’s inadvertent
4 failure to deposit any employment tax if—

5 “(1) such person meets the requirements re-
6 ferred to in section 7430(c)(4)(A)(iii),

7 “(2) such failure occurs during the 1st quarter
8 that such person was required to deposit any em-
9 ployment tax, and

10 “(3) the return of such tax was filed on or be-
11 fore the due date.

12 For purposes of this subsection, the term ‘employment
13 taxes’ means the taxes imposed by subtitle C.

14 “(d) AUTHORITY TO ABATE PENALTY WHERE DE-
15 POSIT SENT TO SECRETARY.—The Secretary may abate
16 the penalty imposed by subsection (a) the first time a de-
17 positor inadvertently sends the amount required to be de-
18 posited to the Secretary instead of to the appropriate gov-
19 ernment depository.”

20 (b) EFFECTIVE DATE.—The amendment made by
21 subsection (a) shall apply to deposits required to be made
22 after the date of the enactment of this Act.

1 **TITLE IV—JOINT RETURNS**

2 **SEC. 401. STUDIES OF JOINT RETURN-RELATED ISSUES.**

3 The Secretary of the Treasury or his delegate and
4 the Comptroller General of the United States shall each
5 conduct separate studies of—

6 (1) the effects of changing the liability for tax
7 on a joint return from being joint and several to
8 being proportionate to the tax attributable to each
9 spouse,

10 (2) the effects of providing that, if a divorce de-
11 cree allocates liability for tax on a joint return filed
12 before the divorce, the Secretary may collect such li-
13 ability only in accordance with the decree,

14 (3) whether those provisions of the Internal
15 Revenue Code of 1986 intended to provide relief to
16 innocent spouses provide meaningful relief in all
17 cases where such relief is appropriate, and

18 (4) the effect of providing that community in-
19 come (as defined in section 66(d) of such Code)
20 which, in accordance with the rules contained in sec-
21 tion 879(a) of such Code, would be treated as the
22 income of one spouse is exempt from a levy for fail-
23 ure to pay any tax imposed by subtitle A by the
24 other spouse for a taxable year ending before their
25 marriage.

1 The reports of such studies shall be submitted to the Com-
2 mittee on Ways and Means of the House of Representa-
3 tives and the Committee on Finance of the Senate within
4 6 months after the date of the enactment of this Act.

5 **SEC. 402. JOINT RETURN MAY BE MADE AFTER SEPARATE**
6 **RETURNS WITHOUT FULL PAYMENT OF TAX.**

7 (a) GENERAL RULE.—Paragraph (2) of section
8 6013(b) (relating to limitations on filing of joint return
9 after filing separate returns) is amended by striking sub-
10 paragraph (A) and redesignating the following subpara-
11 graphs accordingly.

12 (b) EFFECTIVE DATE.—The amendment made by
13 subsection (a) shall apply to taxable years beginning after
14 the date of the enactment of this Act.

15 **SEC. 403. DISCLOSURE OF COLLECTION ACTIVITIES.**

16 Subsection (e) of section 6103 (relating to disclosure
17 to persons having material interest) is amended by adding
18 at the end the following new paragraph:

19 “(8) DISCLOSURE OF COLLECTION ACTIVITIES
20 WITH RESPECT TO JOINT RETURN.—If any defi-
21 ciency of tax with respect to a joint return is as-
22 sessed and the individuals filing such return are no
23 longer married or no longer reside in the same
24 household, upon request in writing by either of such
25 individuals, the Secretary shall disclose in writing to

1 the individual making the request whether the Sec-
2 retary has attempted to collect such deficiency from
3 such other individual, the general nature of such col-
4 lection activities, and the amount collected.”

5 **TITLE V—COLLECTION**
6 **ACTIVITIES**

7 **SEC. 501. MODIFICATIONS TO LIEN AND LEVY PROVISIONS.**

8 (a) WITHDRAWAL OF CERTAIN NOTICES.—Section
9 6323 (relating to validity and priority against certain per-
10 sons) is amended by adding at the end the following new
11 subsection:

12 “(j) WITHDRAWAL OF NOTICE IN CERTAIN CIR-
13 CUMSTANCES.—

14 “(1) IN GENERAL.—The Secretary may with-
15 draw a notice of a lien filed under this section and
16 this chapter shall be applied as if the withdrawn no-
17 tice had not been filed, if the Secretary determines
18 that—

19 “(A) the filing of such notice was pre-
20 mature or otherwise not in accordance with ad-
21 ministrative procedures of the Secretary,

22 “(B) the taxpayer has entered into an
23 agreement under section 6159 to satisfy the tax
24 liability for which the lien was imposed by

1 means of installment payments, unless such
2 agreement provides otherwise,

3 “(C) the withdrawal of such notice will fa-
4 cilitate the collection of the tax liability, or

5 “(D) with the consent of the taxpayer or
6 the Taxpayer Advocate, the withdrawal of such
7 notice would be in the best interests of the tax-
8 payer (as determined by the Taxpayer Advoca-
9 cate) and the United States.

10 Any such withdrawal shall be made by filing notice
11 at the same office as the withdrawn notice. A copy
12 of such notice of withdrawal shall be provided to the
13 taxpayer.

14 “(2) NOTICE TO CREDIT AGENCIES, ETC.—
15 Upon written request by the taxpayer with respect
16 to whom a notice of a lien was withdrawn under
17 paragraph (1), the Secretary shall promptly make
18 reasonable efforts to notify credit reporting agencies,
19 and any financial institution or creditor whose name
20 and address is specified in such request, of the with-
21 drawal of such notice. Any such request shall be in
22 such form as the Secretary may prescribe.”

