

TAXPAYER DUE PROCESS ENHANCEMENT ACT

JANUARY 7, 2026.—Committed to the Committee of the Whole House on the State of the Union and ordered to be printed

Mr. SMITH of Missouri, from the Committee on Ways and Means, submitted the following

R E P O R T

[To accompany H.R. 6506]

The Committee on Ways and Means, to whom was referred the bill (H.R. 6506) to amend the Internal Revenue Code of 1986 to suspend the period of limitations on filing a claim for credit or refund during collection action proceedings, to prohibit the crediting of overpayments against disputed tax liability during such proceedings, and to expand the jurisdiction of the Tax Court, having considered the same, reports favorably thereon with an amendment and recommends that the bill as amended do pass.

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The amendment is as follows:

Strike all after the enacting clause and insert the following:

SECTION 1. SHORT TITLE.

This Act may be cited as the “Taxpayer Due Process Enhancement Act”.

SEC. 2. SUSPENSION OF PERIOD OF LIMITATIONS ON FILING A CLAIM FOR CREDIT OR REFUND DURING COLLECTION ACTION PROCEEDINGS.

(a) **IN GENERAL.**—Section 6330(e)(1) of the Internal Revenue Code of 1986 is amended by inserting “subsection (a), (b), or (c) of section 6511 (relating to limitations on credit or refund),” after “section 6502 (relating to collection after assessment),”.

(b) **PERIOD OF LIMITATIONS ON FILING A CLAIM FOR CREDIT OR REFUND.**—Section 6330(e) of such Code is amended by adding at the end the following new paragraph:

“(3) **PERIOD OF LIMITATIONS ON FILING A CLAIM FOR CREDIT OR REFUND.**—In the case of the running of any period of limitations under subsection (a), (b), or (c) of section 6511 with respect to the filing of any claim for credit or refund, paragraph (1)—

“(A) shall apply only to the extent that such credit or refund relates to an underlying tax liability properly disputed at the hearing requested under this section, and

“(B) shall not result in a suspension of the running of such period of limitations after any date on which a lapse of a deadline, a court filing, or a court order establishes that the taxpayer has forfeited or otherwise lost the right to pursue such dispute.”

(c) **CROSS REFERENCE.**—Section 6511(i) of such Code is amended by adding at the end the following new paragraph:

“(8) For limitations in case of collection action proceedings, see section 6330(e).”.

(d) **EFFECTIVE DATE.**—The amendments made by this section shall apply to the running of any period of limitations if such period (determined without regard to the amendments made by this section) ends on or after the date of the enactment of this Act.

SEC. 3. PROHIBITION ON CREDITING OF OVERPAYMENTS AGAINST DISPUTED TAX LIABILITY DURING COLLECTION ACTION PROCEEDINGS.

(a) **IN GENERAL.**—Section 6402 of the Internal Revenue Code of 1986 is amended by adding at the end the following new subsection:

“(o) **PROHIBITION ON CREDITING OF OVERPAYMENTS AGAINST DISPUTED TAX LIABILITY DURING COLLECTION ACTION PROCEEDINGS.**—If a hearing is properly requested under section 6320(a)(3)(B) or 6330(a)(3)(B), and an underlying tax liability referred to in section 6330(c)(2)(B) is properly disputed at such hearing, such tax liability shall not, except with the consent of the taxpayer, be taken into account under subsection (a) for the period during which the period of limitations for filing a claim for credit or refund relating to such tax liability is suspended by reason of section 6330(e).”.

(b) **CLARIFICATION OF APPLICATION OF CERTAIN LEVY HEARING RULES TO LIEN HEARINGS.**—Section 6330(c)(2)(A) of such Code is amended by striking “unpaid tax or the proposed levy” and inserting “unpaid tax, collection action, or proposed collection action”.

(c) **EFFECTIVE DATES.**—

(1) **IN GENERAL.**—The amendment made by subsection (a) shall apply with respect to any period described in section 6402(o) of the Internal Revenue Code of 1986 (as added by this section) if any portion of such period is after the date of the enactment of this Act.

(2) **CLARIFICATION OF APPLICATION OF CERTAIN LEVY HEARING RULES TO LIEN HEARINGS.**—The amendment made by subsection (b) shall take effect on the date of the enactment of this Act.

SEC. 4. EXPANSION OF JURISDICTION OF TAX COURT.

(a) **IN GENERAL.**—Section 6330(d)(1) of the Internal Revenue Code of 1986 is amended to read as follows:

“(1) **PETITION FOR REVIEW BY TAX COURT.**—

“(A) IN GENERAL.—In the case of a determination under this section, the person may, within 30 days of such determination, petition the Tax Court for review of—

“(i) such determination, and

“(ii) any underlying tax liability referred to in subsection (c)(2)(B) which is properly disputed at the hearing in which such determination is made.

“(B) JURISDICTION OF TAX COURT.—Upon the filing of a petition, the Tax Court shall have jurisdiction with respect to—

“(i) the determination referred to in subparagraph (A)(i),

“(ii) any underlying tax liability referred to in subparagraph (A)(ii), and

“(iii) any equitable tolling of the 30-day deadline referred to in subparagraph (A).

“(C) RETENTION OF JURISDICTION.—Upon a determination being made under this section, subparagraphs (A) and (B) shall apply whether or not the Secretary abandons the collection action or proposed collection action at issue in such determination.”.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply with respect to petitions filed after the date of the enactment of this Act.

I. SUMMARY AND BACKGROUND

A. PURPOSE AND SUMMARY

The bill, H.R. 6506, the “Taxpayer Due Process Enhancement Act,” as amended, was ordered reported by the Committee on Ways and Means on December 10, 2025.

The bill provides additional safeguards for taxpayers contesting collection actions by the Internal Revenue Service (“IRS”). Specifically, the bill suspends the period of limitations for filing certain claims for credit or refund while certain collection action disputes are pending, prohibits the IRS from crediting overpayments against certain tax liabilities at issue in collection action disputes, and provides the United States Tax Court with continuing jurisdiction over collection determinations and certain tax liabilities in collection action disputes.

B. BACKGROUND AND NEED FOR LEGISLATION

The U.S. Tax Court is a federal trial court established by Congress under Article I of the Constitution which specializes in adjudicating disputes over federal income tax, generally prior to formal tax assessments made by the IRS. The Tax Court is the only forum in which taxpayers may litigate tax matters without having first paid the disputed tax in full. If a taxpayer owes federal taxes and does not pay, in most cases the IRS can issue a levy on the taxpayer’s property or file a lien notice against the taxpayer’s property. The IRS must inform the taxpayer by notice before making the levy or within five days of filing the notice of lien, and the IRS’s notice must indicate the taxpayer’s right to request a hearing with the IRS Independent Office of Appeals to dispute the collection action, generally called a “collection due process” hearing. After IRS Appeals issues a determination from a collection due process hearing, the taxpayer can petition the Tax Court to challenge that decision.

In June 2025, the Supreme Court ruled in *Commissioner v. Zuch* that the Tax Court cannot hear a CDP appeal if the IRS drops its levy and chooses a different method to take the taxpayer’s assets. The Court also said the IRS acted properly when it used the tax-

payer's refunds to settle disputed tax liability. This legislation is a response to the Supreme Court's ruling with the goal of ensuring that taxpayers' due process rights are protected.

This bill suspends the period of limitations for filing a claim for credit or refund during a CDP proceeding, giving taxpayers an extended opportunity to receive their refunds; blocks the IRS from applying a taxpayer's overpayments to any tax they are currently disputing, meaning the IRS cannot use a taxpayer's old refunds against them during collection action proceedings; and expands the Tax Court's collection due process jurisdiction, so taxpayers can choose Tax Court over district court, which is more accessible and cheaper.

C. LEGISLATIVE HISTORY

Background

H.R. 6506 was introduced on December 9, 2025, and was referred to the Committee on Ways and Means.

Committee Hearings

On February 11, 2025, the Committee on Ways and Means Oversight Subcommittee held a hearing titled, "IRS Return on Investment and the Need for Modernization" to examine the lack of return on investment from funding provided to the IRS by the Inflation Reduction Act and the need for information technology modernization at the agency.

Committee Action

The Committee on Ways and Means marked up H.R. 6506, the Taxpayer Due Process Enhancement Act, on December 10, 2025, and favorably reported the bill, as amended, to the House of Representatives (with quorum being present).

D. DESIGNATED HEARING

Pursuant to clause 3(c)(6) of rule XIII, the following hearing was used to develop and consider H.R. 6506:

On February 11, 2025, the Committee on Ways and Means Oversight Subcommittee held a hearing titled, "IRS Return on Investment and the Need for Modernization" to examine the lack of return on investment from funding provided to the IRS by the Inflation Reduction Act and the need for information technology modernization at the agency.

