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115TH CONGRESS
2^D SESSION

H. R. 5445

[Report No. 115-638]

To amend the Internal Revenue Code of 1986 to improve cybersecurity and taxpayer identity protection, and modernize the information technology of the Internal Revenue Service, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

APRIL 10, 2018

Mr. BISHOP of Michigan (for himself and Ms. DELBENE) introduced the following bill; which was referred to the Committee on Ways and Means

APRIL 13, 2018

Additional sponsors: Mr. SESSIONS, Mr. RENACCI, Mr. CURBELO of Florida, Mr. MARCHANT, and Mr. LEWIS of Georgia

APRIL 13, 2018

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 April 10, 2018]

A BILL

To amend the Internal Revenue Code of 1986 to improve cybersecurity and taxpayer identity protection, and modernize the information technology of the Internal Revenue Service, and for other purposes.

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 “21st*
 5 *Century IRS Act”.*

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

12 (c) *TABLE OF CONTENTS.*—*The table of contents of this*
 13 *Act is as follows:*

Sec. 1. Short title; etc.

TITLE I—CYBERSECURITY AND IDENTITY PROTECTION

Sec. 101. Public-private partnership to address identity theft refund fraud.

Sec. 102. Recommendations of Electronic Tax Administration Advisory Com-
mittee regarding identity theft refund fraud.

Sec. 103. Information sharing and analysis center.

Sec. 104. Compliance by contractors with confidentiality safeguards.

Sec. 105. Report on electronic payments.

TITLE II—DEVELOPMENT OF INFORMATION TECHNOLOGY

Sec. 201. Management of Internal Revenue Service information technology.

Sec. 202. Development of online accounts and portals.

Sec. 203. Internet platform for Form 1099 filings.

**TITLE III—MODERNIZATION OF CONSENT-BASED INCOME
 VERIFICATION SYSTEM**

Sec. 301. Disclosure of taxpayer information for third-party income verification.

*Sec. 302. Limit redisclosures and uses of consent-based disclosures of tax return
 information.*

TITLE IV—EXPANDED USE OF ELECTRONIC SYSTEMS

Sec. 401. Electronic filing of returns.

Sec. 402. Uniform standards for the use of electronic signatures for disclosure authorizations to, and other authorizations of, practitioners.

Sec. 403. Payment of taxes by debit and credit cards.

1 **TITLE I—CYBERSECURITY AND**
 2 **IDENTITY PROTECTION**

3 **SEC. 101. PUBLIC-PRIVATE PARTNERSHIP TO ADDRESS**
 4 **IDENTITY THEFT REFUND FRAUD.**

5 *The Secretary of the Treasury (or the Secretary’s dele-*
 6 *gate) shall work collaboratively with the public and private*
 7 *sectors to protect taxpayers from identity theft refund fraud.*

8 **SEC. 102. RECOMMENDATIONS OF ELECTRONIC TAX ADMIN-**
 9 **ISTRATION ADVISORY COMMITTEE REGARD-**
 10 **ING IDENTITY THEFT REFUND FRAUD.**

11 *The Secretary of the Treasury shall ensure that the ad-*
 12 *visory group convened by the Secretary pursuant to section*
 13 *2001(b)(2) of the Internal Revenue Service Restructuring*
 14 *and Reform Act of 1998 (commonly known as the Electronic*
 15 *Tax Administration Advisory Committee) studies (includ-*
 16 *ing by providing organized public forums) and makes rec-*
 17 *ommendations to the Secretary regarding methods to pre-*
 18 *vent identity theft and refund fraud.*

19 **SEC. 103. INFORMATION SHARING AND ANALYSIS CENTER.**

20 *(a) IN GENERAL.—The Secretary of the Treasury (or*
 21 *the Secretary’s delegate) may participate in an information*
 22 *sharing and analysis center to centralize, standardize, and*
 23 *enhance data compilation and analysis to facilitate sharing*

1 *actionable data and information with respect to identity*
2 *theft tax refund fraud.*