23 (b) RETURN OF LEVIED PROPERTY IN CERTAIN
24 CASES.—Section 6343 (relating to authority to release

1 levy and return property) is amended by adding at the
2 end the following new subsection:

3 “(d) RETURN OF PROPERTY IN CERTAIN CASES.—

4 If—

5 “(1) any property has been levied upon, and

6 “(2) the Secretary determines that—

7 “(A) the levy on such property was pre-
8 mature or otherwise not in accordance with ad-
9 ministrative procedures of the Secretary,

10 “(B) the taxpayer has entered into an
11 agreement under section 6159 to satisfy the tax
12 liability for which the levy was imposed by
13 means of installment payments, unless such
14 agreement provides otherwise,

15 “(C) the return of such property will facili-
16 tate the collection of the tax liability, or

17 “(D) with the consent of the taxpayer or
18 the Taxpayer Advocate, the return of such
19 property would be in the best interests of the
20 taxpayer (as determined by the Taxpayer Advo-
21 cate) and the United States,

22 the provisions of subsection (b) shall apply in the same
23 manner as if such property had been wrongly levied upon,
24 except that no interest shall be allowed under subsection
25 (c).”

1 (c) MODIFICATIONS IN CERTAIN LEVY EXEMPTION
2 AMOUNTS.—

3 (1) FUEL, ETC.—Paragraph (2) of section
4 6334(a) (relating to fuel, provisions, furniture, and
5 personal effects exempt from levy) is amended—

6 (A) by striking “If the taxpayer is the
7 head of a family, so” and inserting “So”,

8 (B) by striking “his household” and insert-
9 ing “the taxpayer’s household”, and

10 (C) by striking “\$1,650 (\$1,550 in the
11 case of levies issued during 1989)” and insert-
12 ing “\$2,500”.

13 (2) INFLATION ADJUSTMENT.—Section 6334
14 (relating to property exempt from levy) is amended
15 by adding at the end the following new subsection:
16 “(f) INFLATION ADJUSTMENT.—

17 “(1) IN GENERAL.—In the case of any calendar
18 year beginning after 1996, each dollar amount re-
19 ferred to in paragraphs (2) and (3) of subsection (a)
20 shall be increased by an amount equal to—

21 “(A) such dollar amount, multiplied by

22 “(B) the cost-of-living adjustment deter-
23 mined under section 1(f)(3) for such calendar
24 year, by substituting ‘calendar year 1995’ for

1 ‘calendar year 1992’ in subparagraph (B)
2 thereof.

3 “(2) ROUNDING.—If any dollar amount after
4 being increased under paragraph (1) is not a mul-
5 tiple of \$10, such dollar amount shall be rounded to
6 the nearest multiple of \$10.”

7 (3) TECHNICAL AMENDMENT.—Paragraph (3)
8 of section 6334(a) is amended by striking “(\$1,050
9 in the case of levies issued during 1989)”.

10 (d) EFFECTIVE DATES.—

11 (1) IN GENERAL.—Except as provided in para-
12 graph (2), the amendments made by this section
13 shall take effect on the date of the enactment of this
14 Act.

15 (2) EXEMPT AMOUNTS.—The amendments
16 made by subsection (c) shall take effect with respect
17 to levies issued after December 31, 1995.

18 **SEC. 502. OFFERS-IN-COMPROMISE.**

19 (a) REVIEW REQUIREMENTS.—Subsection (b) of sec-
20 tion 7122 (relating to records) is amended by striking
21 “\$500.” and inserting “\$100,000. However, such com-
22 promise shall be subject to continuing quality review by
23 the Secretary.”

1 (b) EFFECTIVE DATE.—The amendment made by
2 this section shall take effect on the date of the enactment
3 of this Act.

4 **TITLE VI—INFORMATION**
5 **RETURNS**

6 **SEC. 601. CIVIL DAMAGES FOR FRAUDULENT FILING OF IN-**
7 **FORMATION RETURNS.**

8 (a) GENERAL RULE.—Subchapter B of chapter 76
9 (relating to proceedings by taxpayers and third parties)
10 is amended by redesignating section 7434 as section 7435
11 and by inserting after section 7433 the following new
12 section:

13 **“SEC. 7434. CIVIL DAMAGES FOR FRAUDULENT FILING OF**
14 **INFORMATION RETURNS.**

15 “(a) IN GENERAL.—If any person willfully files a
16 fraudulent information return with respect to payments
17 purported to be made to any other person, such other per-
18 son may bring a civil action for damages against the per-
19 son so filing such return.

20 “(b) DAMAGES.—In any action brought under sub-
21 section (a), upon a finding of liability on the part of the
22 defendant, the defendant shall be liable to the plaintiff in
23 an amount equal to the greater of \$5,000 or the sum of—

24 “(1) any actual damages sustained by the plain-
25 tiff as a proximate result of the filing of the fraudu-

1 lent information return (including any costs attrib-
2 utable to resolving deficiencies asserted as a result
3 of such filing), and

4 “(2) the costs of the action.

5 “(c) PERIOD FOR BRINGING ACTION.—Notwith-
6 standing any other provision of law, an action to enforce
7 the liability created under this section may be brought
8 without regard to the amount in controversy and may be
9 brought only within the later of—

10 “(1) 6 years after the date of the filing of the
11 fraudulent information return, or

12 “(2) 1 year after the date such fraudulent in-
13 formation return would have been discovered by ex-
14 ercise of reasonable care.

15 “(d) COPY OF COMPLAINT FILED WITH IRS.—Any
16 person bringing an action under subsection (a) shall pro-
17 vide a copy of the complaint to the Internal Revenue Serv-
18 ice upon the filing of such complaint with the court.

