

105TH CONGRESS  
1ST SESSION

# H. R. 2292

To restructure the Internal Revenue Service, and for other purposes.

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## IN THE HOUSE OF REPRESENTATIVES

JULY 30, 1997

Mr. PORTMAN (for himself and Mr. CARDIN) introduced the following bill; which was referred to the Committee on Ways and Means, and in addition to the Committees on Government Reform and Oversight, the Budget, and Rules, for a period to be subsequently determined by the Speaker, in each case for consideration of such provisions as fall within the jurisdiction of the committee concerned

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## A BILL

To restructure 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; AMENDMENT OF 1986 CODE;**

4               **TABLE OF CONTENTS.**

5       (a) SHORT TITLE.—This Act may be cited as the  
6       “Internal Revenue Service Restructuring and Reform Act  
7       of 1997”.

8       (b) AMENDMENT OF 1986 CODE.—Except as other-  
9       wise expressly provided, whenever in this Act an amend-

1 ment or repeal is expressed in terms of an amendment  
 2 to, or repeal of, a section or other provision, the reference  
 3 shall be considered to be made to a section or other provi-  
 4 sion of the Internal Revenue Code of 1986.

5 (c) TABLE OF CONTENTS.—

- Sec. 1. Short title; amendment of 1986 Code.
- Sec. 2. Congressional findings and declaration of purposes.

TITLE I—EXECUTIVE BRANCH GOVERNANCE AND SENIOR  
MANAGEMENT OF THE INTERNAL REVENUE SERVICE

Subtitle A—Executive Branch Governance and Senior Management

- Sec. 101. Internal Revenue Service Oversight Board.
- Sec. 102. Commissioner of Internal Revenue; Chief Counsel; other officials.
- Sec. 103. Other personnel.

Subtitle B—Personnel Flexibilities

- Sec. 111. Personnel flexibilities.

TITLE II—ELECTRONIC FILING

- Sec. 201. Electronic filing of tax and information returns.
- Sec. 202. Extension of time to file for electronic filers.
- Sec. 203. Paperless electronic filing.
- Sec. 204. Regulation of preparers.
- Sec. 205. Paperless payment.
- Sec. 206. Return-free tax system.
- Sec. 207. Access to account information.

TITLE III—TAXPAYER PROTECTION AND RIGHTS

- Sec. 301. Expansion of authority to issue taxpayer assistance orders.
- Sec. 302. Expansion of authority to award costs and certain fees.
- Sec. 303. Civil damages for negligence in collection actions.
- Sec. 304. Disclosure of criteria for examination selection.
- Sec. 305. Archival of records of Internal Revenue Service.
- Sec. 306. Tax return information.
- Sec. 307. Freedom of information.
- Sec. 308. Offers-in-compromise.
- Sec. 309. Elimination of interest differential on overpayments and underpay-  
ments.
- Sec. 310. Elimination of application of failure to pay penalty during period of  
installment agreement.
- Sec. 311. Safe harbor for qualification for installment agreements.
- Sec. 312. Payment of taxes.
- Sec. 313. Low income taxpayer clinics.
- Sec. 314. Jurisdiction of the Tax Court.
- Sec. 315. Cataloging complaints.
- Sec. 316. Procedures involving taxpayer interviews.

- Sec. 317. Explanation of joint and several liability.
- Sec. 318. Procedures relating to extensions of statute of limitations by agreement.
- Sec. 319. Review of penalty administration.
- Sec. 320. Study of treatment of all taxpayers as separate filing units.
- Sec. 321. Study of burden of proof.

#### TITLE IV—CONGRESSIONAL ACCOUNTABILITY FOR THE INTERNAL REVENUE SERVICE

##### Subtitle A—Oversight

- Sec. 401. Expansion of powers of the Joint Committee on Taxation.
- Sec. 402. Coordinated oversight reports.

##### Subtitle B—Budget

- Sec. 411. Budget discretion.
- Sec. 412. Funding for century date change.
- Sec. 413. Financial management advisory group.

##### Subtitle C—Tax Law Complexity

- Sec. 421. Role of Internal Revenue Service.
- Sec. 422. Tax complexity analysis.
- Sec. 423. Simplified tax and wage reporting system.
- Sec. 424. Compliance burden estimates.

## 1    **SEC. 2. CONGRESSIONAL FINDINGS AND DECLARATION OF** 2                                    **PURPOSES.**

3            (a) The Congress finds the following:

4                    (1) The structure of the Internal Revenue Serv-  
5            ice should be strengthened to ensure focus and bet-  
6            ter target its budgeting, staffing, and technology to  
7            serve the American taxpayer and collect the Federal  
8            revenue.

9                    (2) The American public expects timely, accu-  
10           rate, and respectful service from the Internal Reve-  
11           nue Service.

1           (3) The job of the Internal Revenue Service is  
2           to operate as an efficient financial management or-  
3           ganization.

4           (4) The bulk of the Federal revenue is gen-  
5           erated through voluntary compliance. Taxpayer serv-  
6           ice and education, as well as targeted compliance  
7           and enforcement initiatives, increase voluntary com-  
8           pliance.

9           (5) While the Internal Revenue Service must  
10          maintain a strong enforcement presence, its core and  
11          the core of the Federal revenue stream lie in a re-  
12          vamped, modern, technologically advanced organiza-  
13          tion that can track finances, send out clear notices,  
14          and assist taxpayers promptly and efficiently.

15          (6) The Internal Revenue Service governance,  
16          management, and oversight structures must: develop  
17          and maintain a shared vision with continuity; set  
18          and maintain priorities and strategic direction; im-  
19          pose accountability on senior management; provide  
20          oversight through a credible board, including mem-  
21          bers who bring private sector expertise to the Inter-  
22          nal Revenue Service; develop appropriate measures  
23          of success; align budget and technology with prior-  
24          ities and strategic direction; and coordinate over-  
25          sight and identify problems at an early stage.

1           (7) The Internal Revenue Service must use in-  
2           formation technology as an enabler of its strategic  
3           objectives.

4           (8) Electronic filing can increase cost savings  
5           and compliance.

6           (9) In order to ensure that fewer taxpayers are  
7           subject to improper treatment by the Internal Reve-  
8           nue Service, Congress and the agency need to focus  
9           on preventing problems before they occur.

10          (10) There currently is no mechanism in place  
11          to ensure that Members of Congress have a complete  
12          understanding of how tax legislation will affect tax-  
13          payers and the Internal Revenue Service and to cre-  
14          ate incentives to simplify the tax law, and to ensure  
15          that Congress hears directly from the Internal Reve-  
16          nue Service during the legislative process.

17          (b) The purposes of this Act are as follows:

18               (1) To restructure the Internal Revenue Serv-  
19               ice, transforming it into a world class service organi-  
20               zation.

21               (2) To establish taxpayer satisfaction as the  
22               goal of the Internal Revenue Service, such that the  
23               Internal Revenue Service should only initiate contact  
24               with a taxpayer if the agency is prepared to devote

1 the resources necessary for a proper and timely reso-  
2 lution of the matter.

3 (3) To provide for direct accountability to the  
4 President for tax administration, an Internal Reve-  
5 nue Service Oversight Board, a strengthened Com-  
6 missioner of Internal Revenue, and coordinated con-  
7 gressional oversight to ensure that there are clear  
8 lines of accountability and that the leadership of the  
9 Internal Revenue Service has the continuity and ex-  
10 pertise to guide the agency.

11 (4) To enable the Internal Revenue Service to  
12 recruit and train a first-class workforce that will be  
13 rewarded for performance and held accountable for  
14 working with taxpayers to solve problems.

15 (5) To establish paperless filing as the pre-  
16 ferred and most convenient means of filing tax re-  
17 turns for the vast majority of taxpayers within 10  
18 years of enactment of this Act.

19 (6) To provide additional taxpayer protections  
20 and rights and to ensure that taxpayers receive fair,  
21 impartial, timely, and courteous treatment from the  
22 Internal Revenue Service.

23 (7) To establish the resolution of the century  
24 date change problem as the highest technology prior-  
25 ity of the Internal Revenue Service.

1           (8) To establish procedures to minimize com-  
 2           plexity in the tax law and simplify tax administra-  
 3           tion, and provide Congress with an independent view  
 4           of tax administration from the Internal Revenue  
 5           Service.

6   **TITLE I—EXECUTIVE BRANCH**  
 7       **GOVERNANCE AND SENIOR**  
 8       **MANAGEMENT OF THE INTER-**  
 9       **NAL REVENUE SERVICE**

10 **Subtitle A—Executive Branch Gov-**  
 11 **ernance and Senior Manage-**  
 12 **ment**

13 **SEC. 101. INTERNAL REVENUE SERVICE OVERSIGHT**  
 14 **BOARD.**

15       (a) IN GENERAL.—Section 7802 (relating to the  
 16 Commissioner of Internal Revenue) is amended to read as  
 17 follows:

18 **“SEC. 7802. INTERNAL REVENUE SERVICE OVERSIGHT**  
 19 **BOARD.**

20       “(a) ESTABLISHMENT.—There is established within  
 21 the Department of the Treasury the Internal Revenue  
 22 Service Oversight Board (in this subchapter referred to  
 23 as the ‘Board’).

24       “(b) MEMBERSHIP.—

1           “(1) COMPOSITION.—The Board shall be com-  
2 posed of 9 members, of whom—

3           “(A) 7 shall be individuals who are not  
4 full-time Federal officers or employees, who are  
5 appointed by the President, by and with the ad-  
6 vice and consent of the Senate, and who shall  
7 be considered special government employees  
8 pursuant to paragraph (2),

9           “(B) 1 shall be the Secretary of the Treas-  
10 ury or, if the Secretary so designates, the Dep-  
11 uty Secretary of the Treasury, and

12           “(C) 1 shall be a representative of an orga-  
13 nization that represents a substantial number  
14 of Internal Revenue Service employees who is  
15 appointed by the President, by and with the ad-  
16 vice and consent of the Senate.

17           “(2) SPECIAL GOVERNMENT EMPLOYEES.—

18           “(A) QUALIFICATIONS.—Members of the  
19 Board described in paragraph (1)(A) shall be  
20 appointed solely on the basis of their profes-  
21 sional experience and expertise in the following  
22 areas:

23                   “(i) Management of large service or-  
24 ganizations.