II. EXPLANATION OF THE BILL

A. COLLECTION DUE PROCESS HEARINGS, TAX COURT REVIEW, AND CLAIMS FOR CREDIT OR REFUND

PRESENT LAW

Collection due process hearings

When a taxpayer neglects or refuses to pay an internal revenue tax liability, in most cases the Internal Revenue Service ("IRS") may levy on the taxpayer's property or file a notice of Federal tax

lien against the taxpayer's property.¹ Generally the IRS must inform the taxpayer by notice before making the levy or within five days of filing the notice of lien, and the notice must indicate the taxpayer's right to request a hearing with the IRS Independent Office of Appeals ("IRS Appeals") to dispute the collection action, generally called a "collection due process" hearing.² If the taxpayer properly requests a hearing, the IRS Appeals officer generally must (1) verify that the requirements of any applicable law or administrative procedure relating to the collection action have been met, (2) consider any relevant issues raised by the taxpayer, including collection alternatives such as an installment agreement or offer-in-compromise, and (3) determine whether the collection action balances the need for efficient collection of taxes with the taxpayer's legitimate concern that collection be no more intrusive than necessary.³

The taxpayer may raise challenges to the existence or amount of the underlying tax liability only if the taxpayer did not receive a notice of deficiency for the liability or did not otherwise have a prior opportunity to dispute the liability.⁴ Examples of a prior opportunity include (1) a bankruptcy case in which the IRS filed a proof of claim for the liability (whether or not the taxpayer disputed the claim),⁵ and (2) an opportunity (whether or not availed of) for a conference with IRS Appeals regarding the liability, unless the liability is for a tax subject to deficiency procedures.⁶

The taxpayer generally may not raise an issue (including an underlying tax liability) at a collection due process hearing if, among other reasons, the issue was raised and considered at a previous collection due process hearing or in any other previous administrative or judicial proceeding in which the taxpayer meaningfully participated.⁷

Once a taxpayer has properly requested a collection due process hearing relating to a proposed levy, in most cases the IRS may not pursue a levy for the tax liability at issue for the duration of the hearing and any appeals of the hearing determination.⁸ Also, the following periods of limitation generally are suspended for the duration of the hearing and any appeals:⁹ (1) any period of limitation for the post-assessment collection of a tax liability regarding which the hearing was requested (typically a 10-year period),¹⁰ (2) any period of limitation to bring criminal charges against the taxpayer with respect to a tax liability regarding which the hearing was re-

¹ Secs. 6321, 6331.

² Secs. 6320(a), 6330(a).

³ Sec. 6330(c).

⁴ Sec. 6330(c)(2)(B).

⁵ See, e.g., *Kendricks v. Commissioner*, 124 T.C. 69 (2005).

⁶ Treas. Reg. sec. 301.6330-1(e)(3), Q&A-E2; *Lewis v. Commissioner*, 128 T.C. 48 (2007). The taxes subject to deficiency procedures are income tax, gift tax, estate tax, and certain excise taxes. See secs. 6211(a), 6212(a).

⁷ Sec. 6330(c)(4)(A).

⁸ Sec. 6330(e)(1); Treas. Reg. sec. 1.6330-1(g)(1). The prohibition on levy activity while an appeal is pending does not apply if the underlying tax liability is not at issue in the appeal and the court determines that the IRS has shown good cause not to suspend the levy. Sec. 6330(e)(2); see also sec. 6330(f) (providing that the collection due process protections generally do not apply in the following circumstances: (1) the IRS duly determines that collection of the tax in question is in jeopardy; (2) the IRS levies on a taxpayer's State tax refund; (3) the IRS levies to collect employment taxes owed by a person who requested a collection due process hearing with respect to unpaid employment taxes arising in the two-year period preceding the beginning of the taxable period in which the levy is served; and (4) the IRS levies on a Federal contractor).

⁹ Sec. 6330(e)(1); Treas. Reg. secs. 1.6330-1(g)(2) Q&A-G1, 1.6320-1(g)(2) Q&A-G1.

¹⁰ See sec. 6502.

requested (typically a three- or six-year period following commission of the offense),¹¹ (3) any period of limitation for the taxpayer to bring suit against the United States to remedy the wrongful collection of a tax regarding which the hearing was requested (typically a two-year period following the IRS's disallowance of the prerequisite claim for credit or refund),¹² (4) any period of limitation for the United States to bring suit against the taxpayer to recover an erroneous refund of a tax regarding which the hearing was requested (typically a two-year period following the making of the refund),¹³ and (5) any period of limitation for certain third parties to bring suit against the United States relating to levies and liens used to collect a tax regarding which the hearing was requested (typically a two-year period following the levy or the sale of property subject to lien).¹⁴

The pendency of a collection due process hearing or an appeal therefrom does not affect the general rule that the IRS may credit overpayments made by the taxpayer for one tax and tax period to other taxes and tax periods with outstanding assessed liabilities.¹⁵ Therefore, while a collection due process hearing or appeal is pending, the IRS may credit overpayments for taxes and tax periods not at issue in the hearing or appeal against the tax liabilities subject to the liens or levies at issue in the hearing or appeal.

Tax Court review

Once IRS Appeals issues a notice of determination after a collection due process hearing, the taxpayer may file a petition with the United States Tax Court ("Tax Court") to appeal the determination.¹⁶ The petition generally must be filed within 30 days of the mailing of the notice of determination.¹⁷ However, the Supreme Court has held that the 30-day deadline is not jurisdictional (that is, the Tax Court has jurisdiction over late-filed petitions) and is subject to equitable tolling.¹⁸

In a collection due process appeal, the Tax Court considers a challenge to the underlying tax liability only if the taxpayer challenged the liability during the IRS Appeals hearing and was entitled to do so.¹⁹ When the underlying liability is reviewable, the Tax Court reviews it *de novo* (that is, not giving deference to the IRS's determination of the liability) and considers evidence introduced at trial beyond what is contained in the IRS's administrative record of the hearing.²⁰

In *Commissioner v. Zuch*, the Supreme Court held that the Tax Court loses jurisdiction over a collection due process appeal when, after the petition is filed, the IRS revokes its determination to maintain or pursue the lien or levy at issue—for instance, because the IRS has applied the taxpayer's overpayments from other tax

¹¹ See sec. 6531.

¹² See sec. 6532(a).

¹³ See sec. 6532(b).

¹⁴ See sec. 6532(c).

¹⁵ See sec. 6402(a).

¹⁶ Sec. 6330(d).

¹⁷ Sec. 6330(d)(1).

¹⁸ *Boechler, P.C. v. Commissioner*, 596 U.S. 199 (2022). "[E]quitable tolling pauses the running of, or 'tolls,' a [period] of limitations when a litigant has pursued his rights diligently but some extraordinary circumstance prevents him from bringing a timely action." *Lozano v. Montoya Alvarez*, 572 U.S. 1, 10 (2014).

¹⁹ See *Gozz v. Commissioner*, 114 T.C. 176, 181–82 (2000).

²⁰ *Ibid.*; *Jordan v. Commissioner*, 134 T.C. 1, 8–9 (2010).

years to fully satisfy the liability at issue in the Tax Court case.²¹ Therefore, even if the underlying liability was otherwise reviewable, the Tax Court may not review it if the IRS revokes its determination.²² Instead, if the taxpayer believes that amounts have been improperly credited towards the alleged underlying liability, the taxpayer must fully pay the alleged liability (if not already fully paid) and, if the relevant period of limitations has not expired, may file a claim for credit or refund. If the IRS rejects the claim or fails to act on it, the taxpayer may file suit in a U.S. district court or the U.S. Court of Federal Claims.²³

Limitations on claims for credit or refund

If a taxpayer wishes to recover an overpayment²⁴ of any internal revenue tax, generally the taxpayer must file a claim for credit or refund with the IRS within three years of filing the relevant tax return or (if later) within two years of paying the tax.²⁵ If the taxpayer did not file a return for the tax in question, the claim must be filed within two years of paying the tax.²⁶ If the taxpayer and the IRS have executed an agreement to extend the period for assessing a tax (which normally runs for three years after the return is filed),²⁷ and the agreement was executed before the expiration of the usual period for filing a claim for credit or refund of the tax at issue, then the deadline for filing the claim typically is extended to six months after the agreed-upon deadline for assessment.²⁸

The normal period of limitations for filing a claim for credit or refund may be replaced by or supplemented with a longer or additional period in certain enumerated cases, such as an overpayment attributable to a deduction for a worthless debt or security (in which case the claim may be filed within seven years of the due date for the relevant return) or an overpayment attributable to the foreign tax credit (in which case the claim may be filed within 10 years of the due date for filing a return for the year in which the foreign taxes were paid or accrued).²⁹ Additionally, the normal period of limitations generally is suspended for an individual taxpayer during periods when that taxpayer is financially disabled.³⁰

Even if a taxpayer properly and timely files a claim for credit or refund, the amount of credit or refund allowed may not exceed the amount of the relevant tax paid during the applicable “lookback” period. If the claim for credit or refund was filed within three years of filing the relevant tax return, the lookback period generally is

²¹ *Commissioner v. Zuch*, 605 U.S. 422 (2025).

²² *Ibid.* at 431–32.

²³ Secs. 6532(a)(1), 7422; 28 U.S.C. sec. 1346(a)(1).

²⁴ According to the Supreme Court, an overpayment occurs “when a taxpayer pays more than is owed, for whatever reason or no reason at all.” *United States v. Dalm*, 494 U.S. 596, 609 n.6 (1990). Section 6401(a) also provides: “The term ‘overpayment’ includes that part of the amount of the payment of any internal revenue tax which is assessed or collected after the expiration of the period of limitation properly applicable thereto.”