19 “(e) FINDING OF COURT TO INCLUDE CORRECT
20 AMOUNT OF PAYMENT.—The judgment of the court in an
21 action brought under subsection (a) shall include a finding
22 of the correct amount which should have been reported
23 in the information return.

1 “(f) INFORMATION RETURN.—For purposes of this
2 section, the term ‘information return’ means any state-
3 ment described in section 6724(d)(1)(A).”

4 (b) CLERICAL AMENDMENT.—The table of sections
5 for subchapter B of chapter 76 is amended by striking
6 the item relating to section 7434 and inserting the
7 following:

“Sec. 7434. Civil damages for fraudulent filing of information re-
turns.

“Sec. 7435. Cross references.”

8 (c) EFFECTIVE DATE.—The amendments made by
9 this section shall apply to fraudulent information returns
10 filed after the date of the enactment of this Act.

11 **SEC. 602. REQUIREMENT TO CONDUCT REASONABLE IN-**
12 **VESTIGATIONS OF INFORMATION RETURNS.**

13 (a) GENERAL RULE.—Section 6201 (relating to as-
14 sessment authority) is amended by redesignating sub-
15 section (d) as subsection (e) and by inserting after sub-
16 section (c) the following new subsection:

17 “(d) REQUIRED REASONABLE VERIFICATION OF IN-
18 FORMATION RETURNS.—In any court proceeding, if a tax-
19 payer asserts a reasonable dispute with respect to any
20 item of income reported on an information return filed
21 with the Secretary under subpart B or C of part III of
22 subchapter A of chapter 61 by a third party and the tax-
23 payer has fully cooperated with the Secretary (including
24 providing, within a reasonable period of time, access to

1 and inspection of all witnesses, information, and docu-
2 ments within the control of the taxpayer as reasonably re-
3 quested by the Secretary), the Secretary shall have the
4 burden of producing reasonable and probative information
5 concerning such deficiency in addition to such information
6 return.”

7 (b) EFFECTIVE DATE.—The amendment made by
8 subsection (a) shall take effect on the date of the enact-
9 ment of this Act.

10 **TITLE VII—AWARDING OF COSTS** 11 **AND CERTAIN FEES**

12 **SEC. 701. UNITED STATES MUST ESTABLISH THAT ITS POSI-** 13 **TION IN PROCEEDING WAS SUBSTANTIALLY** 14 **JUSTIFIED.**

15 (a) GENERAL RULE.—Subparagraph (A) of section
16 7430(c)(4) (defining prevailing party) is amended by
17 striking clause (i) and by redesignating clauses (ii) and
18 (iii) as clauses (i) and (ii), respectively.

19 (b) BURDEN OF PROOF ON UNITED STATES.—Para-
20 graph (4) of section 7430(c) is amended by redesignating
21 subparagraph (B) as subparagraph (C) and by inserting
22 after subparagraph (A) the following new subparagraph:

23 “(B) EXCEPTION IF UNITED STATES ES-
24 TABLISHES THAT ITS POSITION WAS SUBSTAN-
25 Tially JUSTIFIED.—

1 “(i) GENERAL RULE.—A party shall
2 not be treated as the prevailing party in a
3 proceeding to which subsection (a) applies
4 if the United States establishes that the
5 position of the United States in the pro-
6 ceeding was substantially justified.

7 “(ii) PRESUMPTION OF NO JUSTIFICA-
8 TION IF INTERNAL REVENUE SERVICE
9 DIDN’T FOLLOW CERTAIN PUBLISHED
10 GUIDANCE.—For purposes of clause (i),
11 the position of the United States shall be
12 presumed not to be substantially justified
13 if the Internal Revenue Service did not fol-
14 low its applicable published guidance in the
15 administrative proceeding. Such presump-
16 tion may be rebutted.

17 “(iii) APPLICABLE PUBLISHED GUID-
18 ANCE.—For purposes of clause (ii), the
19 term ‘applicable published guidance’
20 means—

21 “(I) regulations, revenue rulings,
22 revenue procedures, information re-
23 leases, notices, and announcements,
24 and

1 “(II) any of the following which
2 are issued to the taxpayer: private let-
3 ter rulings, technical advice memo-
4 randa, and determination letters.”

5 (c) CONFORMING AMENDMENTS.—

6 (1) Subparagraph (B) of section 7430(c)(2) is
7 amended by striking “paragraph (4)(B)” and insert-
8 ing “paragraph (4)(C)”.

9 (2) Subparagraph (C) of section 7430(c)(4), as
10 redesignated by subsection (b), is amended by strik-
11 ing “subparagraph (A)” and inserting “this para-
12 graph”.

13 (3) Sections 6404(g) and 6656(c)(1), as amend-
14 ed by this Act, are each amended by striking “sec-
15 tion 7430(c)(4)(A)(iii)” and inserting “section
16 7430(c)(4)(A)(ii)”.

17 **SEC. 702. INCREASED LIMIT ON ATTORNEY FEES.**

18 Paragraph (1) of section 7430(c) (defining reason-
19 able litigation costs) is amended—

20 (1) by striking “\$75” in clause (iii) of subpara-
21 graph (B) and inserting “\$110”,

22 (2) by striking “an increase in the cost of living
23 or” in clause (iii) of subparagraph (B), and

24 (3) by adding after clause (iii) the following:

1 “In the case of any calendar year beginning after
2 1996, the dollar amount referred to in clause (iii)
3 shall be increased by an amount equal to such dollar
4 amount multiplied by the cost-of-living adjustment
5 determined under section 1(f)(3) for such calendar
6 year, by substituting ‘calendar year 1995’ for ‘cal-
7 endar year 1992’ in subparagraph (B) thereof. If
8 any dollar amount after being increased under the
9 preceding sentence is not a multiple of \$10, such
10 dollar amount shall be rounded to the nearest mul-
11 tiple of \$10.”