25                   “(ii) Customer service.



1 “(iii) Compliance.

2 “(iv) Information technology.

3 “(v) Organization development.

4 “(vi) The needs and concerns of tax-  
5 payers.

6 In the aggregate, the members of the Board de-  
7 scribed in paragraph (1)(A) should collectively  
8 bring to bear expertise in these enumerated  
9 areas.

10 “(B) TERMS.—Each member who is de-  
11 scribed in paragraph (1)(A) shall be appointed  
12 for a term of 5 years, except that of the mem-  
13 bers first appointed—

14 “(i) 1 member shall be appointed for  
15 a term of 1 year,

16 “(ii) 1 member shall be appointed for  
17 a term of 2 years,

18 “(iii) 2 members shall be appointed  
19 for a term of 3 years, and

20 “(iv) 1 member shall be appointed for  
21 a term of 4 years.

22 “(C) REAPPOINTMENT.—An individual  
23 who is described in paragraph (1)(A) may be  
24 appointed to no more than two 5-year terms on  
25 the Board.

1           “(D) SPECIAL GOVERNMENT EMPLOY-  
2           EES.—During such periods as they are per-  
3           forming services for the Board, members who  
4           are not Federal officers or employees shall be  
5           treated as special government employees (as de-  
6           fined in section 202 of title 18, United States  
7           Code).

8           “(E) CLAIMS.—

9           “(i) IN GENERAL.—Members of the  
10          Board who are described in paragraph  
11          (1)(A) shall have no personal liability  
12          under Federal law with respect to any  
13          claim arising out of or resulting from an  
14          act or omission by such member within the  
15          scope of service as a member. The preced-  
16          ing sentence shall not be construed to limit  
17          personal liability for criminal acts or omis-  
18          sions, willful or malicious conduct, acts or  
19          omissions for private gain, or any other act  
20          or omission outside the scope of the service  
21          of such member on the Board.

22          “(ii) EFFECT ON OTHER LAW.—This  
23          subparagraph shall not be construed—

24                  “(I) to affect any other immuni-  
25                  ties and protections that may be avail-

1                   able to such member under applicable  
2                   law with respect to such transactions,  
3                   “(II) to affect any other right or  
4                   remedy against the United States  
5                   under applicable law, or

6                   “(III) to limit or alter in any way  
7                   the immunities that are available  
8                   under applicable law for Federal offi-  
9                   cers and employees not described in  
10                  this subparagraph.

11               “(3) VACANCY.—Any vacancy on the Board—

12                   “(A) shall not affect the powers of the  
13                  Board, and

14                   “(B) shall be filled in the same manner as  
15                  the original appointment.

16               “(4) REMOVAL.—

17                   “(A) IN GENERAL.—A member of the  
18                  Board may be removed at the will of the Presi-  
19                  dent.

20                   “(B) SECRETARY OR DELEGATE.—An indi-  
21                  vidual described in subsection (b)(1)(B) shall be  
22                  removed upon termination of employment.

23                   “(C) REPRESENTATIVE OF INTERNAL REV-  
24                  ENUE SERVICE EMPLOYEES.—A member who is  
25                  from an organization that represents a substan-

1            tial number of Internal Revenue Service em-  
2            ployees shall be removed upon termination of  
3            employment, membership, or other affiliation  
4            with such organization.

5            “(c) GENERAL RESPONSIBILITIES.—

6            “(1) IN GENERAL.—The Board shall oversee  
7            the Internal Revenue Service in the administration,  
8            management, conduct, direction, and supervision of  
9            the execution and application of the internal revenue  
10          laws or related statutes and tax conventions to  
11          which the United States is a party.

12          “(2) EXCEPTIONS.—The Board shall have no  
13          responsibilities or authority with respect to—

14                “(A) the development and formulation of  
15                Federal tax policy relating to existing or pro-  
16                posed internal revenue laws, related statutes,  
17                and tax conventions,

18                “(B) specific law enforcement activities of  
19                the Internal Revenue Service, including compli-  
20                ance activities such as criminal investigations,  
21                examinations, and collection activities, or

22                “(C) specific activities of the Internal Rev-  
23                enue Service delegated to employees of the In-  
24                ternal Revenue Service pursuant to delegation  
25                orders in effect as of the date of the enactment

1 of this subsection, including delegation order  
2 106 relating to procurement authority, except  
3 to the extent that such delegation orders are  
4 modified subsequently by the Secretary.

5 “(3) RESTRICTION ON DISCLOSURE OF RETURN  
6 INFORMATION TO BOARD MEMBERS.—No return, re-  
7 turn information, or taxpayer return information (as  
8 defined in section 6103(b)) may be disclosed to any  
9 member of the Board described in subsection (b)(1)  
10 (A) or (C). Any request for information not per-  
11 mitted to be disclosed under the preceding sentence,  
12 and any contact relating to a specific taxpayer, made  
13 by a member of the Board to an officer or employee  
14 of the Internal Revenue Service shall be reported by  
15 such officer or employee to the Secretary and the  
16 Joint Committee on Taxation.

17 “(d) SPECIFIC RESPONSIBILITIES.—The Board shall  
18 have the following specific responsibilities:

19 “(1) STRATEGIC PLANS.—To review and ap-  
20 prove strategic plans of the Internal Revenue Serv-  
21 ice, including the establishment of—

22 “(A) mission and objectives, and standards  
23 of performance relative to either, and

24 “(B) annual and long-range strategic  
25 plans.

1           “(2) OPERATIONAL PLANS.—To review the  
2           operational functions of the Internal Revenue Serv-  
3           ice, including—

4                   “(A) plans for modernization of the tax  
5                   system,

6                   “(B) plans for outsourcing or managed  
7                   competition, and

8                   “(C) plans for training and education.

9           “(3) MANAGEMENT.—To provide for—

10                   “(A) the selection and appointment, eval-  
11                   uation, and removal of the Commissioner of In-  
12                   ternal Revenue,

13                   “(B) the review of the Commissioner’s se-  
14                   lection, evaluation, and compensation of senior  
15                   managers, and

16                   “(C) the review of the Commissioner’s  
17                   plans for reorganization of the Internal Reve-  
18                   nue Service.

19           “(4) BUDGET.—To—

20                   “(A) review and approve the budget re-  
21                   quest of the Internal Revenue Service prepared  
22                   by the Commissioner,

23                   “(B) submit such budget request to the  
24                   Secretary of the Treasury,

1                   “(C) ensure that the budget request sup-  
2                   ports the annual and long-range strategic plans,  
3                   and

4                   “(D) ensure appropriate financial audits of  
5                   the Internal Revenue Service.

6 The Secretary shall submit the budget request referred to  
7 in subparagraph (B) for any fiscal year to the President  
8 who shall submit such request, without revision, to Con-  
9 gress together with the President’s annual budget request  
10 for the Internal Revenue Service for such fiscal year.

11           “(e) BOARD PERSONNEL MATTERS.—

12                   “(1) COMPENSATION OF MEMBERS.—

13                   “(A) IN GENERAL.—Each member of the  
14                   Board who is described in subsection (b)(1)(A)  
15                   shall be compensated at a rate of \$30,000 per  
16                   year. All other members of the Board shall  
17                   serve without compensation for such service.

18                   “(B) CHAIRPERSON.—In lieu of the  
19                   amount specified in subparagraph (A), the  
20                   Chairperson of the Board shall be compensated  
21                   at a rate of \$50,000 per year if such Chair-  
22                   person is described in subsection (b)(1)(A).

23                   “(2) TRAVEL EXPENSES.—The members of the  
24                   Board shall be allowed travel expenses, including per  
25                   diem in lieu of subsistence, at rates authorized for

1 employees of agencies under subchapter I of chapter  
2 57 of title 5, United States Code, while away from  
3 their homes or regular places of business in the per-  
4 formance of services for the Board.

5 “(3) STAFF.—On the request of the Chair-  
6 person of the Board, the Commissioner shall detail  
7 to the Board such personnel as may be necessary to  
8 enable the Board to perform its duties. Such detail  
9 shall be without interruption or loss of civil service  
10 status or privilege.

11 “(4) PROCUREMENT OF TEMPORARY AND  
12 INTERMITTENT SERVICES.—The Chairperson of the  
13 Board may procure temporary and intermittent serv-  
14 ices under section 3109(b) of title 5, United States  
15 Code.

16 “(f) ADMINISTRATIVE MATTERS.—

17 “(1) CHAIR.—The members of the Board shall  
18 elect a chairperson for a 2-year term.

19 “(2) COMMITTEES.—The Board may establish  
20 such committees as the Board determines appro-  
21 priate.

22 “(3) MEETINGS.—The Board shall meet at  
23 least once each month and at such other times as  
24 the Board determines appropriate.



1           “(4) REPORTS.—The Board shall each year re-  
2       port to the President and the Congress with respect  
3       to the conduct of its responsibilities under this  
4       title.”.

5       (b) CONFORMING AMENDMENTS.—

6           (1) Section 4946(c) (relating to definitions and  
7       special rules for chapter 42) is amended—

8                (A) by striking “or” at the end of para-  
9       graph (5),

10               (B) by striking the period at the end of  
11       paragraph (6) and inserting “, or”, and

12               (C) by adding at the end the following new  
13       paragraph:

14           “(7) a member of the Internal Revenue Service  
15       Oversight Board.”.

16           (2) The table of sections for subchapter A of  
17       chapter 80 is amended by striking the item relating  
18       to section 7802 and inserting the following new  
19       item:

                  “Sec. 7802. Internal Revenue Service Oversight Board.”

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

1 **SEC. 102. COMMISSIONER OF INTERNAL REVENUE; CHIEF**  
2 **COUNSEL; OTHER OFFICIALS.**

3 (a) IN GENERAL.—Section 7803 (relating to other  
4 personnel) is amended to read as follows:

5 **“SEC. 7803. COMMISSIONER OF INTERNAL REVENUE; CHIEF**  
6 **COUNSEL; OTHER OFFICIALS.**

7 “(a) COMMISSIONER OF INTERNAL REVENUE.—

8 “(1) APPOINTMENT.—There shall be in the De-  
9 partment of the Treasury a Commissioner of Inter-  
10 nal Revenue who shall be appointed by the Internal  
11 Revenue Service Oversight Board to a 5-year term  
12 and compensated without regard to chapters 33, 51,  
13 and 53 of title 5, United States Code. The appoint-  
14 ment shall be made on the basis of demonstrated  
15 ability in management and without regard to politi-  
16 cal affiliation or activity. The Board may reappoint  
17 the Commissioner to subsequent terms so long as  
18 performance is satisfactory or better.