²⁵ Sec. 6511(a). If the IRS determines, in response to a timely claim, that an overpayment was made, generally it may credit the overpayment (plus interest) against any other internal revenue tax liabilities of the taxpayer and refund the balance, if any. Sec. 6402(a).

²⁶ Sec. 6511(a).

²⁷ See sec. 6501(a), (c)(4).

²⁸ Sec. 6511(c)(1).

²⁹ See sec. 6511(d); see also secs. 547(b)(2), 1314(b), 2014(e), 2058(b), 6013(b)(3)(B), 6411, 6427(i)(2), 6512(b), 7508(a)(1)(E), 7508A.

³⁰ Sec. 6511(h). For these purposes, an individual is financially disabled if such individual is unable to manage his financial affairs by reason of a medically determinable physical or mental impairment which can be expected to result in death or which has lasted or can be expected to last for a continuous period of not less than 12 months. Sec. 6511(h)(2)(A).

the three years (plus any extension of time granted for filing the return) immediately preceding the filing of the claim.³¹ If the claim for credit or refund was filed within two years of paying the tax but more than three years after filing the relevant return, the lookback period generally is the two years immediately preceding the filing of the claim.³² If the IRS allows a credit or refund other than in response to a filed claim, the lookback period is the period that would apply if the taxpayer had filed a claim on the date the credit or refund is allowed.³³ In cases where the taxpayer and the IRS have executed an agreement to extend the period for assessing a tax, and a claim is filed (or a credit or refund otherwise allowed) after the agreement's execution and before the expiration of six months following the agreed-upon assessment deadline, the amount of credit or refund allowed with respect to the tax in question may not exceed the sum of (1) the amount of the tax paid in the lookback period that would apply if a claim had been filed on the date of the agreement's execution, plus (2) the amount of the tax paid between the agreement's execution and the filing of the claim (or the making of the credit or refund).³⁴

REASONS FOR CHANGE

The Committee believes that the IRS should not be permitted to credit overpayments against tax liabilities that are properly under dispute in a collection due process hearing or appeal. The Committee further believes that taxpayers properly disputing the IRS's assertion of tax liability in a collection due process hearing or appeal should have an extension of time to file a claim for credit or refund regarding that liability. Finally, the Committee does not believe that the IRS should be able to deprive the Tax Court of jurisdiction over a collection due process determination or an underlying liability dispute simply by abandoning collection efforts.

B. EXPLANATION OF PROVISIONS

Suspension of period of limitations on filing a claim for credit or refund during collection due process proceedings

If a taxpayer requests a collection due process hearing, the provision in some cases suspends the running of the normal period of limitations for filing a claim for credit or refund from the date the IRS receives the taxpayer's hearing request until the hearing concludes and all appeal rights have lapsed or been exhausted. The suspension applies only to a claim for credit or refund of a tax properly disputed at the hearing, and the suspension ends after any date on which a lapse of a deadline, a court filing, or a court order establishes that the taxpayer has forfeited or otherwise lost the right to dispute the amount of the tax liability.

The suspension provided by the provision applies to the extended period for filing a claim for credit or refund in the case of an agreement between the taxpayer and the IRS to extend the period for assessing tax,³⁵ and it also applies to the lookback periods for de-

³¹ Sec. 6511(b)(2)(A).

³² Sec. 6511(b)(2)(B).

³³ Sec. 6511(b)(2)(C).

³⁴ Sec. 6511(c)(2).

³⁵ See sec. 6511(c).

termining the amount of credit or refund allowed in response to a timely claim.³⁶ The suspension provided by the provision does not apply to the extended periods of limitations for certain enumerated types of overpayments, such as those attributable to a deduction for a worthless debt or security or the foreign tax credit.³⁷

Prohibition on crediting of overpayments against disputed tax liability during collection action proceedings

In the case of a taxpayer who properly disputes the liability amount at a collection due process hearing, the provision generally prohibits the IRS, from the time it receives the hearing request until the hearing concludes and all appeal rights have lapsed or been exhausted, from crediting any overpayments made by the taxpayer for other taxes or tax periods against the liability in dispute. The prohibition may be waived by the taxpayer, and the prohibition ends after any date on which a lapse of a deadline, a court filing, or a court order establishes that the taxpayer has forfeited or otherwise lost the right to dispute the amount of the tax liability.

Expansion of the Tax Court's collection due process jurisdiction

The provision provides that when a taxpayer files a Tax Court petition to contest a collection due process hearing determination to sustain a lien or levy, the Tax Court acquires jurisdiction not only over the determination (as under present law) but also and independently over the tax liability amount, in cases where the taxpayer properly disputed the liability amount at the hearing and petitions for review of it. The provision provides that the Tax Court retains jurisdiction over both the hearing determination and the liability amount whether or not the IRS abandons any lien or proposed levy at issue. Accordingly, the provision abrogates the Supreme Court's holding in *Commissioner v. Zuch*.

C. EFFECTIVE DATE

The part of the provision concerning the suspension of the period of limitations for filing a claim for credit or refund applies to any period of limitations that (as determined without regard to the amendments) ends on or after the date of enactment. The part of the provision concerning the crediting of overpayments during periods when certain collection due process hearings or appeals are pending applies to any such period if any portion of it falls after the date of enactment. The part of the provision concerning the jurisdiction of the Tax Court applies to petitions filed after the date of enactment.

III. VOTE OF COMMITTEE

In compliance with the Rules of the House of Representatives, the following statement is made concerning the vote of the Committee on Ways and Means during the markup consideration of

³⁶ See sec. 6511(b), (c)(2). For example, if the taxpayer pays a tax on Date 1, properly requests a collection due process hearing related to that tax on Date 2, and files a claim for credit or refund related to that tax on Date 3 (the first date on which the hearing and all appeals have ended), and the conditions for suspension apply, the lookback period does not include the period between Dates 2 and 3 (*i.e.*, the period during which the hearing and appeals were pending).

³⁷ See *e.g.*, sec. 6511(d).

H.R. 6506, the “Taxpayer Due Process Enhancement Act,” on December 10, 2025.

H.R. 6506 was ordered favorably reported to the House of Representatives as amended by a roll call vote of 41 yeas to 0 nays (with a quorum being present). The vote was as follows:

Representative	Yea	Nay	Present	Representative	Yea	Nay	Present
Mr. Smith (MO)	X	.....	.....	Mr. Neal	X	.....	.....
Mr. Buchanan	X	.....	.....	Mr. Doggett	X	.....	.....
Mr. Smith (NE)	X	.....	.....	Mr. Thompson	X	.....	.....
Mr. Kelly	X	.....	.....	Mr. Larson	X	.....	.....
Mr. Schweikert	X	.....	.....	Mr. Davis	X	.....	.....
Mr. LaHood	X	.....	.....	Ms. Sánchez .....	.....	.....	.....
Mr. Arrington	X	.....	.....	Ms. Sewell	X	.....	.....
Mr. Estes	X	.....	.....	Ms. DelBene	X	.....	.....
Mr. Smucker .....	.....	.....	.....	Ms. Chu	X	.....	.....
Mr. Hern	X	.....	.....	Ms. Moore (WI)	X	.....	.....
Mrs. Miller (WV)	X	.....	.....	Mr. Boyle	X	.....	.....
Dr. Murphy	X	.....	.....	Mr. Beyer	X	.....	.....
Mr. Kustoff	X	.....	.....	Mr. Evans	X	.....	.....
Mr. Fitzpatrick	X	.....	.....	Mr. Schneider	X	.....	.....
Mr. Steube	X	.....	.....	Mr. Panetta	X	.....	.....
Ms. Tenney	X	.....	.....	Mr. Gomez	X	.....	.....
Mrs. Fischbach	X	.....	.....	Mr. Horsford	X	.....	.....
Mr. Moore (UT)	X	.....	.....	Ms. Plaskett .....	.....	.....	.....
Ms. Van Dwyne	X	.....	.....	Mr. Suozzi	X	.....	.....
Mr. Feenstra	X	.....	.....				
Ms. Malliotakis	X	.....	.....				
Mr. Carey	X	.....	.....				
Mr. Yakym	X	.....	.....				
Mr. Miller (OH) .....	.....	.....	.....				
Mr. Bean	X	.....	.....				
Mr. Moran	X	.....	.....				

IV. BUDGET EFFECTS OF THE BILL

A. COMMITTEE ESTIMATE OF BUDGETARY EFFECTS

With respect to clause 3(d) of rule XIII of the Rules of the House of Representatives, the following statement is made concerning the effects on the budget of the bill, H.R. 6506, the Taxpayer Due Process Enhancement Act, as reported. The estimate prepared by the Congressional Budget Office is included below.

The staff of the Joint Committee on Taxation estimates the bill to have the following effect on Federal fiscal year budget receipts for the period 2026 through 2035:

FISCAL YEARS										
[Millions of dollars]										
2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2026–35
[1]	[1]	[1]	[1]	[1]	[1]	[1]	[1]	[1]	[1]	– 1

NOTE: Details do not add to totals due to rounding. The date of enactment is assumed to be December 31, 2025.

[1] Loss of less than \$500,000.