3 (b) *DEVELOPMENT OF PERFORMANCE METRICS.*—*The*
4 *Secretary of the Treasury (or the Secretary’s delegate) shall*
5 *develop metrics for measuring the success of such center in*
6 *detecting and preventing identity theft tax refund fraud.*

7 (c) *DISCLOSURE.*—

8 (1) *IN GENERAL.*—*Section 6103(k) is amended*
9 *by adding at the end the following new paragraph:*

10 “(13) *DISCLOSURE OF RETURN INFORMATION*
11 *FOR PURPOSES OF CYBERSECURITY AND THE PREVEN-*
12 *TION OF IDENTITY THEFT TAX REFUND FRAUD.*—

13 “(A) *IN GENERAL.*—*Under such procedures*
14 *and subject to such conditions as the Secretary*
15 *may prescribe, the Secretary may disclose speci-*
16 *fied return information to specified ISAC par-*
17 *ticipants to the extent that the Secretary deter-*
18 *mines such disclosure is in furtherance of effec-*
19 *tive Federal tax administration relating to the*
20 *detection or prevention of identity theft tax re-*
21 *fund fraud, validation of taxpayer identity, au-*
22 *thentication of taxpayer returns, or detection or*
23 *prevention of cybersecurity threats.*

24 “(B) *SPECIFIED ISAC PARTICIPANTS.*—*For*
25 *purposes of this paragraph—*

1 “(i) *IN GENERAL.*—The term ‘specified
2 *ISAC participant*’ means—

3 “(I) *any person designated by the*
4 *Secretary as having primary responsi-*
5 *bility for a function performed with re-*
6 *spect to the information sharing and*
7 *analysis center described in section*
8 *403(a) of the 21st Century IRS Act,*
9 *and*

10 “(II) *any person subject to the re-*
11 *quirements of section 7216 and which*
12 *is a participant in such information*
13 *sharing and analysis center.*

14 “(ii) *INFORMATION SHARING AGREE-*
15 *MENT.*—*Such term shall not include any*
16 *person unless such person has entered into*
17 *a written agreement with the Secretary set-*
18 *ting forth the terms and conditions for the*
19 *disclosure of information to such person*
20 *under this paragraph, including require-*
21 *ments regarding the protection and safe-*
22 *guarding of such information by such per-*
23 *son.*

1 “(C) *SPECIFIED RETURN INFORMATION.*—

2 *For purposes of this paragraph, the term ‘speci-*
3 *fied return information’ means—*

4 “(i) *in the case of a return which is in*
5 *connection with a case of potential identity*
6 *theft refund fraud—*

7 “(I) *in the case of such return*
8 *filed electronically, the internet pro-*
9 *TOCOL address, device identification,*
10 *email domain name, speed of comple-*
11 *tion, method of authentication, refund*
12 *method, and such other return infor-*
13 *mation related to the electronic filing*
14 *characteristics of such return as the*
15 *Secretary may identify for purposes of*
16 *this subclause, and*

17 “(II) *in the case of such return*
18 *prepared by a tax return preparer,*
19 *identifying information with respect to*
20 *such tax return preparer, including the*
21 *preparer taxpayer identification num-*
22 *ber and electronic filer identification*
23 *number of such preparer,*

24 “(ii) *in the case of a return which is*
25 *in connection with a case of a identity theft*

1 *refund fraud which has been confirmed by*
2 *the Secretary (pursuant to such procedures*
3 *as the Secretary may provide), the informa-*
4 *tion referred to in subclauses (I) and (II) of*
5 *clause (i), the name and taxpayer identi-*
6 *fication number of the taxpayer as it ap-*
7 *pears on the return, and any bank account*
8 *and routing information provided for mak-*
9 *ing a refund in connection with such re-*
10 *turn, and*

11 *“(iii) in the case of any cybersecurity*
12 *threat to the Internal Revenue Service, in-*
13 *formation similar to the information de-*
14 *scribed in subclauses (I) and (II) of clause*
15 *(i) with respect to such threat.*