19 “(2) DUTIES.—The Commissioner shall—

20 “(A) administer, manage, conduct, direct,  
21 and supervise the execution and application of  
22 the internal revenue laws or related statutes  
23 and tax conventions to which the United States  
24 is a party; and

25 “(B) when a vacancy occurs, recommend a  
26 candidate for appointment as Chief Counsel for

1 the Internal Revenue Service to the President,  
2 and may recommend the removal of such Chief  
3 Counsel to the President.

4 “(3) CONSULTATION WITH BOARD.—The Com-  
5 missioner shall consult with the Board on all mat-  
6 ters set forth in paragraphs (2) and (3) (other than  
7 subparagraph (A)) of section 7802(d)(2).

8 “(4) PAY.—The Commissioner is authorized to  
9 be paid at an annual rate of basic pay not to exceed  
10 the maximum rate of basic pay of level II of the Ex-  
11 ecutive Schedule under section 5311 of title 5, Unit-  
12 ed States Code, including any applicable locality-  
13 based comparability payment that may be authorized  
14 under section 5304 of such title 5.

15 “(b) CHIEF COUNSEL FOR THE INTERNAL REVENUE  
16 SERVICE.—

17 “(1) APPOINTMENT.—There shall be in the De-  
18 partment of the Treasury a Chief Counsel for the  
19 Internal Revenue Service who shall be appointed by  
20 the President, by and with the advice and consent  
21 of the Senate.

22 “(2) DUTIES.—The Chief Counsel shall be the  
23 chief law officer for the Internal Revenue Service  
24 and shall perform such duties as may be prescribed  
25 by the Secretary of the Treasury. To the extent that

1 the Chief Counsel performs duties relating to the de-  
2 velopment of rules and regulations promulgated  
3 under this title, final decisionmaking authority shall  
4 remain with the Secretary.

5 “(3) PAY.—The Chief Counsel is authorized to  
6 be paid at an annual rate of basic pay not to exceed  
7 the maximum rate of basic pay of level III of the  
8 Executive Schedule under section 5311 of title 5,  
9 United States Code, including any applicable local-  
10 ity-based comparability payment that may be au-  
11 thorized under section 5304 of such title 5.

12 “(c) ASSISTANT COMMISSIONER FOR EMPLOYEE  
13 PLANS AND EXEMPT ORGANIZATIONS.—

14 “(1) ESTABLISHMENT OF OFFICE.—There is  
15 established within the Internal Revenue Service an  
16 office to be known as the ‘Office of Employee Plans  
17 and Exempt Organizations’ to be under the super-  
18 vision and direction of an Assistant Commissioner of  
19 Internal Revenue. As head of the Office, the Assist-  
20 ant Commissioner shall be responsible for carrying  
21 out such functions as the Secretary may prescribe  
22 with respect to organizations exempt from tax under  
23 section 501(a) and with respect to plans to which  
24 part I of subchapter D of chapter 1 applies (and  
25 with respect to organizations designed to be exempt

1 under such section and plans designed to be plans  
 2 to which such part applies) and other nonqualified  
 3 deferred compensation arrangements. The Assistant  
 4 Commissioner shall report annually to the Commis-  
 5 sioner with respect to the Assistant Commissioner’s  
 6 responsibilities under this section.

7 “(2) AUTHORIZATION OF APPROPRIATIONS.—

8 There is authorized to be appropriated to the Inter-  
 9 nal Revenue Service solely to carry out the functions  
 10 of the Office an amount equal to the sum of—

11 “(A) so much of the collection from taxes

12 under section 4940 (relating to excise tax based  
 13 on investment income) as would have been col-  
 14 lected if the rate of tax under such section was  
 15 2 percent during the second preceding fiscal  
 16 year, and

17 “(B) the greater of—

18 “(i) an amount equal to the amount  
 19 described in subparagraph (A), or

20 “(ii) \$30,000,000.

21 “(3) USER FEES.—All user fees collected by the

22 Office shall be dedicated to carry out the functions  
 23 of the Office.

24 “(d) OFFICE OF TAXPAYER ADVOCATE.—

25 “(1) IN GENERAL.—

1           “(A) There is established in the Internal  
2           Revenue Service an office to be known as the  
3           ‘Office of the Taxpayer Advocate’. Such office  
4           shall be under the supervision and direction of  
5           an official to be known as the ‘Taxpayer Advoca-  
6           cate’ who shall be appointed by and report di-  
7           rectly to the Commissioner of Internal Revenue,  
8           with the approval of the Internal Revenue Serv-  
9           ice Oversight Board. The Taxpayer Advocate  
10          shall be entitled to compensation at the same  
11          rate as the highest level official reporting di-  
12          rectly to the Commissioner of Internal Revenue.

13          “(B) As a qualification for appointment as  
14          the Taxpayer Advocate, an individual must have  
15          substantial experience representing taxpayers  
16          before the Internal Revenue Service or with tax-  
17          payer rights issues.

18          “(C) An individual who, before being ap-  
19          pointed as the Taxpayer Advocate, was an offi-  
20          cer or employee of the Internal Revenue Service  
21          may be so appointed only if such individual  
22          agrees not to accept any employment with the  
23          Internal Revenue Service for at least 5 years  
24          after ceasing to be the Taxpayer Advocate.

25          “(2) FUNCTIONS OF OFFICE.—

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

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

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

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

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

15           “(B) ANNUAL REPORTS.—

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

1 substantive analysis, in addition to statistical  
2 information.

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

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

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

22 “(III) contain a summary of at  
23 least 20 of the most serious problems  
24 encountered by taxpayers, including a



1 description of the nature of such prob-  
2 lems,

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

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

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

22 “(VII) identify any Taxpayer As-  
23 sistance Order which was not honored  
24 by the Internal Revenue Service in a

1           timely manner, as specified under sec-  
2           tion 7811(b),

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

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

13                   “(X) identify areas of the tax law  
14          that impose significant compliance  
15          burdens on taxpayers or the Internal  
16          Revenue Service, including specific  
17          recommendations for remedying these  
18          problems,

19                   “(XI) in conjunction with the  
20          National Director of Appeals, identify  
21          the 10 most litigated issues for each  
22          category of taxpayers (e.g., individ-  
23          uals, self-employed individuals, and  
24          small businesses), including rec-

1                   ommendations for mitigating such dis-  
2                   putes, and

3                   “(XII) include such other infor-  
4                   mation as the Taxpayer Advocate may  
5                   deem advisable.

6                   “(iii) REPORT TO BE SUBMITTED DI-  
7                   RECTLY.—Each report required under this  
8                   subparagraph shall be provided directly to  
9                   the Committees described in clauses (i)  
10                  and (ii) without any prior review or com-  
11                  ment from the Commissioner, the Internal  
12                  Revenue Service Oversight Board, the Sec-  
13                  retary of the Treasury, any other officer or  
14                  employee of the Department of the Treas-  
15                  ury, or the Office of Management and  
16                  Budget.

17                  “(C) OTHER RESPONSIBILITIES.—The  
18                  Taxpayer Advocate shall—

19                         “(i) monitor the coverage and geo-  
20                         graphic allocation of problem resolution of-  
21                         ficers,

22                         “(ii) develop guidance to be distrib-  
23                         uted to all Internal Revenue Service offi-  
24                         cers and employees outlining the criteria

1           for referral of taxpayer inquiries to prob-  
2           lem resolution officers,

3           “(iii) ensure that the local telephone  
4           numbers for the problem resolution officer  
5           in each internal revenue district is pub-  
6           lished and available to taxpayers, and

7           “(iv) in conjunction with the Commis-  
8           sioner, develop career paths for problem  
9           resolution officers choosing to make a ca-  
10          reer in the Office of the Taxpayer Advo-  
11          cate.

12          “(3) RESPONSIBILITIES OF COMMISSIONER.—  
13          The Commissioner shall establish procedures requir-  
14          ing a formal response to all recommendations sub-  
15          mitted to the Commissioner by the Taxpayer Advo-  
16          cate within 3 months after submission to the Com-  
17          missioner.”.

18          (b) AMENDMENT OF PRESIDENT’S AUTHORITY TO  
19          APPOINT CHIEF COUNSEL FOR INTERNAL REVENUE  
20          SERVICE.—

21                 (1) Paragraph (2) of section 7801(b) (relating  
22                 to the office of General Counsel for the Department)  
23                 is amended to read as follows:

24                 “(2) ASSISTANT GENERAL COUNSELS.—The  
25                 Secretary of the Treasury may appoint, without re-

1       gard to the provisions of the civil service laws, and  
2       fix the duties of not to exceed five assistant General  
3       Counsels.”.

4           (2)(A) Subsection (f)(2) of section 301 of title  
5       31, United States Code, is amended by striking “an  
6       Assistant General Counsel who shall be the” and in-  
7       serting “a”.

8           (B) Section 301 of such title 31 is amended by  
9       adding at the end the following new subsection:

10       “(h) CROSS REFERENCE.—For provisions relating to  
11       the appointment of officers and employees of the Internal  
12       Revenue Service, see subchapter A of chapter 80 of the  
13       Internal Revenue Code of 1986.”.

14       (c) CONFORMING AMENDMENTS.—

15           (1) The table of sections for subchapter A of  
16       chapter 80 is amended by striking the item relating  
17       to section 7803 and inserting the following new  
18       item:

                  “Sec. 7803. Commissioner of Internal Revenue; Chief Counsel;  
                  other officials.”

19           (2) Subsection (b) of section 5109 of title 5,  
20       United States Code, is amended by striking  
21       “7802(b)” and inserting “7803(c)”.