12 **SEC. 703. FAILURE TO AGREE TO EXTENSION NOT TAKEN**
13 **INTO ACCOUNT.**

14 Paragraph (1) of section 7430(b) (relating to require-
15 ment that administrative remedies be exhausted) is
16 amended by adding at the end the following new sentence:
17 “Any failure to agree to an extension of the time for the
18 assessment of any tax shall not be taken into account for
19 purposes of determining whether the prevailing party
20 meets the requirements of the preceding sentence.”

21 **SEC. 704. AWARD OF LITIGATION COSTS PERMITTED IN DE-**
22 **CLARATORY JUDGMENT PROCEEDINGS.**

23 Subsection (b) of section 7430 is amended by striking
24 paragraph (3) and by redesignating paragraph (4) as
25 paragraph (3).

1 **SEC. 705. EFFECTIVE DATE.**

2 The amendments made by this title shall apply in the
3 case of proceedings commenced after the date of the enact-
4 ment of this Act.

5 **TITLE VIII—MODIFICATION TO**
6 **RECOVERY OF CIVIL DAM-**
7 **AGES FOR UNAUTHORIZED**
8 **COLLECTION ACTIONS**

9 **SEC. 801. INCREASE IN LIMIT ON RECOVERY OF CIVIL DAM-**
10 **AGES FOR UNAUTHORIZED COLLECTION AC-**
11 **TIONS.**

12 (a) GENERAL RULE.—Subsection (b) of section 7433
13 (relating to damages) is amended by striking “\$100,000”
14 and inserting “\$1,000,000”.

15 (b) EFFECTIVE DATE.—The amendment made by
16 subsection (a) shall apply to actions by officers or employ-
17 ees of the Internal Revenue Service after the date of the
18 enactment of this Act.

19 **SEC. 802. COURT DISCRETION TO REDUCE AWARD FOR**
20 **LITIGATION COSTS FOR FAILURE TO EX-**
21 **HAUST ADMINISTRATIVE REMEDIES.**

22 (a) GENERAL RULE.—Paragraph (1) of section
23 7433(d) (relating to civil damages for certain unauthor-
24 ized collection actions) is amended to read as follows:

25 “(1) AWARD FOR DAMAGES MAY BE REDUCED
26 IF ADMINISTRATIVE REMEDIES NOT EXHAUSTED.—

1 The amount of damages awarded under subsection
2 (b) may be reduced if the court determines that the
3 plaintiff has not exhausted the administrative rem-
4 edies available to such plaintiff within the Internal
5 Revenue Service.”

6 (b) EFFECTIVE DATE.—The amendment made by
7 this section shall apply in the case of proceedings com-
8 menced after the date of the enactment of this Act.

9 **TITLE IX—MODIFICATIONS TO**
10 **PENALTY FOR FAILURE TO**
11 **COLLECT AND PAY OVER TAX**

12 **SEC. 901. PRELIMINARY NOTICE REQUIREMENT.**

13 (a) IN GENERAL.—Section 6672 (relating to failure
14 to collect and pay over tax, or attempt to evade or defeat
15 tax) is amended by redesignating subsection (b) as sub-
16 section (c) and by inserting after subsection (a) the follow-
17 ing new subsection:

18 “(b) PRELIMINARY NOTICE REQUIREMENT.—

19 “(1) IN GENERAL.—No penalty shall be im-
20 posed under subsection (a) unless the Secretary noti-
21 fies the taxpayer in writing by mail to an address as
22 determined under section 6212(b) that the taxpayer
23 shall be subject to an assessment of such penalty.

24 “(2) TIMING OF NOTICE.—The mailing of the
25 notice described in paragraph (1) shall precede any

1 notice and demand of any penalty under subsection
2 (a) by at least 60 days.

3 “(3) STATUTE OF LIMITATIONS.—If a notice
4 described in paragraph (1) with respect to any pen-
5 alty is mailed before the expiration of the period
6 provided by section 6501 for the assessment of such
7 penalty (determined without regard to this para-
8 graph), the period provided by such section for the
9 assessment of such penalty shall not expire before
10 the later of—

11 “(A) the date 90 days after the date on
12 which such notice was mailed, or

13 “(B) if there is a timely protest of the pro-
14 posed assessment, the date 30 days after the
15 Secretary makes a final administrative deter-
16 mination with respect to such protest.

17 “(4) EXCEPTION FOR JEOPARDY.—This sub-
18 section shall not apply if the Secretary finds that the
19 collection of the penalty is in jeopardy.”

20 (b) EFFECTIVE DATE.—The amendment made by
21 subsection (a) shall apply to proposed assessments made
22 after June 30, 1996.

1 **SEC. 902. DISCLOSURE OF CERTAIN INFORMATION WHERE**
2 **MORE THAN 1 PERSON LIABLE FOR PENALTY**
3 **FOR FAILURE TO COLLECT AND PAY OVER**
4 **TAX.**

5 (a) IN GENERAL.—Subsection (e) of section 6103
6 (relating to disclosure to persons having material interest),
7 as amended by section 403, is amended by adding at the
8 end the following new paragraph:

9 “(9) DISCLOSURE OF CERTAIN INFORMATION
10 WHERE MORE THAN 1 PERSON SUBJECT TO PEN-
11 ALTY UNDER SECTION 6672.—If the Secretary deter-
12 mines that a person is liable for a penalty under sec-
13 tion 6672(a) with respect to any failure, upon re-
14 quest in writing of such person, the Secretary shall
15 disclose in writing to such person—

16 “(A) the name of any other person whom
17 the Secretary has determined to be liable for
18 such penalty with respect to such failure, and

19 “(B) whether the Secretary has attempted
20 to collect such penalty from such other person,
21 the general nature of such collection activities,
22 and the amount collected.”