B. STATEMENT REGARDING NEW BUDGET AUTHORITY AND TAX EXPENDITURES BUDGET AUTHORITY

In compliance with clause 3(c)(2) of rule XIII of the Rules of the House of Representatives, the Committee states that the bill in-

volved no new or increased budget authority. The Committee states further that the bill involves no new or increased tax expenditures.

C. COST ESTIMATE PREPARED BY THE
CONGRESSIONAL BUDGET OFFICE

The Congressional Budget Act of 1974, as amended stipulates that revenue estimates provided by the staff of the Joint Committee on Taxation (“JCT”) will be the official estimates for all tax legislation considered by Congress. As such CBO incorporates these estimates into its cost estimates of the effects of the legislation. The estimates for the revenue provisions of H.R. 6506, the Taxpayer Due Process Enhancement Act, as reported were provided by JCT (see Part IV, A).

**V. OTHER MATTERS TO BE DISCUSSED UNDER THE
RULES OF THE HOUSE**

A. COMMITTEE OVERSIGHT FINDINGS AND RECOMMENDATIONS

With respect to clause 3(c)(1) of rule XIII of the Rules of the House of Representatives, the Committee made findings and recommendations that are reflected in this report.

B. STATEMENT OF GENERAL PERFORMANCE GOALS AND OBJECTIVES

With respect to clause 3(c)(4) of rule XIII of the Rules of the House of Representatives, the Committee advises that the bill does not authorize funding, so no statement of general performance goals and objectives is required.

C. APPLICABILITY OF HOUSE RULE XXI, CLAUSE 5(b)

Rule XXI 5(b) of the Rules of the House of Representatives provides, in part, that “A bill or joint resolution, amendment, or conference report carrying a Federal income tax rate increase may not be considered as passed or agreed to unless so determined by a vote of not less than three-fifths of the Members voting, a quorum being present.”

The Committee has carefully reviewed the bill and states that the bill does not provide such a Federal income tax rate increase.

D. INFORMATION RELATING TO UNFUNDED MANDATES

This information is provided in accordance with section 423 of the *Unfunded Mandates Reform Act of 1995* (Pub. L. No. 104–4).

The Committee has determined that the bill does not contain Federal mandates on the private sector. The Committee has determined that the bill does not impose a Federal intergovernmental mandate on State, local, or tribal governments.

E. CONGRESSIONAL EARMARKS, LIMITED TAX BENEFITS,
AND LIMITED TARIFF BENEFITS

With respect to clause 9 of rule XXI of the Rules of the House of Representatives, the Committee has carefully reviewed the provisions of the bill, and states that the provisions of the bill do not contain any congressional earmarks, limited tax benefits, or limited tariff benefits within the meaning of the rule.

F. DUPLICATION OF FEDERAL PROGRAMS

In compliance with clause 3(c)(5) of rule XIII of the Rules of the House of Representatives, the Committee states that no provision of the bill establishes or reauthorizes: (1) a program of the Federal Government known to be duplicative of another Federal program; (2) a program included in any report from the Government Accountability Office to Congress pursuant to section 21 of Public Law 111–139; or (3) a program related to a program identified in the most recent Catalog of Federal Domestic Assistance, published pursuant to the Federal Program Information Act (Pub. L. No. 95–220, as amended by Pub. L. No. 98–169).

G. TAX COMPLEXITY ANALYSIS

Section 4022(b) of the Internal Revenue Service Reform and Restructuring Act of 1998 (the “IRS Reform Act”) requires the staff of the Joint Committee on Taxation (in consultation with the Internal Revenue Service and the Treasury Department) to provide a tax complexity analysis. The complexity analysis is required for all legislation reported by the Senate Committee on Finance, the House Committee on Ways and Means, or any committee of conference if the legislation includes a provision that directly or indirectly amends the Internal Revenue Code and has widespread applicability to individuals or small businesses.

Section 4022(b) of the Internal Revenue Service Reform and Restructuring Act of 1998 (the “IRS Reform Act”) requires the staff of the Joint Committee on Taxation (in consultation with the Internal Revenue Service and the Treasury Department) to provide a tax complexity analysis. The complexity analysis is required for all legislation reported by the Senate Committee on Finance, the House Committee on Ways and Means, or any committee of conference if the legislation includes a provision that directly or indirectly amends the Internal Revenue Code and has widespread applicability to individuals or small businesses.

The staff of the Joint Committee on Taxation has determined that there are no provisions that are of widespread applicability to individuals or small businesses.

VI. CHANGES IN EXISTING LAW MADE BY THE BILL, AS REPORTED

In compliance with clause 3(e) of rule XIII of the Rules of the House of Representatives, changes in existing law made by the bill, as reported, are shown as follows.

CHANGES IN EXISTING LAW MADE BY THE BILL, AS REPORTED

In compliance with clause 3(e) of rule XIII of the Rules of the House of Representatives, changes in existing law made by the bill, as reported, are shown as follows (existing law proposed to be omitted is enclosed in black brackets, new matter is printed in italics, and existing law in which no change is proposed is shown in roman):

INTERNAL REVENUE CODE OF 1986

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Subtitle F—Procedure and Administration

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CHAPTER 64—COLLECTION**Subchapter D—SEIZURE OF PROPERTY FOR
COLLECTION OF TAXES**

* * * * *

PART I—DUE PROCESS FOR COLLECTIONS

* * * * *

SEC. 6330. NOTICE AND OPPORTUNITY FOR HEARING BEFORE LEVY.**(a) REQUIREMENT OF NOTICE BEFORE LEVY.—**

(1) **IN GENERAL.**—No levy may be made on any property or right to property of any person unless the Secretary has notified such person in writing of their right to a hearing under this section before such levy is made. Such notice shall be required only once for the taxable period to which the unpaid tax specified in paragraph (3)(A) relates.

(2) **TIME AND METHOD FOR NOTICE.**—The notice required under paragraph (1) shall be—

(A) given in person;

(B) left at the dwelling or usual place of business of such person; or

(C) sent by certified or registered mail, return receipt requested, to such person's last known address; not less than 30 days before the day of the first levy with respect to the amount of the unpaid tax for the taxable period.

(3) **INFORMATION INCLUDED WITH NOTICE.**—The notice required under paragraph (1) shall include in simple and non-technical terms—

(A) the amount of unpaid tax;

(B) the right of the person to request a hearing during the 30-day period under paragraph (2); and

(C) the proposed action by the Secretary and the rights of the person with respect to such action, including a brief statement which sets forth—

(i) the provisions of this title relating to levy and sale of property;

(ii) the procedures applicable to the levy and sale of property under this title;

(iii) the administrative appeals available to the taxpayer with respect to such levy and sale and the procedures relating to such appeals;

(iv) the alternatives available to taxpayers which could prevent levy on property (including installment agreements under section 6159); and

(v) the provisions of this title and procedures relating to redemption of property and release of liens on property.

(b) RIGHT TO FAIR HEARING.—

(1) IN GENERAL.—If the person requests a hearing in writing under subsection (a)(3)(B) and states the grounds for the requested hearing, such hearing shall be held by the Internal Revenue Service Independent Office of Appeals.

(2) ONE HEARING PER PERIOD.—A person shall be entitled to only one hearing under this section with respect to the taxable period to which the unpaid tax specified in subsection (a)(3)(A) relates.

(3) IMPARTIAL OFFICER.—The hearing under this subsection shall be conducted by an officer or employee who has had no prior involvement with respect to the unpaid tax specified in subsection (a)(3)(A) before the first hearing under this section or section 6320. A taxpayer may waive the requirement of this paragraph.

(c) MATTERS CONSIDERED AT HEARING.—In the case of any hearing conducted under this section—

(1) REQUIREMENT OF INVESTIGATION.—The appeals officer shall at the hearing obtain verification from the Secretary that the requirements of any applicable law or administrative procedure have been met.

(2) ISSUES AT HEARING.—

(A) IN GENERAL.—The person may raise at the hearing any relevant issue relating to the [unpaid tax or the proposed levy] *unpaid tax, collection action, or proposed collection action*, including—

- (i) appropriate spousal defenses;
- (ii) challenges to the appropriateness of collection actions; and
- (iii) offers of collection alternatives, which may include the posting of a bond, the substitution of other assets, an installment agreement, or an offer-in-compromise.

(B) UNDERLYING LIABILITY.—The person may also raise at the hearing challenges to the existence or amount of the underlying tax liability for any tax period if the person did not receive any statutory notice of deficiency for such tax liability or did not otherwise have an opportunity to dispute such tax liability.

(3) BASIS FOR THE DETERMINATION.—The determination by an appeals officer under this subsection shall take into consideration—

- (A) the verification presented under paragraph (1);
- (B) the issues raised under paragraph (2); and
- (C) whether any proposed collection action balances the need for the efficient collection of taxes with the legitimate concern of the person that any collection action be no more intrusive than necessary.

(4) CERTAIN ISSUES PRECLUDED.—An issue may not be raised at the hearing if—

(A)(i) the issue was raised and considered at a previous hearing under section 6320 or in any other previous administrative or judicial proceeding; and

(ii) the person seeking to raise the issue participated meaningfully in such hearing or proceeding;

(B) the issue meets the requirement of clause (i) or (ii) of section 6702(b)(2)(A); or

(C) a final determination has been made with respect to such issue in a proceeding brought under subchapter C of chapter 63.