16 *“(D) RESTRICTION ON USE OF DISCLOSED*
17 *INFORMATION.—*

18 *“(i) DESIGNATED THIRD PARTIES.—*
19 *Any return information received by a per-*
20 *son described in subparagraph (B)(i)(I)*
21 *shall be used only for the purposes of and*
22 *to the extent necessary in—*

23 *“(I) performing the function such*
24 *person is designated to perform under*
25 *such subparagraph,*

1 “(II) *facilitating disclosures au-*
2 *thorized under subparagraph (A) to*
3 *persons described in subparagraph*
4 *(B)(i)(II), and*

5 “(III) *facilitating disclosures au-*
6 *thorized under subsection (d) to par-*
7 *ticipants in such information sharing*
8 *and analysis center.*

9 “(ii) *RETURN PREPARERS.—Any re-*
10 *turn information received by a person de-*
11 *scribed in subparagraph (B)(i)(II) shall be*
12 *treated for purposes of section 7216 as in-*
13 *formation furnished to such person for, or*
14 *in connection with, the preparation of a re-*
15 *turn of the tax imposed under chapter 1.*

16 “(E) *DATA PROTECTION AND SAFE-*
17 *GUARDS.—Return information disclosed under*
18 *this paragraph shall be subject to such protec-*
19 *tions and safeguards as the Secretary may re-*
20 *quire in regulations or other guidance or in the*
21 *written agreement referred to in subparagraph*
22 *(B)(ii). Such written agreement shall include a*
23 *requirement that any unauthorized access to in-*
24 *formation disclosed under this paragraph, and*
25 *any breach of any system in which such infor-*

1 *mation is held, be reported to the Treasury In-*
2 *spector General for Tax Administration.”.*

3 (2) *APPLICATION OF CIVIL AND CRIMINAL PEN-*
4 *ALTIES.—*

5 (A) *Section 6103(a)(3) is amended by strik-*
6 *ing “subsection (k)(10)” and inserting “para-*
7 *graph (10) or (13) of subsection (k)”.*

8 (B) *Section 7213(a)(2) is amended by in-*
9 *serting “or (13)” after “(k)(10)”.*

10 **SEC. 104. COMPLIANCE BY CONTRACTORS WITH CONFIDEN-**
11 **TIALITY SAFEGUARDS.**

12 (a) *IN GENERAL.—Section 6103(p) is amended by*
13 *adding at the end the following new paragraph:*

14 “(9) *DISCLOSURE TO CONTRACTORS AND OTHER*
15 *AGENTS.—Notwithstanding any other provision of*
16 *this section, no return or return information shall be*
17 *disclosed to any contractor or other agent of a Fed-*
18 *eral, State, or local agency unless such agency, to the*
19 *satisfaction of the Secretary—*

20 “(A) *has requirements in effect which re-*
21 *quire each such contractor or other agent which*
22 *would have access to returns or return informa-*
23 *tion to provide safeguards (within the meaning*
24 *of paragraph (4)) to protect the confidentiality*
25 *of such returns or return information,*

1 “(B) agrees to conduct an on-site review
2 every 3 years (or a mid-point review in the case
3 of contracts or agreements of less than 3 years in
4 duration) of each contractor or other agent to de-
5 termine compliance with such requirements,

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

10 “(D) certifies to the Secretary for the most
11 recent annual period that such contractor or
12 other agent is in compliance with all such re-
13 quirements.

14 *The certification required by subparagraph (D) shall*
15 *include the name and address of each contractor and*
16 *other agent, a description of the contract or agreement*
17 *with such contractor or other agent, and the duration*
18 *of such contract or agreement. The requirements of*
19 *this paragraph shall not apply to disclosures pursu-*
20 *ant to subsection (n) for purposes of Federal tax ad-*
21 *ministration.”.*

22 (b) CONFORMING AMENDMENT.—Section
23 6103(p)(8)(B) is amended by inserting “or paragraph (9)”
24 after “subparagraph (A)”.