23 (b) EFFECTIVE DATE.—The amendment made by
24 subsection (a) shall take effect on the date of the enact-
25 ment of this Act.

1 **SEC. 903. RIGHT OF CONTRIBUTION WHERE MORE THAN 1**
2 **PERSON LIABLE FOR PENALTY FOR FAILURE**
3 **TO COLLECT AND PAY OVER TAX.**

4 (a) IN GENERAL.—Section 6672 (relating to failure
5 to collect and pay over tax, or attempt to evade or defeat
6 tax) is amended by adding at the end the following new
7 subsection:

8 “(d) RIGHT OF CONTRIBUTION WHERE MORE THAN
9 1 PERSON LIABLE FOR PENALTY.—If more than 1 person
10 is liable for the penalty under subsection (a) with respect
11 to any tax, each person who paid such penalty shall be
12 entitled to recover from other persons who are liable for
13 such penalty an amount equal to the excess of the amount
14 paid by such person over such person’s proportionate
15 share of the penalty. Any claim for such a recovery may
16 be made only in a separate action involving such persons.”

17 (b) EFFECTIVE DATE.—The amendment made by
18 subsection (a) shall apply to penalties assessed after the
19 date of the enactment of this Act.

20 **SEC. 904. VOLUNTEER BOARD MEMBERS OF TAX-EXEMPT**
21 **ORGANIZATIONS EXEMPT FROM PENALTY**
22 **FOR FAILURE TO COLLECT AND PAY OVER**
23 **TAX.**

24 (a) IN GENERAL.—Section 6672 is amended by add-
25 ing at the end the following new subsection:

1 “(e) EXCEPTION FOR VOLUNTARY BOARD MEMBERS
2 OF TAX-EXEMPT ORGANIZATIONS.—No penalty shall be
3 imposed by subsection (a) on any unpaid, volunteer mem-
4 ber of any board of trustees or directors of an organization
5 exempt from tax under subtitle A if such member—

6 “(1) is solely serving in an honorary capacity,

7 “(2) does not participate in the day-to-day or
8 financial operations of the organization, and

9 “(3) does not have actual knowledge of the fail-
10 ure on which such penalty is imposed.

11 The preceding sentence shall not apply if it results in no
12 person being liable for the penalty imposed by subsection
13 (a).”

14 (b) PUBLIC INFORMATION REQUIREMENTS.—

15 (1) IN GENERAL.—The Secretary of the Treas-
16 ury or the Secretary’s delegate (hereafter in this
17 subsection referred to as the “Secretary”) shall take
18 such actions as may be appropriate to ensure that
19 employees are aware of their responsibilities under
20 the Federal tax depository system, the circumstances
21 under which employees may be liable for the penalty
22 imposed by section 6672 of the Internal Revenue
23 Code of 1986, and the responsibility to promptly re-
24 port to the Internal Revenue Service any failure re-

1 ferred to in subsection (a) of such section 6672.

2 Such actions shall include—

3 (A) printing of a warning on deposit cou-
4 pon booklets and the appropriate tax returns
5 that certain employees may be liable for the
6 penalty imposed by such section 6672, and

7 (B) the development of a special informa-
8 tion packet.

9 (2) DEVELOPMENT OF EXPLANATORY MATE-
10 RIALS.—The Secretary shall develop materials ex-
11 plaining the circumstances under which board mem-
12 bers of tax-exempt organizations (including vol-
13 untary and honorary members) may be subject to
14 penalty under section 6672 of such Code. Such ma-
15 terials shall be made available to tax-exempt organi-
16 zations.

17 (3) IRS INSTRUCTIONS.—The Secretary shall
18 clarify the instructions to Internal Revenue Service
19 employees on the application of the penalty under
20 section 6672 of such Code with regard to voluntary
21 members of boards of trustees or directors of tax-
22 exempt organizations.

1 **TITLE X—MODIFICATIONS OF**
2 **RULES RELATING TO SUM-**
3 **MONSES**

4 **SEC. 1001. ENROLLED AGENTS INCLUDED AS THIRD-PARTY**
5 **RECORDKEEPERS.**

6 (a) IN GENERAL.—Paragraph (3) of section 7609(a)
7 (relating to third-party recordkeeper defined) is amended
8 by striking “and” at the end of subparagraph (G), by
9 striking the period at the end of subparagraph (H) and
10 inserting “; and”, and by adding at the end the following
11 the subparagraph:

12 “(I) any enrolled agent.”

13 (b) EFFECTIVE DATE.—The amendment made by
14 subsection (a) shall apply to summonses issued after the
15 date of the enactment of this Act.