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

1 **SEC. 103. OTHER PERSONNEL.**

2 (a) IN GENERAL.—Section 7804 (relating to the ef-  
3 fect of reorganization plans) is amended to read as follows:

4 **“SEC. 7804. OTHER PERSONNEL.**

5 “(a) APPOINTMENT AND SUPERVISION.—The Com-  
6 missioner of Internal Revenue is authorized to employ  
7 such number of persons as the Commissioner deems prop-  
8 er for the administration and enforcement of the internal  
9 revenue laws, and the Commissioner shall issue all nec-  
10 essary directions, instructions, orders, and rules applicable  
11 to such persons.

12 “(b) POSTS OF DUTY OF EMPLOYEES IN FIELD  
13 SERVICE OR TRAVELING.—

14 “(1) DESIGNATION OF POST OF DUTY.—The  
15 Commissioner shall determine and designate the  
16 posts of duty of all such persons engaged in field  
17 work or traveling on official business outside of the  
18 District of Columbia.

19 “(2) DETAIL OF PERSONNEL FROM FIELD  
20 SERVICE.—The Commissioner may order any such  
21 person engaged in field work to duty in the District  
22 of Columbia, for such periods as the Commissioner  
23 may prescribe, and to any designated post of duty  
24 outside the District of Columbia upon the comple-  
25 tion of such duty.

1       “(c) DELINQUENT INTERNAL REVENUE OFFICERS  
 2 AND EMPLOYEES.—If any officer or employee of the  
 3 Treasury Department acting in connection with the inter-  
 4 nal revenue laws fails to account for and pay over any  
 5 amount of money or property collected or received by him  
 6 in connection with the internal revenue laws, the Secretary  
 7 shall issue notice and demand to such officer or employee  
 8 for payment of the amount which he failed to account for  
 9 and pay over, and, upon failure to pay the amount de-  
 10 manded within the time specified in such notice, the  
 11 amount so demanded shall be deemed imposed upon such  
 12 officer or employee and assessed upon the date of such  
 13 notice and demand, and the provisions of chapter 64 and  
 14 all other provisions of law relating to the collection of as-  
 15 sessed taxes shall be applicable in respect of such  
 16 amount.”.

17       (b) CONFORMING AMENDMENTS.—

18           (1) Subsection (b) of section 6344 is amended  
 19 by striking “section 7803(d)” and inserting “section  
 20 7804(c)”.

21           (2) The table of sections for subchapter A of  
 22 chapter 80 is amended by striking the item relating  
 23 to section 7804 and inserting the following new  
 24 item:

“Sec. 7804. Other personnel.”

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

## 4 **Subtitle B—Personnel Flexibilities**

### 5 **SEC. 111. PERSONNEL FLEXIBILITIES.**

6 (a) IN GENERAL.—Part III of title 5, United States  
 7 Code, is amended by adding at the end the following new  
 8 subpart:

9 **“Subpart I—Miscellaneous**  
 10 **“CHAPTER 93—PERSONNEL FLEXIBILI-**  
 11 **TIES RELATING TO THE INTERNAL**  
 12 **REVENUE SERVICE**

“Sec.

“9301. General requirements.

“9302. Flexibilities relating to performance management.

“9303. Classification and pay flexibilities.

“9304. Staffing flexibilities.

“9305. Flexibilities relating to demonstration projects.

### 13 **“§ 9301. General requirements**

14 “(a) CONFORMANCE WITH MERIT SYSTEM PRIN-  
 15 CIPLES, ETC.—Any flexibilities under this chapter shall  
 16 be exercised in a manner consistent with—

17 “(1) chapter 23, relating to merit system prin-  
 18 ciples and prohibited personnel practices; and

19 “(2) provisions of this title (outside of this sub-  
 20 part) relating to preference eligibles.

21 “(b) REQUIREMENT RELATING TO UNITS REP-  
 22 RESENTED BY LABOR ORGANIZATIONS.—



1           “(1) WRITTEN AGREEMENT REQUIRED.—Em-  
 2       ployees within a unit with respect to which a labor  
 3       organization is accorded exclusive recognition under  
 4       chapter 71 shall not be subject to the exercise of any  
 5       flexibility under section 9302, 9303, 9304, or 9305,  
 6       unless there is a written agreement between the In-  
 7       ternal Revenue Service and the organization permit-  
 8       ting such exercise.

9           “(2) DEFINITION OF A WRITTEN AGREE-  
 10      MENT.—In order to satisfy paragraph (1), a written  
 11      agreement—

12                 “(A) need not be a collective bargaining  
 13      agreement within the meaning of section  
 14      7103(8); and

15                 “(B) may not be an agreement imposed by  
 16      the Federal Service Impasses Panel under sec-  
 17      tion 7119.

18      “(c) FLEXIBILITIES FOR WHICH OPM APPROVAL IS  
 19      REQUIRED.—

20                 “(1) IN GENERAL.—Except as provided in para-  
 21      graph (2), flexibilities under this chapter may be ex-  
 22      ercised by the Internal Revenue Service without  
 23      prior approval of the Office of Personnel Manage-  
 24      ment.

1           “(2) EXCEPTIONS.—The flexibilities under sub-  
 2           sections (c) through (e) of section 9303 may be exer-  
 3           cised by the Internal Revenue Service only after a  
 4           specific plan describing how those flexibilities are to  
 5           be exercised has been submitted to and approved, in  
 6           writing, by the Director of the Office of Personnel  
 7           Management.

8   **“§ 9302. Flexibilities relating to performance manage-**  
 9                           **ment**

10          “(a) IN GENERAL.—The Commissioner of Internal  
 11       Revenue shall, within 180 days after the date of the enact-  
 12       ment of this chapter, establish a performance management  
 13       system which—

14               “(1) subject to section 9301(b), shall cover all  
 15       employees of the Internal Revenue Service other  
 16       than—

17                       “(A) the members of the Internal Revenue  
 18                       Service Oversight Board;

19                       “(B) the Commissioner of Internal Reve-  
 20                       nue; and

21                       “(C) the Chief Counsel for the Internal  
 22                       Revenue Service;

23               “(2) shall maintain individual accountability  
 24       by—

1           “(A) establishing retention standards  
2           which—

3                   “(i) shall permit the accurate evalua-  
4                   tion of each employee’s performance on the  
5                   basis of criteria relating to the duties and  
6                   responsibilities of the position held by such  
7                   employee; and

8                   “(ii) shall be communicated to an em-  
9                   ployee before the start of any period with  
10                  respect to which the performance of such  
11                  employee is to be evaluated using such  
12                  standards;

13               “(B) providing for periodic performance  
14               evaluations to determine whether retention  
15               standards are being met; and

16               “(C) with respect to any employee whose  
17               performance does not meet retention standards,  
18               using the results of such employee’s perform-  
19               ance evaluation as a basis for—

20                   “(i) denying increases in basic pay,  
21                   promotions, and credit for performance  
22                   under section 3502; and

23                   “(ii) the taking of other appropriate  
24                   action, such as a reassignment or an action  
25                   under chapter 43; and

1 “(3) shall provide for—

2 “(A) establishing goals or objectives for in-  
3 dividual, group, or organizational performance  
4 (or any combination thereof), consistent with  
5 Internal Revenue Service performance planning  
6 procedures, including those established under  
7 the Government Performance and Results Act  
8 of 1993, the Information Technology Manage-  
9 ment Reform Act of 1996, Revenue Procedure  
10 64–22 (as in effect on July 30, 1997), and tax-  
11 payer service surveys, and communicating such  
12 goals or objectives to employees;

13 “(B) using such goals and objectives to  
14 make performance distinctions among employ-  
15 ees or groups of employees; and

16 “(C) using assessments under this para-  
17 graph, in combination with performance evalua-  
18 tions under paragraph (2), as a basis for grant-  
19 ing employee awards, adjusting an employee’s  
20 rate of basic pay, and taking such other person-  
21 nel action as may be appropriate.

22 For purposes of this title, performance of an employee  
23 during any period in which such employee is subject to  
24 retention standards under paragraph (2) shall be consid-  
25 ered to be ‘unacceptable’ if the performance of such em-

1 ployee during such period fails to meet any of those stand-  
2 ards.

3 “(b) AWARDS.—

4 “(1) FOR SUPERIOR ACCOMPLISHMENTS.—In  
5 the case of an employee of the Internal Revenue  
6 Service, section 4502(b) shall be applied by sub-  
7 stituting ‘with the approval of the Commissioner of  
8 Internal Revenue’ for ‘with the approval of the Of-  
9 fice’.

10 “(2) FOR EMPLOYEES WHO REPORT DIRECTLY  
11 TO THE COMMISSIONER.—

12 “(A) IN GENERAL.—In the case of an em-  
13 ployee of the Internal Revenue Service who re-  
14 ports directly to the Commissioner of Internal  
15 Revenue, a cash award in an amount up to 50  
16 percent of such employee’s annual rate of basic  
17 pay may be made if the Commissioner finds  
18 such an award to be warranted based on such  
19 employee’s performance.

20 “(B) NATURE OF AN AWARD.—A cash  
21 award under this paragraph shall not be consid-  
22 ered to be part of basic pay.

23 “(C) TAX ENFORCEMENT RESULTS.—A  
24 cash award under this paragraph may not be  
25 based solely on tax enforcement results.

1           “(D) ELIGIBLE EMPLOYEES.—Whether or  
2 not an employee is an employee who reports di-  
3 rectly to the Commissioner of Internal Revenue  
4 shall, for purposes of this paragraph, be deter-  
5 mined under regulations which the Commis-  
6 sioner shall prescribe.

7           “(E) LIMITATION ON COMPENSATION.—  
8 For purposes of applying section 5307 to an  
9 employee in connection with any calendar year  
10 to which an award made under this paragraph  
11 to such employee is attributable, subsection  
12 (a)(1) of such section shall be applied by sub-  
13 stituting ‘to equal or exceed the annual rate of  
14 compensation for the President for such cal-  
15 endar year’ for ‘to exceed the annual rate of  
16 basic pay payable for level I of the Executive  
17 Schedule, as of the end of such calendar year’.  
18           “(3) BASED ON SAVINGS.—

19           “(A) IN GENERAL.—The Commissioner of  
20 Internal Revenue may authorize the payment of  
21 cash awards to employees based on documented  
22 financial savings achieved by a group or organi-  
23 zation which such employees comprise, if such  
24 payments are made pursuant to a plan which—

1 “(i) specifies minimum levels of serv-  
 2 ice and quality to be maintained while  
 3 achieving such financial savings; and

4 “(ii) is in conformance with criteria  
 5 prescribed by the Office of Personnel Man-  
 6 agement.

