H. R. 3482

To prevent identity theft and tax crimes.

IN THE HOUSE OF REPRESENTATIVES

November 18, 2011

Ms. CASTOR of Florida introduced the following bill; which was referred to the Committee on Ways and Means, and in addition to the Committee on the Judiciary, for a period to be subsequently determined by the Speaker, in each case for consideration of such provisions as fall within the jurisdiction of the committee concerned

A BILL

To prevent identity theft and tax crimes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. SHORT TITLE.

This Act may be cited as the “Tax Crimes and Identity Theft Prevention Act”.

SEC. 2. EXPEDITED RESOLUTION FROM INTERNAL REVENUE SERVICE FOR IDENTITY THEFT VICTIMS.

Not later than 90 days after an individual notifies the Secretary of the Treasury that such individual’s iden-
tity has been misused by another person in connection
with the internal revenue laws, the Secretary shall, to the
extent practicable, determine the extent to which the tax-
payer’s return and return information were affected by
such misuse and shall take such actions as are necessary
to correct such affected return or return information with
respect to such misuse.

SEC. 3. DISCLOSURE OF RETURN AND RETURN INFORMA-
TION IN FEDERAL AND STATE PROSECUTION
RELATING TO IDENTITY FRAUD.

(a) In General.—Subsection (k) of section 6103 of
the Internal Revenue Code of 1986 is amended by adding
at the end the following new paragraph:

“(11) Disclosure of certain return in-
formation in connection with identity theft
and fraudulent returns.—

“(A) In general.—In the case of an in-
vestigation pertaining to the misuse of the iden-
tity of another person for purposes of filing a
false or fraudulent return of tax, upon receipt
of a written request which meets the require-
ments of subparagraph (C), the Secretary may
disclose return information to officers and em-
ployees of any Federal law enforcement agency,
or any officers and employees of any State or
local law enforcement agency, who are personally and directly engaged in the investigation of any crimes implicated in such misuse, but only if any such law enforcement agency is part of a team with the Internal Revenue Service in such investigation.

“(B) LIMITATION ON USE OF INFORMATION.—Information disclosed under this subparagraph shall be solely for the use of such officers and employees to whom such information is disclosed in such investigation.

“(C) REQUIREMENTS.—A request meets the requirements of this clause if—

“(i) the request is made by the head of the agency (or his delegate) involved in such investigation, and

“(ii) the request sets forth the specific reason why such disclosure may be relevant to the investigation.”.

(b) CONFORMING AMENDMENTS.—

(1) Paragraph (2) of section 6103(a) of such Code is amended by inserting “or (k)(11)” after “subsection (i)(7)(A)”.

(2) Paragraph (4) of section 6103(p) of such Code is amended in the matter preceding subpara-
graph (A) by inserting “or (11)” after “(k)(10)”.

(3) Paragraph (2) of section 7213(a) of such Code is amended by inserting “(k)(11),” after
“(7)(A)(i),”.

(e) EFFECTIVE DATE.—The amendments made by this section shall apply to disclosures after the date of the enactment of this Act.

SEC. 4. CRIMINAL PENALTY FOR USING A FALSE IDENTITY IN CONNECTION WITH TAX FRAUD.

(a) IN GENERAL.—Section 7207 of the Internal Revenue Code of 1986 is amended—

(1) by striking “Any person who willfully” and inserting the following:

“(a) IN GENERAL.—Any person who willfully”;

(2) by striking “Any person required” and inserting the following:

“(b) INFORMATION IN CONNECTION WITH CERTAIN EXEMPT ORGANIZATIONS.—Any person required”, and

(3) by adding at the end the following:

“(c) MISAPPROPRIATION OF IDENTITY.—Any person who knowingly or willfully misappropriates another person’s tax identification number in connection with any list, return, account, statement, or other document submitted
to the Secretary shall be fined not less than $25,000
($200,000 in the case of a corporation), or imprisoned not
more than 5 years, or both, together with the costs of
prosecution.”.