1 (c) *EFFECTIVE DATE.*—*The amendments made by this*
2 *section shall apply to disclosures made after December 31,*
3 *2022.*

4 **SEC. 105. REPORT ON ELECTRONIC PAYMENTS.**

5 *Not later than 2 years after the date of the enactment*
6 *of this Act, the Secretary (or the Secretary’s delegate), in*
7 *coordination with the Bureau of Fiscal Service and the In-*
8 *ternal Revenue Service, and in consultation with private*
9 *sector financial institutions, shall submit a written report*
10 *to Congress describing how the government can utilize new*
11 *payment platforms to increase the number of tax refunds*
12 *paid by electronic funds transfer. Such report shall weigh*
13 *the interests of reducing identity theft tax refund fraud, re-*
14 *ducing the Federal Government’s costs in delivering tax re-*
15 *funds, the costs and any associated fees charged to tax-*
16 *payers (including monthly and point-of-service fees) to ac-*
17 *cess their tax refunds, the impact on individuals who do*
18 *not have access to financial accounts or institutions, and*
19 *ensuring payments are made to accounts at a financial in-*
20 *stitution that complies with section 21 of the Federal De-*
21 *posit Insurance Act, chapter 2 of title I of Public Law 91-*
22 *508, and subchapter II of chapter 53 of title 31, United*
23 *States Code (commonly referred to collectively as the “Bank*
24 *Secrecy Act”)* and the USA PATRIOT Act. Such report

1 *shall include any legislative recommendations necessary to*
 2 *accomplish these goals.*

3 ***TITLE II—DEVELOPMENT OF***
 4 ***INFORMATION TECHNOLOGY***

5 ***SEC. 201. MANAGEMENT OF INTERNAL REVENUE SERVICE***
 6 ***INFORMATION TECHNOLOGY.***

7 (a) *DUTIES AND RESPONSIBILITIES OF INTERNAL*
 8 *REVENUE SERVICE CHIEF INFORMATION OFFICER.*—*Sec-*
 9 *tion 7803 is amended by adding at the end the following*
 10 *new subsection:*

11 “(f) *INTERNAL REVENUE SERVICE CHIEF INFORMA-*
 12 *TION OFFICER.*—

13 “(1) *IN GENERAL.*—*There shall be in the Inter-*
 14 *nal Revenue Service an Internal Revenue Service*
 15 *Chief Information Officer (hereafter referred to in this*
 16 *subsection as the ‘IRS CIO’) who shall be appointed*
 17 *by the Administrator of the Internal Revenue Service.*

18 “(2) *CENTRALIZED RESPONSIBILITY FOR INTER-*
 19 *NAL REVENUE SERVICE INFORMATION TECHNOLOGY.*—
 20 *The Administrator of the Internal Revenue Service*
 21 *(and the Secretary) shall act through the IRS CIO*
 22 *with respect to all development, implementation, and*
 23 *maintenance of information technology for the Inter-*
 24 *nal Revenue Service. Any reference in this subsection*
 25 *to the IRS CIO which directs the IRS CIO to take*

1 *any action, or to assume any responsibility, shall be*
2 *treated as a reference to the Administrator of the In-*
3 *ternal Revenue Service acting through the IRS CIO.*

4 “(3) *GENERAL DUTIES AND RESPONSIBIL-*
5 *ITIES.—The IRS CIO shall—*

6 “(A) *be responsible for the development, im-*
7 *plementation, and maintenance of information*
8 *technology for the Internal Revenue Service,*

9 “(B) *ensure that the information technology*
10 *of the Internal Revenue Service is secure and in-*
11 *tegrated,*

12 “(C) *maintain operational control of all in-*
13 *formation technology for the Internal Revenue*
14 *Service,*

15 “(D) *be the principal advocate for the infor-*
16 *mation technology needs of the Internal Revenue*
17 *Service, and*

18 “(E) *consult with the Chief Procurement*
19 *Officer of the Internal Revenue Service to ensure*
20 *that the information technology acquired for the*
21 *Internal Revenue Service is consistent with—*

22 “(i) *the goals and requirements speci-*
23 *fied in subparagraphs (A) through (D), and*