7 “(B) FUNDING.—A cash award under this  
 8 paragraph may be paid from the fund or appro-  
 9 priation available to the activity primarily bene-  
 10 fitting or the various activities benefiting.

11 “(C) TAX ENFORCEMENT RESULTS.—A  
 12 cash award under this paragraph may not be  
 13 based solely on tax enforcement results.

14 “(c) OTHER PROVISIONS.—

15 “(1) NOTICE PROVISIONS.—In applying sections  
 16 4303(b)(1)(A) and 7513(b)(1) to employees of the  
 17 Internal Revenue Service, ‘15 days’ shall be sub-  
 18 stituted for ‘30 days’.

19 “(2) APPEALS.—Notwithstanding the second  
 20 sentence of section 5335(c), an employee of the In-  
 21 ternal Revenue Service shall not have a right to ap-  
 22 peal the denial of a periodic step increase under sec-  
 23 tion 5335 to the Merit Systems Protection Board.

24 **“§ 9303. Classification and pay flexibilities**

25 “(a) BROAD-BANDED SYSTEMS.—

1           “(1) DEFINITIONS.—For purposes of this sub-  
2       section—

3           “(A) the term ‘broad-banded system’  
4       means a system under which positions are clas-  
5       sified and pay for service in any such position  
6       is fixed through the use of pay bands, rather  
7       than under—

8           “(i) chapter 51 and subchapter III of  
9       chapter 53; or

10          “(ii) subchapter IV of chapter 53; and

11          “(B) the term ‘pay band’ means, with re-  
12       spect to positions in 1 or more occupational se-  
13       ries, a pay range—

14          “(i) consisting of—

15               “(I) 2 or more consecutive grades  
16               of the General Schedule; or

17               “(II) 2 or more consecutive pay  
18               ranges of such other pay or wage  
19               schedule as would otherwise apply  
20               (but for this section); and

21          “(ii) the minimum rate for which is  
22       the minimum rate for the lower (or lowest)  
23       grade or range in the pay band and the  
24       maximum rate for which is the maximum  
25       rate for the higher (or highest) grade or



1 range in the pay band, including any local-  
2 ity-based and other similar comparability  
3 payments.

4 “(2) AUTHORITY.—The Commissioner of Inter-  
5 nal Revenue may, subject to criteria to be prescribed  
6 by the Office of Personnel Management, establish  
7 one or more broad-banded systems covering all or  
8 any portion of its workforce which would otherwise  
9 be subject to the provisions of law cited in clause (i)  
10 or (ii) of subsection (a)(1)(A), except for any posi-  
11 tion classified by statute.

12 “(3) CRITERIA.—The criteria to be prescribed  
13 by the Office shall, at a minimum—

14 “(A) ensure that the structure of any  
15 broad-banded system maintains the principle of  
16 equal pay for substantially equal work;

17 “(B) establish the minimum (but not less  
18 than 2) and maximum number of grades or pay  
19 ranges that may be combined into pay bands;

20 “(C) establish requirements for adjusting  
21 the pay of an employee within a pay band;

22 “(D) establish requirements for setting the  
23 pay of a supervisory employee whose position is  
24 in a pay band or who supervises employees  
25 whose positions are in pay bands; and

1           “(E) establish requirements and meth-  
2           odologies for setting the pay of an employee  
3           upon conversion to a broad-banded system, ini-  
4           tial appointment, change of position or type of  
5           appointment (including promotion, demotion,  
6           transfer, reassignment, reinstatement, place-  
7           ment in another pay band, or movement to a  
8           different geographic location), and movement  
9           between a broad-banded system and another  
10          pay system.

11          “(4) INFORMATION.—The Commissioner of In-  
12          ternal Revenue shall submit to the Office such infor-  
13          mation relating to its broad-banded systems as the  
14          Office may require.

15          “(5) REVIEW AND REVOCATION AUTHORITY.—  
16          The Office may, with respect to any broad-banded  
17          system under this subsection, and in accordance  
18          with regulations which it shall prescribe, exercise  
19          with respect to any broad-banded system under this  
20          subsection authorities similar to those available to it  
21          under sections 5110 and 5111 with respect to classi-  
22          fications under chapter 51.

23          “(b) SINGLE PAY-BAND SYSTEM.—

24          “(1) IN GENERAL.—The Commissioner of In-  
25          ternal Revenue may, with respect to employees who

1 remain subject to chapter 51 and subchapter III of  
2 chapter 53 (or subchapter IV of chapter 53), fix  
3 rates of pay under a single pay-band system.

4 “(2) DEFINITION.—For purposes of this sub-  
5 section, the term ‘single pay-band system’ means,  
6 for pay-setting purposes, a system similar to the  
7 pay-setting aspects of a broad-banded system under  
8 subsection (a), but consisting of only a single grade  
9 or pay range, under which pay may be fixed at any  
10 rate not less than the minimum and not more than  
11 the maximum rate which (but for this section) would  
12 otherwise apply with respect to the grade or pay  
13 range involved, including any locality-based and  
14 other similar comparability payments.

15 “(3) SPECIAL RULES.—

16 “(A) PROMOTION OR TRANSFER.—An em-  
17 ployee under this subsection who is promoted or  
18 transferred to a position in a higher grade shall  
19 be entitled to basic pay at a rate determined  
20 under criteria prescribed by the Office of Per-  
21 sonnel Management based on section 5334(b).

22 “(B) PERFORMANCE INCREASES.—In lieu  
23 of periodic step-increases under section 5335,  
24 an employee under this subsection who meets  
25 retention standards under section

1           9302(a)(2)(A) shall be entitled to performance  
 2           increases under criteria prescribed by the Of-  
 3           fice. An increase under this subparagraph shall  
 4           be equal to one-ninth of the difference between  
 5           the minimum and maximum rates of pay for  
 6           the applicable grade or pay range.

7           “(C) INCREASES FOR EXCEPTIONAL PER-  
 8           FORMANCE.—In lieu of additional step-increases  
 9           under section 5336, an employee under this  
 10          subsection who has demonstrated exceptional  
 11          performance shall be eligible for a pay increase  
 12          under this subparagraph under criteria pre-  
 13          scribed by the Office. An increase under this  
 14          subparagraph may not exceed the amount of an  
 15          increase under subparagraph (B).

16          “(c) ALTERNATIVE CLASSIFICATION SYSTEMS.—

17                 “(1) IN GENERAL.—Subject to section 9301(c),  
 18          the Commissioner of Internal Revenue may establish  
 19          1 or more alternative classification systems that in-  
 20          clude any positions or groups of positions that the  
 21          Commissioner determines, for reasons of effective  
 22          administration—

23                         “(A) should not be classified under chapter  
 24                         51 or paid under the General Schedule;

1 “(B) should not be classified or paid under  
2 subchapter IV of chapter 53; or

3 “(C) should not be paid under section  
4 5376.

5 “(2) LIMITATIONS.—An alternative classifica-  
6 tion system under this subsection may not—

7 “(A) with respect to any position that (but  
8 for this section) would otherwise be subject to  
9 the provisions of law cited in subparagraph (A)  
10 or (B) of paragraph (1), establish a rate of  
11 basic pay in excess of the maximum rate for  
12 grade GS–15 of the General Schedule, including  
13 any locality-based and other similar comparabil-  
14 ity payments; and

15 “(B) with respect to any position that (but  
16 for this section) would otherwise be subject to  
17 the provision of law cited in paragraph (1)(C),  
18 establish a rate of basic pay in excess of the an-  
19 nual rate of basic pay of the Commissioner of  
20 Internal Revenue.

21 “(d) GRADE AND PAY RETENTION.—Subject to sec-  
22 tion 9301(c), the Commissioner of Internal Revenue may,  
23 with respect to employees who are covered by a broad-  
24 banded system under subsection (a) or an alternative clas-

1 sification system under subsection (c), provide for vari-  
 2 ations from the provisions of subchapter VI of chapter 53.

3 “(e) RECRUITMENT AND RETENTION BONUSES; RE-  
 4 TENTION ALLOWANCES.—Subject to section 9301(c), the  
 5 Commissioner of Internal Revenue may, with respect to  
 6 its employees, provide for variations from the provisions  
 7 of sections 5753 and 5754.

8 **“§ 9304. Staffing flexibilities**

9 “(a) IN GENERAL.—

10 “(1) PERMANENT APPOINTMENT IN THE COM-  
 11 PETITIVE SERVICE.—Except as otherwise provided  
 12 by this subsection, an employee of the Internal Reve-  
 13 nue Service may be selected for a permanent ap-  
 14 pointment in the competitive service in the Internal  
 15 Revenue Service through internal competitive pro-  
 16 motion procedures when the following conditions are  
 17 met:

18 “(A) The employee has completed 2 years  
 19 of current continuous service in the competitive  
 20 service under a term appointment or any com-  
 21 bination of term appointments.

22 “(B) Such term appointment or appoint-  
 23 ments were made under competitive procedures  
 24 prescribed for permanent appointments.

1           “(C) The employee’s performance under  
2           such term appointment or appointments met es-  
3           tablished retention standards.

4           “(D) The vacancy announcement for the  
5           term appointment from which the conversion is  
6           made stated that there was a potential for sub-  
7           sequent conversion to a permanent appoint-  
8           ment.

9           “(2) CONDITION.—An appointment under this  
10          subsection may be made only to a position the duties  
11          and responsibilities of which are similar to those of  
12          the position held by the employee at the time of con-  
13          version (referred to in paragraph (1)(D)).

14          “(b) RATING SYSTEMS.—

15               “(1) IN GENERAL.—Notwithstanding sub-  
16          chapter I of chapter 33, the Commissioner of Inter-  
17          nal Revenue may establish category rating systems  
18          for evaluating job applicants for positions in the  
19          competitive service, under which qualified candidates  
20          are divided into 2 or more quality categories on the  
21          basis of relative degrees of merit, rather than as-  
22          signed individual numerical ratings. Each applicant  
23          who meets the minimum qualification requirements  
24          for the position to be filled shall be assigned to an  
25          appropriate category based on an evaluation of the

1 applicant's knowledge, skills, and abilities relative to  
2 those needed for successful performance in the job  
3 to be filled.