(b) Effective Date.—The amendments made by
this section shall apply to returns and information sub-
mitted after the date of the enactment of this Act.

SEC. 5. INCREASED PENALTY FOR IMPROPER DISCLOSURE
OR USE OF INFORMATION BY PREPARERS OF
RETURNS.

(a) In General.—Section 6713(a) of the Internal
Revenue Code of 1986 is amended—

(1) by striking “$250” and inserting “$1,000”,

and

(2) by striking “$10,000” and inserting

“$50,000”.

(b) Criminal Penalty.—Section 7216(a) of the In-
ternal Revenue Code of 1986 is amended by striking
“$1,000” and inserting “$100,000”.

(c) Effective Date.—The amendments made by
this section shall apply to disclosures or uses after the date
of the enactment of this Act.
SEC. 6. PIN SYSTEM FOR PREVENTION OF IDENTITY THEFT TAX FRAUD.

(a) In General.—Not later than 1 year after the date of the enactment of this Act, the Secretary of the Treasury (or the Secretary’s delegate) shall implement an identify theft tax fraud prevention program under which—

(1) a person who has filed an identity theft affidavit with the Secretary may elect—

(A) to be provided with a unique personal identification number to be included on any Federal tax return filed by such person, or

(B) to prevent the processing of any Federal tax return submitted in an electronic format by a person purporting to be such person, and

(2) the Secretary will provide additional identity verification safeguards for the processing of any Federal tax return filed by a person described in paragraph (1) in cases where a unique personal identification number is not included on the return.

SEC. 7. AUTHORITY TO TRANSFER INTERNAL REVENUE SERVICE APPROPRIATIONS TO USE FOR TAX FRAUD ENFORCEMENT.

For any fiscal year, the Commissioner of Internal Revenue may transfer not more than $10,000,000 to the “Enforcement” account of the Internal Revenue Service.
from amounts appropriated to other Internal Revenue
Service accounts. Any amounts so transferred shall be
used solely for the purposes of preventing and resolving
potential cases of tax fraud.

SEC. 8. LOCAL LAW ENFORCEMENT LIAISON.

(a) ESTABLISHMENT.—The Commissioner of Inter-
nal Revenue shall establish within the Criminal Investiga-
tion Division of the Internal Revenue Service the position
of Local Law Enforcement Liaison.

(b) DUTIES.—The Local Law Enforcement Liaison
shall—

(1) coordinate the investigation of tax fraud
with State and local law enforcement agencies;

(2) communicate the status of tax fraud cases
involving identity theft, and

(3) carry out such other duties as delegated by
the Commissioner of Internal Revenue.

SEC. 9. REPORT ON TAX FRAUD.

Subsection (a) of section 7803 of the Internal Rev-
venue Code of 1986 is amended by adding at the end the
following new paragraph:

“(4) ANNUAL REPORT ON TAX FRAUD.—The
Commissioner shall submit to the Committee on Fi-
nance of the Senate and the Committee on Ways
and Means of the House of Representatives an annual report detailing—

“(A) the number of reports of tax fraud and suspected tax fraud received from State and local law enforcement agencies in the preceding year, and

“(B) the actions taken in response to such reports.”.

SEC. 10. STUDY ON THE USE OF PREPAID DEBIT CARDS AND COMMERCIAL TAX PREPARATION SOFTWARE IN TAX FRAUD.

(a) IN GENERAL.—The Comptroller General shall conduct a study to examine the role of prepaid debit cards and commercial tax preparation software in facilitating fraudulent tax returns through identity theft.

(b) REPORT.—Not later than 1 year after the date of the enactment of this Act, the Comptroller General shall submit to the Committee on Finance of the Senate and the Committee on Ways and Means of the House of Representa-
tives a report with the results of the study conducted under subsection (a), together with any rec-
ommendations.
SEC. 11. RESTRICTION ON ACCESS TO THE DEATH MASTER FILE.