24 “(ii) *the strategic plan developed under*
25 *paragraph (4).*

1 “(4) *STRATEGIC PLAN.*—

2 “(A) *IN GENERAL.*—*The IRS CIO shall de-*
3 *velop and implement a multiyear strategic plan*
4 *for the information technology needs of the Inter-*
5 *nal Revenue Service. Such plan shall—*

6 “(i) *include performance measurements*
7 *of such technology and of the implementa-*
8 *tion of such plan,*

9 “(ii) *include a plan for an integrated*
10 *enterprise architecture of the information*
11 *technology of the Internal Revenue Service,*

12 “(iii) *include and take into account*
13 *the resources needed to accomplish such*
14 *plan,*

15 “(iv) *take into account planned major*
16 *acquisitions of information technology by*
17 *the Internal Revenue Service, including*
18 *Customer Account Data Engine 2 and the*
19 *Enterprise Case Management System, and*

20 “(v) *align with the needs and strategic*
21 *plan of the Internal Revenue Service.*

22 “(B) *PLAN UPDATES.*—*The IRS CIO shall,*
23 *not less frequently than annually, review and*
24 *update the strategic plan under subparagraph*
25 *(A) (including the plan for an integrated enter-*

1 *prise architecture described in subparagraph*
2 *(A)(ii) to take into account the development of*
3 *new information technology and the needs of the*
4 *Internal Revenue Service.*

5 “(5) *SCOPE OF AUTHORITY.*—

6 “(A) *INFORMATION TECHNOLOGY.*—*For*
7 *purposes of this subsection, the term ‘information*
8 *technology’ has the meaning given such term by*
9 *section 11101 of title 40, United States Code.*

10 “(B) *INTERNAL REVENUE SERVICE.*—*Any*
11 *reference in this subsection to the Internal Rev-*
12 *enue Service includes a reference to all compo-*
13 *nents of the Internal Revenue Service, includ-*
14 *ing—*

15 “(i) *the Office of the Taxpayer Advo-*
16 *cate,*

17 “(ii) *the Criminal Investigation Divi-*
18 *sion of the Internal Revenue Service, and*

19 “(iii) *except as otherwise provided by*
20 *the Secretary with respect to information*
21 *technology related to matters described in*
22 *subsection (b)(3)(B), the Office of the Chief*
23 *Counsel.”.*

1 (b) *INDEPENDENT VERIFICATION AND VALIDATION OF*
2 *THE CUSTOMER ACCOUNT DATA ENGINE 2 AND ENTER-*
3 *PRISE CASE MANAGEMENT SYSTEM.*—

4 (1) *IN GENERAL.*—*The Administrator of the In-*
5 *ternal Revenue Service shall enter into a contract*
6 *with an independent reviewer to verify and validate*
7 *the implementation plans (including the performance*
8 *milestones and cost estimates included in such plans)*
9 *developed for the Customer Account Data Engine 2*
10 *and the Enterprise Case Management System.*

11 (2) *DEADLINE FOR COMPLETION.*—*Such contract*
12 *shall require that such verification and validation be*
13 *completed not later than the date which is 1 year*
14 *after the date of the enactment of this Act.*

15 (3) *APPLICATION TO PHASES OF CADE 2.*—

16 (A) *IN GENERAL.*—*Paragraphs (1) and (2)*
17 *shall not apply to phase 1 of the Customer Ac-*
18 *count Data Engine 2 and shall apply separately*
19 *to each other phase.*

20 (B) *DEADLINE FOR COMPLETING PLANS.*—
21 *Not later than 1 year after the date of the enact-*
22 *ment of this Act, the Administrator of the Inter-*
23 *nal Revenue Service shall complete the develop-*
24 *ment of plans for all phases of the Customer Ac-*
25 *count Data Engine 2.*

1 (C) *DEADLINE FOR COMPLETION OF*
2 *VERIFICATION AND VALIDATION OF PLANS.—In*
3 *the case of any phase after phase 2 of the Cus-*
4 *tomers Account Data Engine 2, paragraph (2)*
5 *shall be applied by substituting “the date on*
6 *which the plan for such phase was completed”*
7 *for “the date of the enactment of this Act”.*