This paragraph shall not apply to any issue with respect to which subsection (d)(3)(B) applies.

(d) PROCEEDING AFTER HEARING.—

[(1) PETITION FOR REVIEW BY TAX COURT.—The person may, within 30 days of a determination under this section, petition the Tax Court for review of such determination (and the Tax Court shall have jurisdiction with respect to such matter).]

(1) PETITION FOR REVIEW BY TAX COURT.—

(A) IN GENERAL.—*In the case of a determination under this section, the person may, within 30 days of such determination, petition the Tax Court for review of—*

(i) such determination, and

(ii) any underlying tax liability referred to in subsection (c)(2)(B) which is properly disputed at the hearing in which such determination is made.

(B) JURISDICTION OF TAX COURT.—*Upon the filing of a petition, the Tax Court shall have jurisdiction with respect to—*

(i) the determination referred to in subparagraph (A)(i),

(ii) any underlying tax liability referred to in subparagraph (A)(ii), and

(iii) any equitable tolling of the 30-day deadline referred to in subparagraph (A).

(C) RETENTION OF JURISDICTION.—*Upon a determination being made under this section, subparagraphs (A) and (B) shall apply whether or not the Secretary abandons the collection action or proposed collection action at issue in such determination.*

(2) SUSPENSION OF RUNNING OF PERIOD FOR FILING PETITION IN TITLE 11 CASES.—*In the case of a person who is prohibited by reason of a case under title 11, United States Code, from filing a petition under paragraph (1) with respect to a determination under this section, the running of the period prescribed by such subsection for filing such a petition with respect to such determination shall be suspended for the period during which the person is so prohibited from filing such a petition, and for 30 days thereafter.*

(3) JURISDICTION RETAINED AT IRS INDEPENDENT OFFICE OF APPEALS.—*The Internal Revenue Service Independent Office of Appeals shall retain jurisdiction with respect to any determination made under this section, including subsequent hearings requested by the person who requested the original hearing on issues regarding—*

(A) collection actions taken or proposed with respect to such determination; and

(B) after the person has exhausted all administrative remedies, a change in circumstances with respect to such person which affects such determination.

(e) SUSPENSION OF COLLECTIONS AND STATUTE OF LIMITATIONS.—

(1) IN GENERAL.—Except as provided in paragraph (2), if a hearing is requested under subsection (a)(3)(B), the levy actions which are the subject of the requested hearing and the running of any period of limitations under section 6502 (relating to collection after assessment), *subsection (a), (b), or (c) of section 6511 (relating to limitations on credit or refund)*, section 6531 (relating to criminal prosecutions), or section 6532 (relating to other suits) shall be suspended for the period during which such hearing, and appeals therein, are pending. In no event shall any such period expire before the 90th day after the day on which there is a final determination in such hearing. Notwithstanding the provisions of section 7421(a), the beginning of a levy or proceeding during the time the suspension under this paragraph is in force may be enjoined by a proceeding in the proper court, including the Tax Court. The Tax Court shall have no jurisdiction under this paragraph to enjoin any action or proceeding unless a timely appeal has been filed under subsection (d)(1) and then only in respect of the unpaid tax or proposed levy to which the determination being appealed relates.

(2) LEVY UPON APPEAL.—Paragraph (1) shall not apply to a levy action while an appeal is pending if the underlying tax liability is not at issue in the appeal and the court determines that the Secretary has shown good cause not to suspend the levy.

(3) *PERIOD OF LIMITATIONS ON FILING A CLAIM FOR CREDIT OR REFUND.*—*In the case of the running of any period of limitations under subsection (a), (b), or (c) of section 6511 with respect to the filing of any claim for credit or refund, paragraph (1)—*

(A) shall apply only to the extent that such credit or refund relates to an underlying tax liability properly disputed at the hearing requested under this section, and

(B) shall not result in a suspension of the running of such period of limitations after any date on which a lapse of a deadline, a court filing, or a court order establishes that the taxpayer has forfeited or otherwise lost the right to pursue such dispute.

(f) EXCEPTIONS.—If—

(1) the Secretary has made a finding under the last sentence of section 6331(a) that the collection of tax is in jeopardy,

(2) the Secretary has served a levy on a State to collect a Federal tax liability from a State tax refund,

(3) the Secretary has served a disqualified employment tax levy, or

(4) the Secretary has served a Federal contractor levy,
this section shall not apply, except that the taxpayer shall be given the opportunity for the hearing described in this section within a reasonable period of time after the levy.

(g) FRIVOLOUS REQUESTS FOR HEARING, ETC..—Notwithstanding any other provision of this section, if the Secretary determines that any portion of a request for a hearing under this section or section 6320 meets the requirement of clause (i) or (ii) of section 6702(b)(2)(A), then the Secretary may treat such portion as if it were never submitted and such portion shall not be subject to any further administrative or judicial review.

(h) DEFINITIONS RELATED TO EXCEPTIONS.—For purposes of subsection (f)—

(1) DISQUALIFIED EMPLOYMENT TAX LEVY.—A disqualified employment tax levy is any levy in connection with the collection of employment taxes for any taxable period if the person subject to the levy (or any predecessor thereof) requested a hearing under this section with respect to unpaid employment taxes arising in the most recent 2-year period before the beginning of the taxable period with respect to which the levy is served. For purposes of the preceding sentence, the term “employment taxes” means any taxes under chapter 21, 22, 23, or 24.

(2) FEDERAL CONTRACTOR LEVY.—A Federal contractor levy is any levy if the person whose property is subject to the levy (or any predecessor thereof) is a Federal contractor.

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CHAPTER 65—ABATEMENTS, CREDITS, AND REFUNDS

Subchapter A—PROCEDURE IN GENERAL

* * * * *

SEC. 6402. AUTHORITY TO MAKE CREDITS OR REFUNDS.

(a) GENERAL RULE.—In the case of any overpayment, the Secretary, within the applicable period of limitations, may credit the amount of such overpayment, including any interest allowed thereon, against any liability in respect of an internal revenue tax on the part of the person who made the overpayment and shall, subject to subsections (c), (d), (e), and (f), refund any balance to such person.

(b) CREDITS AGAINST ESTIMATED TAX.—The Secretary is authorized to prescribe regulations providing for the crediting against the estimated income tax for any taxable year of the amount determined by the taxpayer or the Secretary to be an overpayment of the income tax for a preceding taxable year.

(c) OFFSET OF PAST-DUE SUPPORT AGAINST OVERPAYMENTS.—The amount of any overpayment to be refunded to the person making the overpayment shall be reduced by the amount of any past-due support (as defined in section 464(c) of the Social Security Act) owed by that person of which the Secretary has been notified by a State in accordance with section 464 of such Act. The Secretary shall remit the amount by which the overpayment is so reduced to the State collecting such support and notify the person making the overpayment that so much of the overpayment as was necessary to satisfy his obligation for past-due support has been paid to the State. The Secretary shall apply a reduction under this subsection

first to an amount certified by the State as past due support under section 464 of the Social Security Act before any other reductions allowed by law. This subsection shall be applied to an overpayment prior to its being credited to a person's future liability for an internal revenue tax. For purposes of this subsection, any reference to a State shall include a reference to any Indian tribe or tribal organization receiving a grant under section 455(f) of the Social Security Act.

(d) COLLECTION OF DEBTS OWED TO FEDERAL AGENCIES.—

(1) IN GENERAL.—Upon receiving notice from any Federal agency that a named person owes a past-due legally enforceable debt (other than past-due support subject to the provisions of subsection (c)) to such agency, the Secretary shall—

(A) reduce the amount of any overpayment payable to such person by the amount of such debt;

(B) pay the amount by which such overpayment is reduced under subparagraph (A) to such agency; and

(C) notify the person making such overpayment that such overpayment has been reduced by an amount necessary to satisfy such debt.

(2) PRIORITIES FOR OFFSET.—Any overpayment by a person shall be reduced pursuant to this subsection after such overpayment is reduced pursuant to subsection (c) with respect to past-due support collected pursuant to an assignment under section 408(a)(3) of the Social Security Act (42 U.S.C. 608(a)(3)) and before such overpayment is reduced pursuant to subsections (e) and (f) and before such overpayment is credited to the future liability for tax of such person pursuant to subsection (b). If the Secretary receives notice from a Federal agency or agencies of more than one debt subject to paragraph (1) that is owed by a person to such agency or agencies, any overpayment by such person shall be applied against such debts in the order in which such debts accrued.

(3) TREATMENT OF OASDI OVERPAYMENTS.—

(A) REQUIREMENTS.—Paragraph (1) shall apply with respect to an OASDI overpayment only if the requirements of paragraphs (1) and (2) of section 3720A(f) of title 31, United States Code, are met with respect to such overpayment.

(B) NOTICE; PROTECTION OF OTHER PERSONS FILING JOINT RETURN.—

(i) NOTICE.—In the case of a debt consisting of an OASDI overpayment, if the Secretary determines upon receipt of the notice referred to in paragraph (1) that the refund from which the reduction described in paragraph (1)(A) would be made is based upon a joint return, the Secretary shall—

(I) notify each taxpayer filing such joint return that the reduction is being made from a refund based upon such return, and

(II) include in such notification a description of the procedures to be followed, in the case of a joint return, to protect the share of the refund which may be payable to another person.