(a) IN GENERAL.—The Secretary of Commerce shall not disclose information contained on the Death Master File to any person with respect to any individual who has died at any time during the calendar year in which the request for disclosure is made or the succeeding calendar year unless such person is certified under the program established under subsection (b).

(b) Certification Program.—

(1) IN GENERAL.—The Secretary of Commerce shall establish a program to certify persons who are eligible to access the information described in subsection (a) contained on the Death Master File.

(2) Certification.—A person shall not be certified under the program established under paragraph (1) unless the Secretary determines that such person has a legitimate fraud prevention interest in accessing the information described in subsection (a).

(c) Imposition of Penalty.—Any person who is certified under the program established under subsection (b), who receives information described in subsection (a), and who during the period of time described in subsection (a)—
(1) discloses such information to any other person, or

(2) uses any such information for any purpose other than to detect or prevent fraud,

shall pay a penalty of $1,000 for each such disclosure or use, but the total amount imposed under this subsection on such a person for any calendar year shall not exceed $50,000.

(d) Exemption From Freedom of Information Act Requirement With Respect to Certain Records of Deceased Individuals.—

(1) In general.—The Social Security Administration shall not be compelled to disclose to any person who is not certified under the program established under section 9(b) the information described in section 9(a).

(2) Treatment of information.—For purposes of section 552 of title 5, United States Code, this section shall be considered a statute described in subsection (b)(3)(B) of such section 552.
SEC. 12. EXTENSION OF AUTHORITY TO DISCLOSE CERTAIN
RETURN INFORMATION TO PRISON OFFICIALS.

(a) In General.—Section 6103(k)(10) of the Internal Revenue Code of 1986 is amended by striking subparagraph (D).

(b) Report From Federal Bureau of Prisons.—Not later than 6 months after the date of the enactment of this Act, the head of the Federal Bureau of Prisons shall submit to Congress a detailed plan on how it will use the information provided from the Secretary of Treasury under section 6103(k)(10) of the Internal Revenue Code of 1986 to reduce prison tax fraud.

(c) Sense of Senate Regarding State Prison Authorities.—It is the sense of the Senate that the heads of State agencies charged with the administration of prisons should —

(1) develop plans for using the information provided by the Secretary of Treasury under section 6103(k)(10) of the Internal Revenue Code of 1986 to reduce prison tax fraud, and

(2) coordinate with the Internal Revenue Service with respect to the use of such information.
SEC. 13. TREASURY REPORT ON INFORMATION SHARING

BARRIERS WITH RESPECT TO IDENTITY THEFT.

(a) Review.—

(1) In general.—The Secretary of the Treasury (or the Secretary’s delegate) shall review whether current Federal tax laws and regulations related to the confidentiality and disclosure of return information prevent the effective enforcement of local, State, and Federal identity theft statutes. The review shall consider whether greater information sharing between the Internal Revenue Service and State and local law enforcement authorities would improve the enforcement of criminal laws at all levels of government.

(2) Consultation.—In conducting the review under paragraph (1), the Secretary shall solicit the views of, and consult with, State and local law enforcement officials.

(b) Report.—Not later than 180 days after the date of enactment of this Act, the Secretary shall submit a report with the results of the review conducted under subsection (a), along with any legislative recommendations, to the Committee on Finance of the Senate and the Committee on Ways and Means of the House of Representatives.
SEC. 14. GRANTS TO INVESTIGATE AND PROSECUTE STATE AND LOCAL TAX CRIMES.

(a) Grant Program Authorized.—The Attorney General is authorized to award grants to State and local law enforcement agencies to assist such agencies in the investigation and prosecution of tax crimes.

(b) Authorization of Appropriations.—For each fiscal year, there are authorized to be appropriated to carry out this section, from amounts made available in each such fiscal year to carry out the Edward Byrne Memorial Justice Assistance Grants program under part E of title I of the Omnibus Crime Control and Safe Streets Act of 1968 (42 U.S.C. 3750 et seq.), $50,000,000.