16 **SEC. 1002. SAFEGUARDS RELATING TO DESIGNATED SUM-**
17 **MONSES.**

18 (a) STANDARD OF REVIEW.—Subparagraph (A) of
19 section 6503(j)(2) (defining designated summons) is
20 amended by redesignating clauses (i) and (ii) as clauses
21 (ii) and (iii), respectively, and by inserting before clause
22 (ii) (as so redesignated) the following new clause:

23 “(i) the issuance of such summons is
24 preceded by a review of such issuance by
25 the regional counsel of the Office of Chief

1 Counsel for the region in which the exam-
2 ination of the corporation is being con-
3 ducted,”.

4 (b) LIMITATION ON PERSONS TO WHOM DES-
5 IGNATED SUMMONS MAY BE ISSUED.—Paragraph (1) of
6 section 6503(j) is amended by striking “with respect to
7 any return of tax by a corporation” and inserting “to a
8 corporation (or to any other person to whom the corpora-
9 tion has transferred records) with respect to any return
10 of tax by such corporation for a taxable year (or other
11 period) for which such corporation is being examined
12 under the coordinated examination program (or any suc-
13 cessor program) of the Internal Revenue Service”.

14 (c) EFFECTIVE DATE.—The amendments made by
15 this section shall apply to summonses issued after the date
16 of the enactment of this Act.

17 **SEC. 1003. ANNUAL REPORT TO CONGRESS CONCERNING**
18 **DESIGNATED SUMMONSES.**

19 Not later than December 31 of each calendar year
20 after 1995, the Secretary of the Treasury or his delegate
21 shall report to the Committee on Ways and Means of the
22 House of Representatives and the Committee on Finance
23 of the Senate on the number of designated summonses (as
24 defined in section 6503(j) of the Internal Revenue Code

1 of 1986) which were issued during the preceding 12
2 months.

3 **TITLE XI—RELIEF FROM RETRO-**
4 **ACTIVE APPLICATION OF**
5 **TREASURY DEPARTMENT**
6 **REGULATIONS**

7 **SEC. 1101. RELIEF FROM RETROACTIVE APPLICATION OF**
8 **TREASURY DEPARTMENT REGULATIONS.**

9 (a) IN GENERAL.—Subsection (b) of section 7805
10 (relating to rules and regulations) is amended to read as
11 follows:

12 “(b) RETROACTIVITY OF REGULATIONS.—

13 “(1) IN GENERAL.—Except as otherwise pro-
14 vided in this subsection, no temporary, proposed, or
15 final regulation relating to the internal revenue laws
16 shall apply to any taxable period ending before the
17 earliest of the following dates:

18 “(A) The date on which such regulation is
19 filed with the Federal Register.

20 “(B) In the case of any final regulation,
21 the date on which any proposed or temporary
22 regulation to which such final regulation relates
23 was filed with the Federal Register.

24 “(C) The date on which any notice sub-
25 stantially describing the expected contents of

1 any temporary, proposed, or final regulation is
2 issued to the public.

3 “(2) EXCEPTION FOR PROMPTLY ISSUED REGU-
4 LATIONS.—Paragraph (1) shall not apply to regula-
5 tions issued within 12 months of the date of the en-
6 actment of the statutory provision to which the regu-
7 lation relates.

8 “(3) PREVENTION OF ABUSE.—The Secretary
9 may provide that any regulation may take effect or
10 apply retroactively to prevent abuse.

11 “(4) CORRECTION OF PROCEDURAL DE-
12 FECTS.—The Secretary may provide that any regu-
13 lation may apply retroactively to correct a proce-
14 dural defect in the issuance of any prior regulation.

15 “(5) INTERNAL REGULATIONS.—The limitation
16 of paragraph (1) shall not apply to any regulation
17 relating to internal Treasury Department policies,
18 practices, or procedures.

19 “(6) CONGRESSIONAL AUTHORIZATION.—The
20 limitation of paragraph (1) may be superseded by a
21 legislative grant from Congress authorizing the Sec-
22 retary to prescribe the effective date with respect to
23 any regulation.

24 “(7) ELECTION TO APPLY RETROACTIVELY.—
25 Paragraph (1) shall not apply to any regulation

1 which the taxpayer elects to apply before the dates
2 specified in paragraph (1) but only if such election
3 applies to all regulations which were issued with
4 such regulation under the statutory provision to
5 which such regulation relates.

6 “(8) APPLICATION TO RULINGS.—The Sec-
7 retary may prescribe the extent, if any, to which any
8 ruling (including any judicial decision or any admin-
9 istrative determination other than by regulation) re-
10 lating to the internal revenue laws shall be applied
11 without retroactive effect.”

12 (b) EFFECTIVE DATE.—The amendment made by
13 subsection (a) shall apply with respect to regulations
14 which relate to statutory provisions enacted on or after
15 the date of the enactment of this Act.

16 **TITLE XII—MISCELLANEOUS** 17 **PROVISIONS**

18 **SEC. 1201. REPORT ON PILOT PROGRAM FOR APPEAL OF** 19 **ENFORCEMENT ACTIONS.**

20 Not later than March 1, 1996, the Secretary of the
21 Treasury or his delegate shall submit to the Committee
22 on Ways and Means of the House of Representatives and
23 the Committee on Finance of the Senate a report on the
24 pilot program for appeals of enforcement actions (includ-
25 ing lien, levy, and seizure actions) to the Appeals Division

1 of the Internal Revenue Service, together with such rec-
2 ommendations as he may deem advisable.

3 **SEC. 1202. PHONE NUMBER OF PERSON PROVIDING PAYEE**
4 **STATEMENTS REQUIRED TO BE SHOWN ON**
5 **SUCH STATEMENT.**

6 (a) GENERAL RULE.—The following provisions are
7 each amended by striking “name and address” and insert-
8 ing “name, address, and phone number of the information
9 contact”:

- 10 (1) Section 6041(d)(1).
- 11 (2) Section 6041A(e)(1).
- 12 (3) Section 6042(c)(1).
- 13 (4) Section 6044(e)(1).
- 14 (5) Section 6045(b)(1).
- 15 (6) Section 6049(c)(1)(A).
- 16 (7) Section 6050B(b)(1).
- 17 (8) Section 6050H(d)(1).
- 18 (9) Section 6050I(e)(1).
- 19 (10) Section 6050J(e).
- 20 (11) Section 6050K(b)(1).
- 21 (12) Section 6050N(b)(1).

