

119TH CONGRESS
2D SESSION

S. 5143

To amend the Internal Revenue Code of 1986 to modify procedural requirements for penalties and disallowance periods.

IN THE SENATE OF THE UNITED STATES

JULY 28, 2026

Mr. BENNET introduced the following bill; which was read twice and referred to the Committee on Finance

A BILL

To amend the Internal Revenue Code of 1986 to modify procedural requirements for penalties and disallowance periods.

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. MODIFICATION OF PROCEDURAL REQUIRE-**
4 **MENTS FOR PENALTIES AND DISALLOWANCE**
5 **PERIODS.**

6 (a) IN GENERAL.—Section 6751(b) of the Internal
7 Revenue Code of 1986 is amended—

8 (1) by striking paragraph (1) and inserting the
9 following:

1 “(1) IN GENERAL.—No penalty under this title
2 shall be assessed, and no disallowance period shall
3 take effect, unless—

4 “(A) the decision (as defined by the Sec-
5 retary in regulations) to apply such penalty or
6 disallowance period, as applicable, is personally
7 approved (in writing on an electronic form)
8 by—

9 “(i) the immediate supervisor of the
10 individual making such decision, or

11 “(ii) the Internal Revenue Service Of-
12 fice of Servicewide Penalties (or any suc-
13 cessor organization), and

14 “(B) the approval described in subpara-
15 graph (A) is obtained on or before the date any
16 appealable notice is sent to the taxpayer regard-
17 ing the application of such penalty or disallow-
18 ance period.”, and

19 (2) by adding at the end the following:

20 “(3) APPEALABLE NOTICE.—For purposes of
21 this subsection, the term ‘appealable notice’ means
22 the first written notice issued to a taxpayer that pro-
23 vides the taxpayer an opportunity to—

1 “(A) appeal the decision to the Internal
 2 Revenue Service Independent Office of Appeals,
 3 or

4 “(B) petition a Federal court for review of
 5 the decision.”.

6 (b) DISALLOWANCE PERIOD.—Section 6751 of the
 7 Internal Revenue Code of 1986 is amended by adding at
 8 the end the following new subsection:

9 “(d) DISALLOWANCE PERIOD.—

10 “(1) IN GENERAL.—For purposes of this sec-
 11 tion, the term ‘disallowance period’ means—

12 “(A) with respect to any credit under sec-
 13 tion 24, the period determined under section
 14 24(g)(1),

15 “(B) with respect to any credit under sec-
 16 tion 25A, the period determined under section
 17 25A(b)(4)(A), and

18 “(C) with respect to any credit under sec-
 19 tion 32, the period determined under section
 20 32(k)(1).

21 “(2) APPROVAL REQUIRED FOR DISALLOWANCE
 22 PERIOD AUTOMATICALLY CALCULATED THROUGH
 23 ELECTRONIC MEANS.—With respect to the applica-
 24 tion of any disallowance period, subsection (b)(2)(B)
 25 shall not apply.”.

1 (c) EFFECTIVE DATE.—The amendments made by
2 this section shall apply to notices sent after the date which
3 is 12 months after the date of the enactment of this Act.

4 (d) REPORT.—Not later than 24 months after the
5 date of the enactment of this Act, and annually thereafter,
6 the Secretary of the Treasury (or the Secretary’s delegate)
7 shall make publicly available a report regarding all pen-
8 alties assessed by the Internal Revenue Service pursuant
9 to the Internal Revenue Code of 1986 during the pre-
10 ceding calendar year, with all relevant data regarding such
11 penalties to be collected and reported with respect to—

12 (1) every organizational unit of the Internal
13 Revenue Service that has power to assess, abate, or
14 otherwise enforce any penalty imposed by the Inter-
15 nal Revenue Service under the Internal Revenue
16 Code of 1986, and

17 (2) the progression of such penalties at each
18 step of the determination, assessment, and review
19 processes, as well as the final result with respect to
20 such penalties.

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