4 “(2) TREATMENT OF PREFERENCE ELIGI-  
5 BLES.—Within each quality category established  
6 under paragraph (1), preference eligibles shall be  
7 listed ahead of individuals who are not preference  
8 eligibles. For other than scientific and professional  
9 positions at or higher than GS-9 (or equivalent),  
10 preference eligibles who have a compensable service-  
11 connected disability of 10 percent or more, and who  
12 meet the minimum qualification standards, shall be  
13 listed in the highest quality category.

14 “(3) SELECTION PROCESS.—An appointing au-  
15 thority may select any applicant from the highest  
16 quality category or, if fewer than 3 candidates have  
17 been assigned to the highest quality category, from  
18 a merged category consisting of the highest and sec-  
19 ond highest quality categories. Notwithstanding the  
20 preceding sentence, the appointing authority may  
21 not pass over a preference eligible in the same or a  
22 higher category from which selection is made, unless  
23 the requirements of section 3317(b) or 3318(b), as  
24 applicable, are satisfied, except that in no event may  
25 certification of a preference eligible under this sub-



1       section be discontinued by the Internal Revenue  
2       Service under section 3317(b) before the end of the  
3       6-month period beginning on the date of such em-  
4       ployee's first certification.

5       “(c) MAXIMUM PERIOD FOR WHICH EMPLOYEE MAY  
6 BE DETAILED.—The 120-day limitation under section  
7 3341(b)(1) for details and renewals of details shall not  
8 apply with respect to the Internal Revenue Service.

9       “(d) INVOLUNTARY REASSIGNMENTS AND REMOVALS  
10 OF CAREER APPOINTEES IN THE SENIOR EXECUTIVE  
11 SERVICE.—Neither section 3395(e)(1) nor section  
12 3592(b)(1) shall apply with respect to the Internal Reve-  
13 nue Service.

14       “(e) PROBATIONARY PERIODS.—Notwithstanding  
15 any other provision of law or regulation, the Commissioner  
16 of Internal Revenue may establish a period of probation  
17 under section 3321 of up to 3 years for any position if,  
18 as determined by the Commissioner, a shorter period  
19 would be insufficient for the incumbent to demonstrate  
20 complete proficiency in such position.

21       “(f) PROVISIONS THAT REMAIN APPLICABLE.—No  
22 provision of this section exempts the Internal Revenue  
23 Service from—

1 “(1) any employment priorities established  
2 under direction of the President for the placement of  
3 surplus or displaced employees; or

4 “(2) its obligations under any court order or  
5 decree relating to the employment practices of the  
6 Internal Revenue Service.

7 **“§ 9305. Flexibilities relating to demonstration**  
8 **projects**

9 “(a) IN GENERAL.—For purposes of applying section  
10 4703 with respect to the Internal Revenue Service—

11 “(1) paragraph (1) of subsection (b) of such  
12 section shall be deemed to read as follows:

13 “ ‘(1) develop a plan for such project which de-  
14 scribes its purpose, the employees to be covered, the  
15 project itself, its anticipated outcomes, and the  
16 method of evaluating the project;’;

17 “(2) paragraph (3) of subsection (b) of such  
18 section shall be disregarded;

19 “(3) paragraph (4) of subsection (b) of such  
20 section shall be applied by substituting ‘30 days’ for  
21 ‘180 days’;

22 “(4) paragraph (6) of subsection (b) of such  
23 section shall be deemed to read as follows:

24 “ ‘(6) provide each House of the Congress with  
25 the final version of the plan.’;

1 “(5) paragraph (1) of subsection (c) of such  
2 section shall be deemed to read as follows:

3 “ ‘(1) subchapter V of chapter 63 or subpart G  
4 of part III;’; and

5 “(6) subsection (d)(1) of such section shall be  
6 disregarded.

7 “(b) NUMERICAL LIMITATION.—For purposes of ap-  
8 plying the numerical limitation under subsection (d)(2) of  
9 section 4703, a demonstration project shall not be counted  
10 if or to the extent that it involves the Internal Revenue  
11 Service.”

12 (b) CLERICAL AMENDMENT.—The analysis for part  
13 III of title 5, United States Code, is amended by adding  
14 at the end the following:

**“Subpart I—Miscellaneous**

“93. Personnel Flexibilities Relating to the Internal Revenue  
Service ..... 9301”.

15 (c) EFFECTIVE DATE.—This section shall take effect  
16 on the date of the enactment of this Act.

17 **TITLE II—ELECTRONIC FILING**

18 **SEC. 201. ELECTRONIC FILING OF TAX AND INFORMATION**

19 **RETURNS.**

20 (a) IN GENERAL.—It is the policy of the Congress  
21 that paperless filing should be the preferred and most con-  
22 venient means of filing tax and information returns, and

1 that by the year 2007, no more than 20 percent of all  
2 tax returns should be filed on paper.

3 (b) STRATEGIC PLAN.—

4 (1) IN GENERAL.—Not later than 180 days  
5 after the date of the enactment of this Act, the Sec-  
6 retary of the Treasury or the Secretary’s delegate  
7 (hereafter in this section referred to as the “Sec-  
8 retary”) shall implement a plan to eliminate bar-  
9 riers, provide incentives, and use competitive market  
10 forces to increase electronic filing gradually over the  
11 next 10 years while maintaining processing times for  
12 paper returns at 40 days.

13 (2) ELECTRONIC COMMERCE ADVISORY  
14 GROUP.—To ensure that the Secretary receives input  
15 from the private sector in the development and im-  
16 plementation of the plan required by paragraph (1),  
17 the Secretary shall convene an electronic commerce  
18 advisory group to include representatives from the  
19 tax practitioner, preparer, and computerized tax  
20 processor communities and other representatives  
21 from the electronic filing industry.

22 (c) INCENTIVES.—

23 (1) IN GENERAL.—Not later than 180 days  
24 after the date of the enactment of this Act, the Sec-  
25 retary shall implement procedures to provide for the

1 payment of incentives to transmitters of qualified  
2 electronically filed returns, based on the fair market  
3 value of costs to transmit returns electronically.

4 (2) QUALIFIED ELECTRONICALLY FILED RE-  
5 TURNS.—For purposes of this section, the term  
6 “qualified electronically filed return” means a return  
7 that—

8 (A) is transmitted electronically to the In-  
9 ternal Revenue Service,

10 (B) for which the taxpayer was not  
11 charged for the cost of such transmission, and

12 (C) in the case of returns transmitted after  
13 December 31, 2004, was prepared by a paid  
14 preparer who does not submit any return after  
15 such date to the Internal Revenue Service on  
16 paper.

17 (d) ANNUAL REPORTS.—Not later than June 30 of  
18 each calendar year after 1997, the Chairperson of the In-  
19 ternal Revenue Service Oversight Board, the Secretary,  
20 and the Chairperson of the electronic commerce advisory  
21 group established under subsection (b)(2) shall report to  
22 the Committees on Ways and Means, Appropriations, and  
23 Government Reform and Oversight of the House of Rep-  
24 resentatives, the Committees on Finance, Appropriations,

1 and Government Affairs of the Senate, and the Joint Com-  
 2 mittee on Taxation, on—

3 (1) the progress of the Internal Revenue Serv-  
 4 ice in meeting the policy set forth in subsection (a);

5 (2) the status of the plan required by sub-  
 6 section (b); and

7 (3) the necessity of action by the Congress to  
 8 assist the Internal Revenue Service to satisfy the  
 9 policy set forth in subsection (a).

10 **SEC. 202. EXTENSION OF TIME TO FILE FOR ELECTRONIC**  
 11 **FILERS.**

12 (a) IN GENERAL.—Subsection (a) of section 6072  
 13 (relating to the time for filing income tax returns) is  
 14 amended—

15 (1) by striking “(a) GENERAL RULE.—In the  
 16 case of” and inserting the following:

17 “(a) GENERAL RULES.—

18 “(1) PAPER RETURNS.—Except as provided in  
 19 paragraph (2), in the case of”,

20 (2) by moving the text 2 ems to the right, and

21 (3) by adding at the end the following new  
 22 paragraph:

23 “(2) ELECTRONICALLY FILED RETURNS.—In  
 24 the case of returns filed electronically, returns made  
 25 on the basis of the calendar year shall be filed on

1 or before the 15th day of May following the close  
2 of the calendar year and returns made on the basis  
3 of a fiscal year shall be filed on or before the 15th  
4 day of the fifth month following the close of the fis-  
5 cal year.”

6 (b) RETURNS OF CORPORATIONS.—Subsection (b) of  
7 section 6072 (relating to the time for filing income tax  
8 returns) is amended—

9 (1) by moving the text 2 ems to the right, and

10 (2) by adding at the end the following new  
11 paragraph:

12 “(2) ELECTRONICALLY FILED RETURNS.—In  
13 the case of returns filed electronically, returns made  
14 on the basis of the calendar year shall be filed on  
15 or before the 15th day of April following the close  
16 of the calendar year and returns made on the basis  
17 of a fiscal year shall be filed on or before the 15th  
18 day of the 4th month following the close of the fiscal  
19 year.”

20 (c) INFORMATION RETURNS.—Part V of chapter 61  
21 (relating to information and returns) is amended by add-  
22 ing the following new section:

1   **“SEC. 6073. TIME FOR FILING CERTAIN INFORMATION RE-**  
2                           **URNS.**

3           “(a) ELECTRONICALLY FILED RETURNS.—In the  
4 case of returns made under subparts B and C of part III  
5 of this chapter that are filed electronically, such returns  
6 shall be filed on or before March 31 of the year following  
7 the calendar year to which such returns relate.

8           “(b) NOTICE TO RECIPIENTS.—Notwithstanding sub-  
9 section (a), receipts for employees required under section  
10 6051 and any statements otherwise required to be fur-  
11 nished to persons with respect to whom information is re-  
12 quired, shall be furnished to such persons on or before  
13 January 31 of the calendar year in which the return under  
14 subsection (a) is required to be filed.

15           “(c) EFFECTIVE DATE.—The amendments made by  
16 this section shall apply to returns required to be filed after  
17 December 31, 1999.”