22 (b) EFFECTIVE DATE.—The amendments made by
23 subsection (a) shall apply to statements required to be fur-
24 nished after December 31, 1996 (determined without
25 regard to any extension).

1 **SEC. 1203. REQUIRED NOTICE OF CERTAIN PAYMENTS.**

2 If any payment is received by the Secretary of the
3 Treasury or his delegate from any taxpayer and the Sec-
4 retary cannot associate such payment with such taxpayer,
5 the Secretary shall make reasonable efforts to notify the
6 taxpayer of such inability within 60 days after the re-
7 ceipt of such payment.

8 **SEC. 1204. UNAUTHORIZED ENTICEMENT OF INFORMATION**
9 **DISCLOSURE.**

10 (a) IN GENERAL.—Subchapter B of chapter 76 (re-
11 lating to proceedings by taxpayers and third parties), as
12 amended by section 601(a), is amended by redesignating
13 section 7435 as section 7436 and by inserting after sec-
14 tion 7434 the following new section:

15 **“SEC. 7435. CIVIL DAMAGES FOR UNAUTHORIZED ENTICE-**
16 **MENT OF INFORMATION DISCLOSURE.**

17 “(a) IN GENERAL.—If any officer or employee of the
18 United States intentionally compromises the determina-
19 tion or collection of any tax due from an attorney, certified
20 public accountant, or enrolled agent representing a tax-
21 payer in exchange for information conveyed by the tax-
22 payer to the attorney, certified public accountant, or en-
23 rolled agent for purposes of obtaining advice concerning
24 the taxpayer’s tax liability, such taxpayer may bring a civil
25 action for damages against the United States in a district
26 court of the United States. Such civil action shall be the

1 exclusive remedy for recovering damages resulting from
2 such actions.

3 “(b) DAMAGES.—In any action brought under sub-
4 section (a), upon a finding of liability on the part of the
5 defendant, the defendant shall be liable to the plaintiff in
6 an amount equal to the lesser of \$500,000 or the sum
7 of—

8 “(1) actual, direct economic damages sustained
9 by the plaintiff as a proximate result of the informa-
10 tion disclosure, and

11 “(2) the costs of the action.

12 Damages shall not include the taxpayer’s liability for any
13 civil or criminal penalties, or other losses attributable to
14 incarceration or the imposition of other criminal sanctions.

15 “(c) PAYMENT AUTHORITY.—Claims pursuant to
16 this section shall be payable out of funds appropriated
17 under section 1304 of title 31, United States Code.

18 “(d) PERIOD FOR BRINGING ACTION.—Notwith-
19 standing any other provision of law, an action to enforce
20 liability created under this section may be brought without
21 regard to the amount in controversy and may be brought
22 only within 2 years after the date the actions creating such
23 liability would have been discovered by exercise of reason-
24 able care.

1 “(e) MANDATORY STAY.—Upon a certification by the
2 Commissioner or the Commissioner’s delegate that there
3 is an ongoing investigation or prosecution of the taxpayer,
4 the district court before which an action under this section
5 is pending, shall stay all proceedings with respect to such
6 action pending the conclusion of the investigation or
7 prosecution.

8 “(f) CRIME-FRAUD EXCEPTION.—Subsection (a)
9 shall not apply to information conveyed to an attorney,
10 certified public accountant, or enrolled agent for the pur-
11 pose of perpetrating a fraud or crime.”

12 (b) CLERICAL AMENDMENT.—The table of sections
13 for subchapter B of chapter 76, as amended by section
14 601(b), is amended by striking the item relating to section
15 7435 and by adding at the end the following new items:

“Sec. 7435. Civil damages for unauthorized enticement of infor-
mation disclosure.

“Sec. 7436. Cross references.”

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

19 **SEC. 1205. ANNUAL REMINDERS TO TAXPAYERS WITH OUT-**
20 **STANDING DELINQUENT ACCOUNTS.**

21 (a) IN GENERAL.—Chapter 77 (relating to mis-
22 cellaneous provisions) is amended by adding at the end
23 the following new section:

1 **“SEC. 7524. ANNUAL NOTICE OF TAX DELINQUENCY.**

2 “Not less often than annually, the Secretary shall
3 send a written notice to each taxpayer who has a tax delin-
4 quent account of the amount of the tax delinquency as
5 of the date of the notice.”

6 (b) CLERICAL AMENDMENT.—The table of sections
7 for chapter 77 is amended by adding at the end the follow-
8 ing new item:

“Sec. 7524. Annual notice of tax delinquency.”

9 (c) EFFECTIVE DATE.—The amendments made by
10 this section shall apply to calendar years after 1995.

11 **SEC. 1206. 5-YEAR EXTENSION OF AUTHORITY FOR UNDER-**
12 **COVER OPERATIONS.**

13 (a) IN GENERAL.—Paragraph (3) of section 7601(c)
14 of the Anti-Drug Abuse Act of 1988 is amended by strik-
15 ing all that follows “this Act” and inserting a period.

16 (b) RESTORATION OF AUTHORITY FOR 5 YEARS.—
17 Subsection (c) of section 7608 is amended by adding at
18 the end the following new paragraph:

19 “(6) APPLICATION OF SECTION.—The provi-
20 sions of this subsection—

21 “(A) shall apply after November 17, 1988,
22 and before January 1, 1990, and

23 “(B) shall apply after the date of the en-
24 actment of this paragraph and before January
25 1, 2001.