8 (c) *COORDINATION OF IRS CIO AND CHIEF PROCURE-*
9 *MENT OFFICER OF THE INTERNAL REVENUE SERVICE.—*

10 (1) *IN GENERAL.—The Chief Procurement Offi-*
11 *cer of the Internal Revenue Service shall—*

12 (A) *identify all significant IRS information*
13 *technology acquisitions and provide written noti-*
14 *fication to the Internal Revenue Service Chief*
15 *Information Officer (hereafter referred to in this*
16 *subsection as the “IRS CIO”) of each such acqui-*
17 *sition in advance of such acquisition, and*

18 (B) *regularly consult with the IRS CIO re-*
19 *garding acquisitions of information technology*
20 *for the Internal Revenue Service, including meet-*
21 *ing with the IRS CIO regarding such acqui-*
22 *sitions upon request.*

23 (2) *SIGNIFICANT IRS INFORMATION TECHNOLOGY*
24 *ACQUISITIONS.—For purposes of this subsection, the*

1 term “significant IRS information technology acqui-
2 sitions” means—

3 (A) any acquisition of information tech-
4 nology for the Internal Revenue Service in excess
5 of \$1,000,000, and

6 (B) such other acquisitions of information
7 technology for the Internal Revenue Service (or
8 categories of such acquisitions) as the IRS CIO,
9 in consultation with the Chief Procurement Offi-
10 cer of the Internal Revenue Service, may iden-
11 tify.

12 (3) SCOPE.—Terms used in this subsection which
13 are also used in section 7803(f) of the Internal Rev-
14 enue Code of 1986 (as amended by subsection (a))
15 shall have the same meaning as when used in such
16 section.

17 **SEC. 202. DEVELOPMENT OF ONLINE ACCOUNTS AND POR-**
18 **TALS.**

19 (a) IN GENERAL.—The Secretary of the Treasury or
20 the Secretary’s delegate (hereafter referred to in this section
21 as the “Secretary”) shall—

22 (1) develop secure individualized online accounts
23 to provide services to taxpayers and their designated
24 return preparers, including obtaining taxpayer infor-
25 mation, making payment of taxes, sharing docu-

1 *mentation, and (to the extent feasible) addressing and*
2 *correcting issues, and*

3 *(2) develop a process for the acceptance of tax*
4 *forms, and supporting documentation, in digital or*
5 *other electronic format.*

6 *(b) ELECTRONIC SERVICES TREATED AS SUPPLE-*
7 *MENTAL; APPLICATION OF SECURITY STANDARDS.—The*
8 *Secretary shall ensure that the processes described in sub-*
9 *section (a)—*

10 *(1) are a supplement to, and not a replacement*
11 *for, other services provided by the Internal Revenue*
12 *Service to taxpayers, including face-to-face taxpayer*
13 *assistance and services provided by phone, and*

14 *(2) comply with applicable security standards*
15 *and guidelines.*

16 *(c) PROCESS FOR DEVELOPING ONLINE ACCOUNTS.—*

17 *(1) DEVELOPMENT OF PLAN.—Not later than 1*
18 *year after the date of the enactment of this Act, the*
19 *Secretary shall submit to Congress a written report*
20 *describing the Secretary’s plan for developing the se-*
21 *cure individualized online accounts described in sub-*
22 *section (a)(1). Such plan shall address the feasibility*
23 *of taxpayers addressing and correcting issues through*
24 *such accounts and whether access to such accounts*
25 *should be restricted and in what manner.*

1 (2) *DEADLINE.*—*The Secretary shall make every*
2 *reasonable effort to make the secure individualized on-*
3 *line accounts described in subsection (a)(1) available*
4 *to taxpayers by December 31, 2023.*