(ii) ADJUSTMENTS BASED ON PROTECTIONS GIVEN TO OTHER TAXPAYERS ON JOINT RETURN.—If the other person filing a joint return with the person owing the OASDI overpayment takes appropriate action to secure his or her proper share of the refund subject to reduction under this subsection, the Secretary shall pay such share to such other person. The Secretary shall deduct the amount of such payment from amounts which are derived from subsequent reductions in refunds under this subsection and are payable to a trust fund referred to in subparagraph (C).

(C) DEPOSIT OF AMOUNT OF REDUCTION INTO APPROPRIATE TRUST FUND.—In lieu of payment, pursuant to paragraph (1)(B), of the amount of any reduction under this subsection to the Commissioner of Social Security, the Secretary shall deposit such amount in the Federal Old-Age and Survivors Insurance Trust Fund or the Federal Disability Insurance Trust Fund, whichever is certified to the Secretary as appropriate by the Commissioner of Social Security.

(D) OASDI OVERPAYMENT.—For purposes of this paragraph, the term “OASDI overpayment” means any overpayment of benefits made to an individual under title II of the Social Security Act.

(e) COLLECTION OF PAST-DUE, LEGALLY ENFORCEABLE STATE INCOME TAX OBLIGATIONS.—

(1) IN GENERAL.—Upon receiving notice from any State that a named person owes a past-due, legally enforceable State income tax obligation to such State, the Secretary shall, under such conditions as may be prescribed by the Secretary—

(A) reduce the amount of any overpayment payable to such person by the amount of such State income tax obligation;

(B) pay the amount by which such overpayment is reduced under subparagraph (A) to such State and notify such State of such person’s name, taxpayer identification number, address, and the amount collected; and

(C) notify the person making such overpayment that the overpayment has been reduced by an amount necessary to satisfy a past-due, legally enforceable State income tax obligation.

If an offset is made pursuant to a joint return, the notice under subparagraph (B) shall include the names, taxpayer identification numbers, and addresses of each person filing such return.

(2) OFFSET PERMITTED ONLY AGAINST RESIDENTS OF STATE SEEKING OFFSET.—Paragraph (1) shall apply to an overpayment by any person for a taxable year only if the address shown on the Federal return for such taxable year of the overpayment is an address within the State seeking the offset.

(3) PRIORITIES FOR OFFSET.—Any overpayment by a person shall be reduced pursuant to this subsection—

(A) after such overpayment is reduced pursuant to—

(i) subsection (a) with respect to any liability for any internal revenue tax on the part of the person who made the overpayment;

(ii) subsection (c) with respect to past-due support;
and

(iii) subsection (d) with respect to any past-due, legally enforceable debt owed to a Federal agency; and
(B) before such overpayment is credited to the future liability for any Federal internal revenue tax of such person pursuant to subsection (b).

If the Secretary receives notice from one or more agencies of the State of more than one debt subject to paragraph (1) or subsection (f) that is owed by such person to such an agency, any overpayment by such person shall be applied against such debts in the order in which such debts accrued.

(4) NOTICE; CONSIDERATION OF EVIDENCE.—No State may take action under this subsection until such State—

(A) notifies by certified mail with return receipt the person owing the past-due State income tax liability that the State proposes to take action pursuant to this section;

(B) gives such person at least 60 days to present evidence that all or part of such liability is not past-due or not legally enforceable;

(C) considers any evidence presented by such person and determines that an amount of such debt is past-due and legally enforceable; and

(D) satisfies such other conditions as the Secretary may prescribe to ensure that the determination made under subparagraph (C) is valid and that the State has made reasonable efforts to obtain payment of such State income tax obligation.

(5) PAST-DUE, LEGALLY ENFORCEABLE STATE INCOME TAX OBLIGATION.—For purposes of this subsection, the term “past-due, legally enforceable State income tax obligation” means a debt—

(A)(i) which resulted from—

(I) a judgment rendered by a court of competent jurisdiction which has determined an amount of State income tax to be due; or

(II) a determination after an administrative hearing which has determined an amount of State income tax to be due; and

(ii) which is no longer subject to judicial review; or

(B) which resulted from a State income tax which has been assessed but not collected, the time for redetermination of which has expired, and which has not been delinquent for more than 10 years.

For purposes of this paragraph, the term “State income tax” includes any local income tax administered by the chief tax administration agency of the State.

(6) REGULATIONS.—The Secretary shall issue regulations prescribing the time and manner in which States must submit notices of past-due, legally enforceable State income tax obligations and the necessary information that must be contained in or accompany such notices. The regulations shall specify the types of State income taxes and the minimum amount of debt to which the reduction procedure established by paragraph (1) may be applied. The regulations may require States to pay a fee to reimburse the Secretary for the cost of applying such

procedure. Any fee paid to the Secretary pursuant to the preceding sentence shall be used to reimburse appropriations which bore all or part of the cost of applying such procedure.

(7) **ERRONEOUS PAYMENT TO STATE.**—Any State receiving notice from the Secretary that an erroneous payment has been made to such State under paragraph (1) shall pay promptly to the Secretary, in accordance with such regulations as the Secretary may prescribe, an amount equal to the amount of such erroneous payment (without regard to whether any other amounts payable to such State under such paragraph have been paid to such State).

(f) **COLLECTION OF UNEMPLOYMENT COMPENSATION DEBTS.**—

(1) **IN GENERAL.**—Upon receiving notice from any State that a named person owes a covered unemployment compensation debt to such State, the Secretary shall, under such conditions as may be prescribed by the Secretary—

(A) reduce the amount of any overpayment payable to such person by the amount of such covered unemployment compensation debt;

(B) pay the amount by which such overpayment is reduced under subparagraph (A) to such State and notify such State of such person's name, taxpayer identification number, address, and the amount collected; and

(C) notify the person making such overpayment that the overpayment has been reduced by an amount necessary to satisfy a covered unemployment compensation debt.

If an offset is made pursuant to a joint return, the notice under subparagraph (C) shall include information related to the rights of a spouse of a person subject to such an offset.

(2) **PRIORITIES FOR OFFSET.**—Any overpayment by a person shall be reduced pursuant to this subsection—

(A) after such overpayment is reduced pursuant to—

(i) subsection (a) with respect to any liability for any internal revenue tax on the part of the person who made the overpayment;

(ii) subsection (c) with respect to past-due support; and

(iii) subsection (d) with respect to any past-due, legally enforceable debt owed to a Federal agency; and

(B) before such overpayment is credited to the future liability for any Federal internal revenue tax of such person pursuant to subsection (b).

If the Secretary receives notice from a State or States of more than one debt subject to paragraph (1) or subsection (e) that is owed by a person to such State or States, any overpayment by such person shall be applied against such debts in the order in which such debts accrued.

(3) **NOTICE; CONSIDERATION OF EVIDENCE.**—No State may take action under this subsection until such State—

(A) notifies the person owing the covered unemployment compensation debt that the State proposes to take action pursuant to this section;

(B) provides such person at least 60 days to present evidence that all or part of such liability is not legally en-

forceable or is not a covered unemployment compensation debt;

(C) considers any evidence presented by such person and determines that an amount of such debt is legally enforceable and is a covered unemployment compensation debt; and

(D) satisfies such other conditions as the Secretary may prescribe to ensure that the determination made under subparagraph (C) is valid and that the State has made reasonable efforts to obtain payment of such covered unemployment compensation debt.

(4) COVERED UNEMPLOYMENT COMPENSATION DEBT.—For purposes of this subsection, the term “covered unemployment compensation debt” means—

(A) a past-due debt for erroneous payment of unemployment compensation due to fraud or the person’s failure to report earnings which has become final under the law of a State certified by the Secretary of Labor pursuant to section 3304 and which remains uncollected;

(B) contributions due to the unemployment fund of a State for which the State has determined the person to be liable and which remain uncollected; and

(C) any penalties and interest assessed on such debt.

(5) REGULATIONS.—

(A) IN GENERAL.—The Secretary may issue regulations prescribing the time and manner in which States must submit notices of covered unemployment compensation debt and the necessary information that must be contained in or accompany such notices. The regulations may specify the minimum amount of debt to which the reduction procedure established by paragraph (1) may be applied.

(B) FEE PAYABLE TO SECRETARY.—The regulations may require States to pay a fee to the Secretary, which may be deducted from amounts collected, to reimburse the Secretary for the cost of applying such procedure. Any fee paid to the Secretary pursuant to the preceding sentence shall be used to reimburse appropriations which bore all or part of the cost of applying such procedure.

(C) SUBMISSION OF NOTICES THROUGH SECRETARY OF LABOR.—The regulations may include a requirement that States submit notices of covered unemployment compensation debt to the Secretary via the Secretary of Labor in accordance with procedures established by the Secretary of Labor. Such procedures may require States to pay a fee to the Secretary of Labor to reimburse the Secretary of Labor for the costs of applying this subsection. Any such fee shall be established in consultation with the Secretary of the Treasury. Any fee paid to the Secretary of Labor may be deducted from amounts collected and shall be used to reimburse the appropriation account which bore all or part of the cost of applying this subsection.