1 All amounts expended pursuant to this subsection
2 during the period described in subparagraph (B)
3 shall be recovered to the extent possible, and depos-
4 ited in the Treasury of the United States as mis-
5 cellaneous receipts, before January 1, 2001.”

6 (c) ENHANCED OVERSIGHT.—

7 (1) ADDITIONAL INFORMATION REQUIRED IN
8 REPORTS TO CONGRESS.—Subparagraph (B) of sec-
9 tion 7608(c)(4) is amended—

10 (A) by striking “preceding the period” in
11 clause (ii),

12 (B) by striking “and” at the end of clause
13 (ii), and

14 (C) by striking clause (iii) and inserting
15 the following:

16 “(iii) the number, by programs, of un-
17 dercover investigative operations closed in
18 the 1-year period for which such report is
19 submitted, and

20 “(iv) the following information with
21 respect to each undercover investigative op-
22 eration pending as of the end of the 1-year
23 period for which such report is submitted
24 or closed during such 1-year period—

1 “(I) the date the operation began
2 and the date of the certification re-
3 ferred to in the last sentence of para-
4 graph (1),

5 “(II) the total expenditures
6 under the operation and the amount
7 and use of the proceeds from the op-
8 eration,

9 “(III) a detailed description of
10 the operation including the potential
11 violation being investigated and
12 whether the operation is being con-
13 ducted under grand jury auspices, and

14 “(IV) the results of the operation
15 including the results of criminal pro-
16 ceedings.”

17 (2) AUDITS REQUIRED WITHOUT REGARD TO
18 AMOUNTS INVOLVED.—Subparagraph (C) of section
19 7608(c)(5) is amended to read as follows:

20 “(C) UNDERCOVER INVESTIGATIVE OPER-
21 ATION.—The term ‘undercover investigative op-
22 eration’ means any undercover investigative op-
23 eration of the Service; except that, for purposes
24 of subparagraphs (A) and (C) of paragraph (4),
25 such term only includes an operation which is

1 exempt from section 3302 or 9102 of title 31,
2 United States Code.”

3 (3) EFFECTIVE DATE.—The amendments made
4 by this subsection shall take effect on the date of the
5 enactment of this Act.

6 **SEC. 1207. DISCLOSURE OF FORM 8300 INFORMATION ON**
7 **CASH TRANSACTIONS.**

8 (a) IN GENERAL.—Subsection (l) of section 6103 (re-
9 lating to disclosure of returns and return information for
10 purposes other than tax administration) is amended by
11 adding at the end the following new paragraph:

12 “(15) DISCLOSURE OF RETURNS FILED UNDER
13 SECTION 6050I.—The Secretary may, upon written
14 request, disclose to officers and employees of—

15 “(A) any Federal agency,

16 “(B) any agency of a State or local govern-
17 ment, or

18 “(C) any agency of the government of a
19 foreign country,

20 information contained on returns filed under section
21 6050I. Any such disclosure shall be made on the
22 same basis, and subject to the same conditions, as
23 apply to disclosures of information on reports filed
24 under section 5313 of title 31, United States Code;
25 except that no disclosure under this paragraph shall

1 be made for purposes of the administration of any
2 tax law.”

3 (b) CONFORMING AMENDMENTS.—

4 (1) Subsection (i) of section 6103 is amended
5 by striking paragraph (8).

6 (2) Subparagraph (A) of section 6103(p)(3) is
7 amended—

8 (A) by striking “(7)(A)(ii), or (8)” and in-
9 serting “or (7)(A)(ii)”, and

10 (B) by striking “or (14)” and inserting
11 “(14), or (15)”.

12 (3) The material preceding subparagraph (A) of
13 section 6103(p)(4) is amended—

14 (A) by striking “(5), or (8)” and inserting
15 “or (5)”,

16 (B) by striking “(i)(3)(B)(i), or (8)” and
17 inserting “(i)(3)(B)(i),”, and

18 (C) by striking “or (12)” and inserting
19 “(12), or (15)”.

20 (4) Clause (ii) of section 6103(p)(4)(F) is
21 amended—

22 (A) by striking “(5), or (8)” and inserting
23 “or (5)”, and

24 (B) by striking “or (14)” and inserting
25 “(14), or (15)”.

1 (5) Paragraph (2) of section 7213(a) is amend-
2 ed by striking “or (12)” and inserting “(12), or
3 (15)”.

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

7 **SEC. 1208. DISCLOSURE OF RETURNS AND RETURN INFOR-**
8 **MATION TO DESIGNEE OF TAXPAYER.**

9 Subsection (c) of section 6103 (relating to disclosure
10 of returns and return information to designee of taxpayer)
11 is amended by striking “written request for or consent to
12 such disclosure” and inserting “request for or consent to
13 such disclosure”.

14 **SEC. 1209. STUDY OF NETTING OF INTEREST ON OVERPAY-**
15 **MENTS AND LIABILITIES.**

16 (a) IN GENERAL.—The Secretary of the Treasury or
17 his delegate shall—

18 (1) conduct a study of the manner in which the
19 Internal Revenue Service has implemented the net-
20 ting of interest on overpayments and underpayments
21 and of the policy and administrative implications of
22 global netting, and

23 (2) before submitting the report of such study,
24 hold a public hearing to receive comments on the
25 matters included in such study.

1 (b) REPORT.—The report of such study shall be sub-
2 mitted not later than 6 months after the date of the enact-
3 ment of this Act to the Committee on Ways and Means
4 of the House of Representatives and the Committee on
5 Finance of the Senate.

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