18           (d) RETURNS OF PARTNERSHIPS.—Part V of chapter  
19 61 (relating to information and returns) is amended by  
20 adding the following new section:

21   **“SEC. 6074. TIME FOR FILING PARTNERSHIP RETURNS.**

22           “(a) IN GENERAL.—Except as provided in subsection  
23 (b), returns made under section 6031 shall be filed on or  
24 before the 15th day of the 3d month following the close  
25 of the taxable year of the partnership, except that the re-  
26 turn of a partnership consisting entirely of nonresident



1 aliens shall be filed on or before the 15th day of the 6th  
 2 month following the close of the taxable year of the part-  
 3 nership.

4 “(b) ELECTRONICALLY FILED RETURNS.—In the  
 5 case of returns filed electronically, returns shall be filed  
 6 on or before the 15th day of the 4th month following the  
 7 close of the taxable year of the partnership.”

8 (e) EFFECTIVE DATE.—The amendments made by  
 9 this section shall apply to returns for taxable years begin-  
 10 ning after December 31, 1998.

11 **SEC. 203. PAPERLESS ELECTRONIC FILING.**

12 (a) IN GENERAL.—Section 6061 (relating to signing  
 13 of returns and other documents) is amended—

14 (1) by striking “Except as otherwise provided  
 15 by” and inserting the following:

16 “(a) GENERAL RULE.—Except as otherwise provided  
 17 by subsection (b) and”, and

18 (2) by adding at the end the following new sub-  
 19 section:

20 “(b) ELECTRONIC SIGNATURES.—The Secretary  
 21 shall develop procedures for the acceptance of signatures  
 22 in digital or other electronic form. Until such time as such  
 23 procedures are in place, the Secretary shall accept elec-  
 24 tronically filed returns and other documents on which the  
 25 required signature(s) appears in typewritten form, but fil-

1 ers of such documents shall be required to retain a signed  
 2 paper original of all such filings, to be made available to  
 3 the Secretary for inspection, until the expiration of the  
 4 applicable period of limitations set forth in chapter 66.”.

5 (b) DEADLINE FOR ESTABLISHING PROCEDURES.—

6 Not later than December 31, 1998, the Secretary of the  
 7 Treasury or the Secretary’s delegate shall establish proce-  
 8 dures to accept, in electronic form, any other information,  
 9 statements, elections, or schedules, from taxpayers filing  
 10 returns electronically, so that such taxpayers will not be  
 11 required to file any paper.

12 (c) PROCEDURES FOR COMMUNICATIONS BETWEEN

13 IRS AND PREPARER OF ELECTRONICALLY-FILED RE-

14 TURNS.—Such Secretary shall establish procedures for

15 taxpayers to authorize, on electronically filed returns, the

16 preparer of such returns to communicate with the Internal

17 Revenue Service on matters included on such returns.

18 (d) EFFECTIVE DATE.—The amendments made by

19 this section shall take effect on the date of the enactment

20 of this Act.

21 **SEC. 204. REGULATION OF PREPARERS.**

22 (a) IN GENERAL.—Subsection (a) of section 330 of  
 23 title 31, United States Code, is amended—

24 (1) by striking “Treasury; and” in paragraph

25 (1) and inserting “Treasury and all other persons

1 engaged in the business of preparing returns or oth-  
2 erwise accepting compensation for advising in the  
3 preparation of returns,”

4 (2) by striking the period at the end of para-  
5 graph (2) and inserting “, and”, and

6 (3) by adding at the end the following:

7 “(3) establish uniform procedures for regulating  
8 preparers of paper and electronic tax and informa-  
9 tion returns.

10 No demonstration shall be required under paragraph (2)  
11 for persons solely engaged in the business of preparing  
12 returns or otherwise accepting compensation for advising  
13 in the preparation of returns.”

14 (b) DIRECTOR OF PRACTICE.—Such section 330 is  
15 amended by adding at the end the following new sub-  
16 section:

17 “(d) DIRECTOR OF PRACTICE.—There is established  
18 within the Department of the Treasury an office to be  
19 known as the ‘Office of the Director of Practice’ to be  
20 under the supervision and direction of an official to be  
21 known as the ‘Director of Practice’. The Director of Prac-  
22 tice shall be responsible for regulation of all practice be-  
23 fore the Department of the Treasury.”.

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

4       **SEC. 205. PAPERLESS PAYMENT.**

5       (a) IN GENERAL.—Section 6311 (relating to payment  
6 by check or money order) is amended to read as follows:

7       **“SEC. 6311. PAYMENT OF TAX BY COMMERCIALY ACCEPT-**  
8                               **ABLE MEANS.**

9       “(a) AUTHORITY TO RECEIVE.—It shall be lawful for  
10 the Secretary to receive for internal revenue taxes (or in  
11 payment of internal revenue stamps) any commercially ac-  
12 ceptable means that the Secretary deems appropriate to  
13 the extent and under the conditions provided in regula-  
14 tions prescribed by the Secretary.

15       “(b) ULTIMATE LIABILITY.—If a check, money  
16 order, or other method of payment, including payment by  
17 credit card, debit card, charge card, or electronic funds  
18 transfer so received is not duly paid, or is paid and subse-  
19 quently charged back to the Secretary, the person by  
20 whom such check, money order, or other method of pay-  
21 ment has been tendered shall remain liable for the pay-  
22 ment of the tax or for the stamps, and for all legal pen-  
23 alties and additions, to the same extent as if such check,  
24 money order, or other method of payment had not been  
25 tendered.

1       “(c) LIABILITY OF BANKS AND OTHERS.—If any cer-  
2       tified, treasurer’s, or cashier’s check (or other guaranteed  
3       draft), or any money order, or any means of payment that  
4       has been guaranteed by a financial institution (such as  
5       a credit card, debit card, charge card, or electronic funds  
6       transfer transaction which has been guaranteed expressly  
7       by a financial institution) so received is not duly paid, the  
8       United States shall, in addition to its right to exact pay-  
9       ment from the party originally indebted therefor, have a  
10      lien for—

11               “(1) the amount of such check (or draft) upon  
12              all assets of the financial institution on which  
13              drawn,

14               “(2) the amount of such money order upon all  
15              the assets of the issuer therefor,

16               “(3) the guaranteed amount of any other trans-  
17              action upon all the assets of the institution making  
18              such guarantee,

19      and such amount shall be paid out of such assets in pref-  
20      erence to any other claims whatsoever against such finan-  
21      cial institution, issuer, or guaranteeing institution, except  
22      the necessary costs and expenses of administration and  
23      the reimbursement of the United States for the amount  
24      expended in the redemption of the circulating notes of  
25      such financial institution.

1 “(d) PAYMENT BY OTHER MEANS.—

2 “(1) AUTHORITY TO PRESCRIBE REGULA-  
3 TIONS.—The Secretary shall prescribe such regula-  
4 tions as the Secretary deems necessary to receive  
5 payment by commercially acceptable means, includ-  
6 ing regulations that—

7 “(A) specify which methods of payment by  
8 commercially acceptable means will be accept-  
9 able;

10 “(B) specify when payment by such means  
11 will be considered received;

12 “(C) identify types of nontax matters re-  
13 lated to payment by such means that are to be  
14 resolved by persons ultimately liable for pay-  
15 ment and financial intermediaries, without the  
16 involvement of the Secretary; and

17 “(D) ensure that tax matters will be re-  
18 solved by the Secretary, without the involve-  
19 ment of financial intermediaries.

20 “(2) AUTHORITY TO ENTER INTO CON-  
21 TRACTS.—Notwithstanding section 3718(f) of title  
22 31, United States Code, the Secretary is authorized  
23 to enter into contracts to obtain services relating to  
24 receiving payment by other means when cost bene-  
25 ficial to the Government.

1           “(3) SPECIAL PROVISIONS FOR USE OF CREDIT  
2       CARDS.—If use of credit cards is accepted as a  
3       method of payment of taxes pursuant to subsection  
4       (a)—

5           “(A) a payment of internal revenue taxes  
6       (or a payment for internal revenue stamps) by  
7       a person by use of a credit card shall not be  
8       subject to section 161 of the Truth-in-Lending  
9       Act (15 U.S.C. 1666), or to any similar provi-  
10      sions of State law, if the error alleged by the  
11      person is an error relating to the underlying tax  
12      liability, rather than an error relating to the  
13      credit card account such as a computational  
14      error or numerical transposition in the credit  
15      card transaction or an issue as to whether the  
16      person authorized payment by use of the credit  
17      card;

18          “(B) a payment of internal revenue taxes  
19      (or a payment for internal revenue stamps)  
20      shall not be subject to section 170 of the Truth  
21      in Lending Act (15 U.S.C. 1666i), or to any  
22      similar provisions of State law;

23          “(C) a payment of internal revenue taxes  
24      (or a payment for internal revenue stamps) by  
25      a person by use of a debit card shall not be

1 subject to section 908 of the Electronic Fund  
2 Transfer Act (15 U.S.C. 1693f), or to any simi-  
3 lar provisions of State law, if the error alleged  
4 by the person is an error relating to the under-  
5 lying tax liability, rather than an error relating  
6 to the debit card account such as a computa-  
7 tional error or numerical transposition in the  
8 debit card transaction or an issue as to whether  
9 the person authorized payment by use of the  
10 debit card;

11 “(D) the term ‘creditor’ under section  
12 103(f) of the Truth in Lending Act (15 U.S.C.  
13 1602(f)) shall not include the Secretary with re-  
14 spect to credit card transactions in payment of  
15 internal revenue taxes (or payment for internal  
16 revenue stamps); and

17 “(E) notwithstanding any other provision  
18 of law to the contrary, in the case of payment  
19 made by credit card or debit card transaction in  
20 an amount owed to a person as a result of the  
21 correction of an error under section 161 of the  
22 Truth in Lending Act (15 U.S.C. 1666) or sec-  
23 tion 908 of the Electronic Fund Transfer Act  
24 (15 U.S.C. 1693(f)), the Secretary is author-  
25 ized to provide such amount to such person as



1           a credit to that person’s credit card or debit  
2           card account through the applicable credit card  
3           or debit card system.