(6) ERRONEOUS PAYMENT TO STATE.—Any State receiving notice from the Secretary that an erroneous payment has been made to such State under paragraph (1) shall pay promptly to the Secretary, in accordance with such regulations as the Sec-

retary may prescribe, an amount equal to the amount of such erroneous payment (without regard to whether any other amounts payable to such State under such paragraph have been paid to such State).

(g) REVIEW OF REDUCTIONS.—No court of the United States shall have jurisdiction to hear any action, whether legal or equitable, brought to restrain or review a reduction authorized by subsection (c), (d), (e), or (f). No such reduction shall be subject to review by the Secretary in an administrative proceeding. No action brought against the United States to recover the amount of any such reduction shall be considered to be a suit for refund of tax. This subsection does not preclude any legal, equitable, or administrative action against the Federal agency or State to which the amount of such reduction was paid or any such action against the Commissioner of Social Security which is otherwise available with respect to recoveries of overpayments of benefits under section 204 of the Social Security Act.

(h) FEDERAL AGENCY.—For purposes of this section, the term “Federal agency” means a department, agency, or instrumentality of the United States, and includes a Government corporation (as such term is defined in section 103 of title 5, United States Code).

(i) TREATMENT OF PAYMENTS TO STATES.—The Secretary may provide that, for purposes of determining interest, the payment of any amount withheld under subsection (c), (e), or (f) to a State shall be treated as a payment to the person or persons making the overpayment.

(j) CROSS REFERENCE.—For procedures relating to agency notification of the Secretary, see section 3721 of title 31, United States Code.

(k) REFUNDS TO CERTAIN FIDUCIARIES OF INSOLVENT MEMBERS OF AFFILIATED GROUPS.—Notwithstanding any other provision of law, in the case of an insolvent corporation which is a member of an affiliated group of corporations filing a consolidated return for any taxable year and which is subject to a statutory or court-appointed fiduciary, the Secretary may by regulation provide that any refund for such taxable year may be paid on behalf of such insolvent corporation to such fiduciary to the extent that the Secretary determines that the refund is attributable to losses or credits of such insolvent corporation.

(l) EXPLANATION OF REASON FOR REFUND DISALLOWANCE.—In the case of a disallowance of a claim for refund, the Secretary shall provide the taxpayer with an explanation for such disallowance.

(m) EARLIEST DATE FOR CERTAIN REFUNDS.—No credit or refund of an overpayment for a taxable year shall be made to a taxpayer before the 15th day of the second month following the close of such taxable year if a credit is allowed to such taxpayer under section 24 (by reason of subsection (d) thereof) or 32 for such taxable year.

(n) MISDIRECTED DIRECT DEPOSIT REFUND.—Not later than the date which is 6 months after the date of the enactment of the Taxpayer First Act, the Secretary shall prescribe regulations to establish procedures to allow for—

(1) taxpayers to report instances in which a refund made by the Secretary by electronic funds transfer was not transferred to the account of the taxpayer;

(2) coordination with financial institutions for the purpose of—

(A) identifying the accounts to which transfers described in paragraph (1) were made; and

(B) recovery of the amounts so transferred; and

(3) the refund to be delivered to the correct account of the taxpayer.

(o) *PROHIBITION ON CREDITING OF OVERPAYMENTS AGAINST DISPUTED TAX LIABILITY DURING COLLECTION ACTION PROCEEDINGS.—If a hearing is properly requested under section 6320(a)(3)(B) or 6330(a)(3)(B), and an underlying tax liability referred to in section 6330(c)(2)(B) is properly disputed at such hearing, such tax liability shall not, except with the consent of the taxpayer, be taken into account under subsection (a) for the period during which the period of limitations for filing a claim for credit or refund relating to such tax liability is suspended by reason of section 6330(e).*

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CHAPTER 66—LIMITATIONS

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Subchapter B—LIMITATIONS ON CREDIT OR REFUND

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SEC. 6511. LIMITATIONS ON CREDIT OR REFUND.

(a) **PERIOD OF LIMITATION ON FILING CLAIM.**—Claim for credit or refund of an overpayment of any tax imposed by this title in respect of which tax the taxpayer is required to file a return shall be filed by the taxpayer within 3 years from the time the return was filed or 2 years from the time the tax was paid, whichever of such periods expires the later, or if no return was filed by the taxpayer, within 2 years from the time the tax was paid. Claim for credit or refund of an overpayment of any tax imposed by this title which is required to be paid by means of a stamp shall be filed by the taxpayer within 3 years from the time the tax was paid.

(b) **LIMITATION ON ALLOWANCE OF CREDITS AND REFUNDS.**—

(1) **FILING OF CLAIM WITHIN PRESCRIBED PERIOD.**—No credit or refund shall be allowed or made after the expiration of the period of limitation prescribed in subsection (a) for the filing of a claim for credit or refund, unless a claim for credit or refund is filed by the taxpayer within such period.

(2) **LIMIT ON AMOUNT OF CREDIT OR REFUND.**—

(A) **LIMIT WHERE CLAIM FILED WITHIN 3-YEAR PERIOD.**—

If the claim was filed by the taxpayer during the 3-year period prescribed in subsection (a), the amount of the credit or refund shall not exceed the portion of the tax paid within the period, immediately preceding the filing of the claim, equal to 3 years plus the period of any extension of time for filing the return. If the tax was required to be paid by means of a stamp, the amount of the credit or refund shall not exceed the portion of the tax paid within the 3 years immediately preceding the filing of the claim.

(B) LIMIT WHERE CLAIM NOT FILED WITHIN 3-YEAR PERIOD.—If the claim was not filed within such 3-year period, the amount of the credit or refund shall not exceed the portion of the tax paid during the 2 years immediately preceding the filing of the claim.

(C) LIMIT IF NO CLAIM FILED.—If no claim was filed, the credit or refund shall not exceed the amount which would be allowable under subparagraph (A) or (B), as the case may be, if claim was filed on the date the credit or refund is allowed.

(c) SPECIAL RULES APPLICABLE IN CASE OF EXTENSION OF TIME BY AGREEMENT.—If an agreement under the provisions of section 6501(c)(4) extending the period for assessment of a tax imposed by this title is made within the period prescribed in subsection (a) for the filing of a claim for credit or refund—

(1) TIME FOR FILING CLAIM.—The period for filing claim for credit or refund or for making credit or refund if no claim is filed, provided in subsections (a) and (b)(1), shall not expire prior to 6 months after the expiration of the period within which an assessment may be made pursuant to the agreement or any extension thereof under section 6501(c)(4).

(2) LIMIT ON AMOUNT.—If a claim is filed, or a credit or refund is allowed when no claim was filed, after the execution of the agreement and within 6 months after the expiration of the period within which an assessment may be made pursuant to the agreement or any extension thereof, the amount of the credit or refund shall not exceed the portion of the tax paid after the execution of the agreement and before the filing of the claim or the making of the credit or refund, as the case may be, plus the portion of the tax paid within the period which would be applicable under subsection (b)(2) if a claim had been filed on the date the agreement was executed.

(3) CLAIMS NOT SUBJECT TO SPECIAL RULE.—This subsection shall not apply in the case of a claim filed, or credit or refund allowed if no claim is filed, either—

(A) prior to the execution of the agreement or

(B) more than 6 months after the expiration of the period within which an assessment may be made pursuant to the agreement or any extension thereof.

(d) SPECIAL RULES APPLICABLE TO INCOME TAXES.—

(1) SEVEN-YEAR PERIOD OF LIMITATION WITH RESPECT TO BAD DEBTS AND WORTHLESS SECURITIES.—If the claim for credit or refund relates to an overpayment of tax imposed by subtitle A on account of—

(A) The deductibility by the taxpayer, under section 166 or section 832(c), of a debt as a debt which became worthless, or, under section 165(g), of a loss from worthlessness of a security, or

(B) The effect that the deductibility of a debt or loss described in subparagraph (A) has on the application to the taxpayer of a carryover,

in lieu of the 3-year period of limitation prescribed in subsection (a), the period shall be 7 years from the date prescribed by law for filing the return for the year with respect to which the claim is made. If the claim for credit or refund relates to

an overpayment on account of the effect that the deductibility of such a debt or loss has on the application to the taxpayer of a carryback, the period shall be either 7 years from the date prescribed by law for filing the return for the year of the net operating loss which results in such carryback or the period prescribed in paragraph (2) of this subsection, whichever expires the later. In the case of a claim described in this paragraph the amount of the credit or refund may exceed the portion of the tax paid within the period prescribed in subsection (b)(2) or (c), whichever is applicable, to the extent of the amount of the overpayment attributable to the deductibility of items described in this paragraph.

(2) SPECIAL PERIOD OF LIMITATION WITH RESPECT TO NET OPERATING LOSS OR CAPITAL LOSS CARRYBACKS.—

(A) PERIOD OF LIMITATION.—If the claim for credit or refund relates to an overpayment attributable to a net operating loss carryback or a capital loss carryback, in lieu of the 3-year period of limitation prescribed in subsection (a), the period shall be that period which ends 3 years after the time prescribed by law for filing the return (including extensions thereof) for the taxable year of the net operating loss or net capital loss which results in such carryback, or the period prescribed in subsection (c) in respect of such taxable year, whichever expires later. In the case of such a claim, the amount of the credit or refund may exceed the portion of the tax paid within the period provided in subsection (b)(2) or (c), whichever is applicable, to the extent of the amount of the overpayment attributable to such carryback.