5 **SEC. 203. INTERNET PLATFORM FOR FORM 1099 FILINGS.**

6 (a) *IN GENERAL.*—*Not later than January 1, 2023,*
7 *the Secretary of the Treasury or the Secretary’s delegate*
8 *(hereafter referred to in this section as the “Secretary”)*
9 *shall make available an Internet website or other electronic*
10 *media, with a user interface and functionality similar to*
11 *the Business Services Online Suite of Services provided by*
12 *the Social Security Administration, that will provide access*
13 *to resources and guidance provided by the Internal Revenue*
14 *Service and will allow persons to—*

15 (1) *prepare and file Forms 1099,*

16 (2) *prepare Forms 1099 for distribution to re-*
17 *ipients other than the Internal Revenue Service, and*

18 (3) *maintain a record of completed and sub-*
19 *mitted Forms 1099.*

20 (b) *ELECTRONIC SERVICES TREATED AS SUPPLE-*
21 *MENTAL; APPLICATION OF SECURITY STANDARDS.*—*The*
22 *Secretary shall ensure that the services described in sub-*
23 *section (a)—*

1 (1) are a supplement to, and not a replacement
2 for, other services provided by the Internal Revenue
3 Service to taxpayers, and

4 (2) comply with applicable security standards
5 and guidelines.

6 **TITLE III—MODERNIZATION OF**
7 **CONSENT-BASED INCOME**
8 **VERIFICATION SYSTEM**

9 **SEC. 301. DISCLOSURE OF TAXPAYER INFORMATION FOR**
10 **THIRD-PARTY INCOME VERIFICATION.**

11 (a) *IN GENERAL.*—Not later than 1 year after the close
12 of the 2-year period described in subsection (d)(1), the Sec-
13 retary of the Treasury or the Secretary’s delegate (hereafter
14 referred to in this section as the “Secretary”) shall imple-
15 ment a program to ensure that any qualified disclosure—

16 (1) is fully automated and accomplished through
17 the Internet, and

18 (2) is accomplished in as close to real-time as is
19 practicable.

20 (b) *QUALIFIED DISCLOSURE.*—For purposes of this
21 section, the term “qualified disclosure” means a disclosure
22 under section 6103(c) of the Internal Revenue Code of 1986
23 of returns or return information by the Secretary to a per-
24 son seeking to verify the income or creditworthiness of a

1 taxpayer who is a borrower in the process of a loan applica-
2 tion.

3 (c) *APPLICATION OF SECURITY STANDARDS.*—The Sec-
4 retary shall ensure that the program described in subsection
5 (a) complies with applicable security standards and guide-
6 lines.

7 (d) *USER FEE.*—

8 (1) *IN GENERAL.*—During the 2-year period be-
9 ginning on the first day of the 6th calendar month be-
10 ginning after the date of the enactment of this Act,
11 the Secretary shall assess and collect a fee for quali-
12 fied disclosures (in addition to any other fee assessed
13 and collected for such disclosures) at such rates as the
14 Secretary determines are sufficient to cover the costs
15 related to implementing the program described in
16 subsection (a), including the costs of any necessary
17 infrastructure or technology.

18 (2) *DEPOSIT OF COLLECTIONS.*—Amounts re-
19 ceived from fees assessed and collected under para-
20 graph (1) shall be deposited in, and credited to, an
21 account solely for the purpose of carrying out the ac-
22 tivities described in subsection (a). Such amounts
23 shall be available to carry out such activities without
24 need of further appropriation and without fiscal year
25 limitation.

1 **SEC. 302. LIMIT REDISCLOSURES AND USES OF CONSENT-**
2 **BASED DISCLOSURES OF TAX RETURN INFOR-**
3 **MATION.**

4 (a) *IN GENERAL.*—Section 6103(c) is amended by add-
5 ing at the end the following: “Persons designated by the tax-
6 payer under this subsection to receive return information
7 shall not use the information for any purpose other than
8 the express purpose for which consent was granted and shall
9 not disclose return information to any other person without
10 the express permission of, or request by, the taxpayer.”.

11 (b) *APPLICATION OF PENALTIES.*—Section 6103(a)(3)
12 is amended by inserting “subsection (c),” after “return in-
13 formation under”.

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

17 **TITLE IV—EXPANDED USE OF**
18 **ELECTRONIC SYSTEMS**

19 **SEC. 401. ELECTRONIC FILING OF RETURNS.**

20 (a) *IN GENERAL.*—Section 6011(e)(2)(A) is amended
21 by striking “250” and inserting “the applicable number of”.

22 (b) *APPLICABLE NUMBER.*—Section 6011(e) is amend-
23 ed by adding at the end the following new paragraph:

24 “(6) *APPLICABLE NUMBER.*—For purposes of
25 paragraph (2)(A), the applicable number shall be de-
26 termined in accordance with the following table:

1 “(A) in the case of calendar years before
2 2020, 250,

3 “(B) in the case of calendar year 2020, 100,
4 and

5 “(C) in the case of calendar years after
6 2020, 10.”.

7 (c) *RETURNS FILED BY A TAX RETURN PREPARER.*—
8 Section 6011(e)(3) is amended by adding at the end the
9 following new subparagraph:

10 “(D) *EXCEPTION FOR CERTAIN PREPARERS*
11 *LOCATED IN AREAS WITHOUT INTERNET AC-*
12 *CESS.*—The Secretary may waive the require-
13 ment of subparagraph (A) if the Secretary deter-
14 mines, on the basis of an application by the tax
15 return preparer, that the preparer cannot meet
16 such requirement by reason of being located in a
17 geographic area which does not have access to
18 internet service (other than dial-up or satellite
19 service).”.

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

1 **SEC. 402. UNIFORM STANDARDS FOR THE USE OF ELEC-**
2 **TRONIC SIGNATURES FOR DISCLOSURE AU-**
3 **THORIZATIONS TO, AND OTHER AUTHORIZA-**
4 **TIONS OF, PRACTITIONERS.**

5 *Section 6061(b)(3) is amended to read as follows:*

6 *“(3) PUBLISHED GUIDANCE.—*

7 *“(A) IN GENERAL.—The Secretary shall*
8 *publish guidance as appropriate to define and*
9 *implement any waiver of the signature require-*
10 *ments or any method adopted under paragraph*
11 *(1).*

12 *“(B) ELECTRONIC SIGNATURES FOR DIS-*
13 *CLOSURE AUTHORIZATIONS TO, AND OTHER AU-*
14 *THORIZATIONS OF, PRACTITIONERS.—Not later*
15 *than 6 months after the date of the enactment of*
16 *this subparagraph, the Secretary shall publish*
17 *guidance to establish uniform standards and*
18 *procedures for the acceptance of taxpayers’ sig-*
19 *natures appearing in electronic form with re-*
20 *spect to any request for disclosure of a taxpayer’s*
21 *return or return information under section*
22 *6103(c) to a practitioner or any power of attor-*
23 *ney granted by a taxpayer to a practitioner.*

24 *“(C) PRACTITIONER.—For purposes of sub-*
25 *paragraph (B), the term ‘practitioner’ means*
26 *any individual in good standing who is regu-*

1 *lated under section 330 of title 31, United States*
2 *Code.”.*

3 **SEC. 403. PAYMENT OF TAXES BY DEBIT AND CREDIT**
4 **CARDS.**

5 *Section 6311(d)(2) is amended by adding at the end*
6 *the following: “The preceding sentence shall not apply to*
7 *the extent that the Secretary ensures that any such fee or*
8 *other consideration is fully recouped by the Secretary in*
9 *the form of fees paid to the Secretary by persons paying*
10 *taxes imposed under subtitle A with credit, debit, or charge*
11 *cards pursuant to such contract. Notwithstanding the pre-*
12 *ceding sentence, the Secretary shall seek to minimize the*
13 *amount of any fee or other consideration that the Secretary*
14 *pays under any such contract.”.*

Union Calendar No. 489

115TH CONGRESS
2D SESSION

H. R. 5445

[Report No. 115-638]

A BILL

To amend the Internal Revenue Code of 1986 to improve cybersecurity and taxpayer identity protection, and modernize the information technology of the Internal Revenue Service, and for other purposes.

APRIL 13, 2018

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