(B) APPLICABLE RULES.—

(i) IN GENERAL.—If the allowance of a credit or refund of an overpayment of tax attributable to a net operating loss carryback or a capital loss carryback is otherwise prevented by the operation of any law or rule of law other than section 7122 (relating to compromises), such credit or refund may be allowed or made, if claim therefor is filed within the period provided in subparagraph (A) of this paragraph.

(ii) TENTATIVE CARRYBACK ADJUSTMENTS.—If the allowance of an application, credit, or refund of a decrease in tax determined under section 6411(b) is otherwise prevented by the operation of any law or rule of law other than section 7122, such application, credit, or refund may be allowed or made if application for a tentative carryback adjustment is made within the period provided in section 6411(a).

(iii) DETERMINATIONS BY COURTS TO BE CONCLUSIVE.—In the case of any such claim for credit or refund or any such application for a tentative carryback adjustment, the determination by any court, including the Tax Court, in any proceeding in which the decision of the court has become final, shall be conclusive except with respect to—

(I) the net operating loss deduction and the effect of such deduction, and

(II) the determination of a short-term capital loss and the effect of such short-term capital loss, to the extent that such deduction or short-term capital loss is affected by a carryback which was not an issue in such proceeding.

(3) SPECIAL RULES RELATING TO FOREIGN TAX CREDIT.—

(A) SPECIAL PERIOD OF LIMITATION WITH RESPECT TO FOREIGN TAXES PAID OR ACCRUED.—If the claim for credit or refund relates to an overpayment attributable to any taxes paid or accrued to any foreign country or to any possession of the United States for which credit is allowed against the tax imposed by subtitle A in accordance with the provisions of section 901 or the provisions of any treaty to which the United States is a party, in lieu of the 3-year period of limitation prescribed in subsection (a), the period shall be 10 years from the date prescribed by law for filing the return for the year in which such taxes were actually paid or accrued.

(B) EXCEPTION IN THE CASE OF FOREIGN TAXES PAID OR ACCRUED.—In the case of a claim described in subparagraph (A), the amount of the credit or refund may exceed the portion of the tax paid within the period provided in subsection (b) or (c), whichever is applicable, to the extent of the amount of the overpayment attributable to the allowance of a credit for the taxes described in subparagraph (A).

(4) SPECIAL PERIOD OF LIMITATION WITH RESPECT TO CERTAIN CREDIT CARRYBACKS.—

(A) PERIOD OF LIMITATION.—If the claim for credit or refund relates to an overpayment attributable to a credit carryback, in lieu of the 3-year period of limitation prescribed in subsection (a), the period shall be that period which ends 3 years after the time prescribed by law for filing the return (including extensions thereof) for the taxable year of the unused credit which results in such carryback (or, with respect to any portion of a credit carryback from a taxable year attributable to a net operating loss carryback, capital loss carryback, or other credit carryback from a subsequent taxable year, the period shall be that period which ends 3 years after the time prescribed by law for filing the return, including extensions thereof, for such subsequent taxable year) or the period prescribed in subsection (c) in respect of such taxable year, whichever expires later. In the case of such a claim, the amount of the credit or refund may exceed the portion of the tax paid within the period provided in subsection (b)(2) or (c), whichever is applicable, to the extent of the amount of the overpayment attributable to such carryback.

(B) APPLICABLE RULES.—If the allowance of a credit or refund of an overpayment of tax attributable to a credit carryback is otherwise prevented by the operation of any law or rule of law other than section 7122, relating to compromises, such credit or refund may be allowed or made, if claim therefor is filed within the period provided in subparagraph (A) of this paragraph. In the case of any such

claim for credit or refund, the determination by any court, including the Tax Court, in any proceeding in which the decision of the court has become final, shall not be conclusive with respect to any credit, and the effect of such credit, to the extent that such credit is affected by a credit carryback which was not in issue in such proceeding.

(C) CREDIT CARRYBACK DEFINED.—For purposes of this paragraph, the term “credit carryback” means any business carryback under section 39.

(5) SPECIAL PERIOD OF LIMITATION WITH RESPECT TO SELF-EMPLOYMENT TAX IN CERTAIN CASES.—If the claim for credit or refund relates to an overpayment of the tax imposed by chapter 2 (relating to the tax on self-employment income) attributable to an agreement, or modification of an agreement, made pursuant to section 218 of the Social Security Act (relating to coverage of State and local employees), and if the allowance of a credit or refund of such overpayment is otherwise prevented by the operation of any law or rule of law other than section 7122 (relating to compromises), such credit or refund may be allowed or made if claim therefor is filed on or before the last day of the second year after the calendar year in which such agreement (or modification) is agreed to by the State and the Commissioner of Social Security.

(6) SPECIAL PERIOD OF LIMITATION WITH RESPECT TO AMOUNTS INCLUDED IN INCOME SUBSEQUENTLY RECAPTURED UNDER QUALIFIED PLAN TERMINATION.—If the claim for credit or refund relates to an overpayment of tax imposed by subtitle A on account of the recapture, under section 4045 of the Employee Retirement Income Security Act of 1974, of amounts included in income for a prior taxable year, the 3-year period of limitation prescribed in subsection (a) shall be extended, for purposes of permitting a credit or refund of the amount of the recapture, until the date which occurs one year after the date on which such recaptured amount is paid by the taxpayer.

(7) SPECIAL PERIOD OF LIMITATION WITH RESPECT TO SELF-EMPLOYMENT TAX IN CERTAIN CASES.—If—

(A) the claim for credit or refund relates to an overpayment of the tax imposed by chapter 2 (relating to the tax on self-employment income) attributable to Tax Court determination in a proceeding under section 7436, and

(B) the allowance of a credit or refund of such overpayment is otherwise prevented by the operation of any law or rule of law other than section 7122 (relating to compromises),

such credit or refund may be allowed or made if claim therefor is filed on or before the last day of the second year after the calendar year in which such determination becomes final.

(8) SPECIAL RULES WHEN UNIFORMED SERVICES RETIRED PAY IS REDUCED AS A RESULT OF AWARD OF DISABILITY COMPENSATION.—

(A) PERIOD OF LIMITATION ON FILING CLAIM.—If the claim for credit or refund relates to an overpayment of tax imposed by subtitle A on account of—

(i) the reduction of uniformed services retired pay computed under section 1406 or 1407 of title 10, United States Code, or

(ii) the waiver of such pay under section 5305 of title 38 of such Code,

as a result of an award of compensation under title 38 of such Code pursuant to a determination by the Secretary of Veterans Affairs, the 3-year period of limitation prescribed in subsection (a) shall be extended, for purposes of permitting a credit or refund based upon the amount of such reduction or waiver, until the end of the 1-year period beginning on the date of such determination.

(B) LIMITATION TO 5 TAXABLE YEARS.—Subparagraph (A) shall not apply with respect to any taxable year which began more than 5 years before the date of such determination.

(f) SPECIAL RULE FOR CHAPTER 42 AND SIMILAR TAXES.—For purposes of any tax imposed by section 4912, chapter 42, or section 4975, the return referred to in subsection (a) shall be the return specified in section 6501(l)(1).

(h) RUNNING OF PERIODS OF LIMITATION SUSPENDED WHILE TAXPAYER IS UNABLE TO MANAGE FINANCIAL AFFAIRS DUE TO DISABILITY.—

(1) IN GENERAL.—In the case of an individual, the running of the periods specified in subsections (a), (b), and (c) shall be suspended during any period of such individual's life that such individual is financially disabled.

(2) FINANCIALLY DISABLED.—

(A) IN GENERAL.—For purposes of paragraph (1), an individual is financially disabled if such individual is unable to manage his financial affairs by reason of a medically determinable physical or mental impairment of the individual which can be expected to result in death or which has lasted or can be expected to last for a continuous period of not less than 12 months. An individual shall not be considered to have such an impairment unless proof of the existence thereof is furnished in such form and manner as the Secretary may require.

(B) EXCEPTION WHERE INDIVIDUAL HAS GUARDIAN, ETC.—An individual shall not be treated as financially disabled during any period that such individual's spouse or any other person is authorized to act on behalf of such individual in financial matters.

(i) CROSS REFERENCES.—

(1) For time return deemed filed and tax considered paid, see section 6513.

(2) For limitations with respect to certain credits against estate tax, see sections 2014(b) and 2015.

(3) For limitations in case of floor stocks refunds, see section 6412.

(4) For a period of limitations for credit or refund in the case of joint income returns after separate returns have been filed, see section 6013(b)(3).

(5) For limitations in case of payments under section 6420 (relating to gasoline used on farms), see section 6420(b).

(6) For limitations in case of payments under section 6421 (relating to gasoline used for certain nonhighway purposes or by local transit systems), see section 6421(d).

(7) For a period of limitations for refund of an overpayment of penalties imposed under section 6694 or 6695, see section 6696(d)(2).

(8) *For limitations in case of collection action proceedings, see section 6330(e).*

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