4           “(e) CONFIDENTIALITY OF INFORMATION.—

5           “(1) IN GENERAL.—Except as otherwise au-  
6           thorized by this subsection, no person may use or  
7           disclose any information relating to credit or debit  
8           card transactions obtained pursuant to section  
9           6103(k)(8) other than for purposes directly related  
10          to the processing of such transactions, or the billing  
11          or collection of amounts charged or debited pursuant  
12          thereto.

13          “(2) EXCEPTIONS.—

14               “(A) Debit or credit card issuers or others  
15               acting on behalf of such issuers may also use  
16               and disclose such information for purposes di-  
17               rectly related to servicing an issuer’s accounts.

18               “(B) Debit or credit card issuers or others  
19               directly involved in the processing of credit or  
20               debit card transactions or the billing or collec-  
21               tion of amounts charged or debited thereto may  
22               also use and disclose such information for pur-  
23               poses directly related to—

24                       “(i) statistical risk and profitability  
25                       assessment,

1 “(ii) transferring receivables, ac-  
2 counts, or interest therein,

3 “(iii) auditing the account informa-  
4 tion,

5 “(iv) complying with Federal, State,  
6 or local law, and

7 “(v) properly authorized civil, crimi-  
8 nal, or regulatory investigation by Federal,  
9 State, or local authorities.

10 “(3) PROCEDURES.—Use and disclosure of in-  
11 formation under this paragraph shall be made only  
12 to the extent authorized by written procedures pro-  
13 mulgated by the Secretary.

14 “(4) CROSS REFERENCE.—

**“For provision providing for civil damages for vio-  
lation of paragraph (1), see section 7431.”**

15 (b) SEPARATE APPROPRIATION REQUIRED FOR PAY-  
16 MENT OF CREDIT CARD FEES.—No amount may be paid  
17 by the United States to a credit card issuer for the right  
18 to receive payments of internal revenue taxes by credit  
19 card without a separate appropriation therefor.

20 (c) CLERICAL AMENDMENT.—The table of sections  
21 for subchapter B of chapter 64 is amended by striking  
22 the item relating to section 6311 and inserting the follow-  
23 ing:

“Sec. 6311. Payment of tax by commercially acceptable means.”

1 (d) AMENDMENTS TO SECTION 6103 AND 7431 WITH  
2 RESPECT TO DISCLOSURE AUTHORIZATION.—

3 (1) Subsection (k) of section 6103 (relating to  
4 confidentiality and disclosure of returns and return  
5 information) is amended by adding at the end the  
6 following new paragraph—

7 “(8) DISCLOSURE OF INFORMATION TO ADMIN-  
8 ISTER SECTION 6311.—The Secretary may disclose  
9 returns or return information to financial institu-  
10 tions and others to the extent the Secretary deems  
11 necessary for the administration of section 6311.  
12 Disclosures of information for purposes other than  
13 to accept payments by check or money orders shall  
14 be made only to the extent authorized by written  
15 procedures promulgated by the Secretary.”.

16 (2) Section 7431 (relating to civil damages for  
17 unauthorized disclosure of returns and return infor-  
18 mation) is amended by adding at the end the follow-  
19 ing new subsection:

20 “(g) SPECIAL RULE FOR INFORMATION OBTAINED  
21 UNDER SECTION 6103(k)(8).—For purposes of this sec-  
22 tion, any reference to section 6103 shall be treated as in-  
23 cluding a reference to section 6311(e).”.

24 (3) Section 6103(p)(3)(A) is amended by strik-  
25 ing “or (6)” and inserting “(6), or (8)”.

1       (e) EFFECTIVE DATE.—The amendments made by  
2 this section shall take effect on the day which is 9 months  
3 after the date of the enactment of this Act.

4 **SEC. 206. RETURN-FREE TAX SYSTEM.**

5       (a) IN GENERAL.—The Secretary of the Treasury or  
6 the Secretary's delegate shall develop procedures for the  
7 implementation of a return-free tax system under which  
8 individuals would be permitted to comply with the Internal  
9 Revenue Code of 1986 without making the return required  
10 under section 6012 of such Code for taxable years begin-  
11 ning after 2007.

12       (b) REPORT.—Not later than June 30 of each cal-  
13 endar year after 1999, such Secretary shall report to the  
14 Committee on Ways and Means of the House of Rep-  
15 resentatives, the Committee on Finance of the Senate, and  
16 the Joint Committee on Taxation on—

17               (1) the procedures developed pursuant to sub-  
18 section (a),

19               (2) the number and classes of taxpayers that  
20 would be permitted to use the procedures developed  
21 pursuant to subsection (a),

22               (3) the changes to the Internal Revenue Code  
23 of 1986 that could enhance the use of such a sys-  
24 tem, and

1 (4) what additional resources the Internal Reve-  
 2 nue Service would need to implement such a system.

3 **SEC. 207. ACCESS TO ACCOUNT INFORMATION.**

4 Not later than December 31, 2006, the Secretary of  
 5 the Treasury or the Secretary's delegate shall develop pro-  
 6 cedures under which a taxpayer filing returns electroni-  
 7 cally would be able to review the taxpayer's account elec-  
 8 tronically, including all necessary safeguards to ensure the  
 9 privacy of such account information.

10 **TITLE III—TAXPAYER**  
 11 **PROTECTION AND RIGHTS**

12 **SEC. 301. EXPANSION OF AUTHORITY TO ISSUE TAXPAYER**  
 13 **ASSISTANCE ORDERS.**

14 (a) IN GENERAL.—Section 7811(a) (relating to tax-  
 15 payer assistance orders) is amended—

16 (1) by striking “Upon application” and insert-  
 17 ing the following:

18 “(1) IN GENERAL.—Upon application”,

19 (2) by moving the text 2 ems to the right, and

20 (3) by adding at the end the following new  
 21 paragraph:

22 “(2) DETERMINATION OF HARDSHIP.—For pur-  
 23 poses of determining whether a taxpayer is suffering  
 24 or about to suffer a significant hardship, the Tax-  
 25 payer Advocate should consider—

16 SEC. 302. EXPANSION OF AUTHORITY TO AWARD COSTS  
17 AND CERTAIN FEES.

24 (b) AWARD OF ADMINISTRATIVE COSTS INCURRED  
25 AFTER 30-DAY LETTER.—

1           (1) Paragraph (2) of section 7430(c) is amend-  
2       ed by striking the last sentence and insert the fol-  
3       lowing:

4       “Such term shall only include costs incurred on or  
5       after whichever of the following is the earliest: (i)  
6       the date of the receipt by the taxpayer of the notice  
7       of the decision of the Internal Revenue Service Of-  
8       fice of Appeals, (ii) the date of the notice of defi-  
9       ciency, or (iii) the date on which the 1st letter of  
10      proposed deficiency which allows the taxpayer an op-  
11      portunity for administrative review in the Internal  
12      Revenue Service Office of Appeals is sent.”

13           (2) Subparagraph (B) of section 7430(c)(7) is  
14      amended by striking “or” and the end of clause (i),  
15      by striking the period at the end of clause (ii) and  
16      inserting “, or”, and by adding at the end the fol-  
17      lowing new clause:

18                   “(iii) the date on which the 1st letter  
19                   of proposed deficiency which allows the  
20                   taxpayer an opportunity for administrative  
21                   review in the Internal Revenue Service Of-  
22                   fice of Appeals is sent.”

23           (c) AWARD OF FEES FOR CERTAIN ADDITIONAL  
24      SERVICES.—Paragraph (3) of section 7430(c) is amended  
25      by adding at the end the following new sentence: “Such

1 term also includes such amounts as the court calculates,  
2 based on hours worked and costs expended, for services  
3 of an individual (whether or not an attorney) who is au-  
4 thorized to practice before the Tax Court or before the  
5 Internal Revenue Service and who represents the taxpayer  
6 for no more than a nominal fee.”

7 (d) DETERMINATION OF PREVAILING PARTY.—Para-  
8 graph (4) of section 7430(c) is amended—

9 (A) by inserting at the end of subpara-  
10 graph (A) the following new flush sentence:

11 “For purposes of this section, such section  
12 2412(d)(2)(B) shall be applied by substituting  
13 ‘\$5,000,000’ for the amount otherwise applica-  
14 ble to individuals, and ‘\$35,000,000’ for the  
15 amount otherwise applicable to businesses.”,  
16 and

17 (B) by adding at the end the following new  
18 subparagraph:

19 “(D) SAFE HARBOR.—The position of the  
20 United States was not substantially justified if  
21 the United States has not prevailed on the  
22 same issue in at least 3 United States Courts  
23 of Appeal.”



1 (e) EFFECTIVE DATE.—The amendments made by  
2 this section shall apply to proceedings beginning after the  
3 date of the enactment of this Act.

4 **SEC. 303. CIVIL DAMAGES FOR NEGLIGENCE IN COLLEC-**  
5 **TION ACTIONS.**

6 (a) IN GENERAL.—Section 7433 (relating to civil  
7 damages for certain unauthorized collection actions) is  
8 amended—

9 (1) in subsection (a), by inserting “, or by rea-  
10 son of negligence,” after “recklessly or inten-  
11 tionally”, and

12 (2) in subsection (b)—

13 (A) in the matter preceding paragraph (1),  
14 by inserting “(\$100,000, in the case of neg-  
15 ligence)” after “\$1,000,000”, and

16 (B) in paragraph (1), by inserting “or neg-  
17 ligent” after “reckless or intentional”.

18 (b) EFFECTIVE DATE.—The amendments made by  
19 this section shall apply to actions of officers or employees  
20 of the Internal Revenue Service after the date of the en-  
21 actment of this Act.

22 **SEC. 304. DISCLOSURE OF CRITERIA FOR EXAMINATION SE-**  
23 **LECTION.**

24 (a) IN GENERAL.—The Secretary of the Treasury or  
25 the Secretary’s delegate shall, as soon as practicable, but

1 not later than 180 days after the date of the enactment  
2 of this Act, incorporate into the statement required by sec-  
3 tion 6227 of the Omnibus Taxpayer Bill of Rights (Inter-  
4 nal Revenue Service Publication No. 1) a statement which  
5 sets forth in simple and nontechnical terms the criteria  
6 and procedures for selecting taxpayers for examination.  
7 Such statement shall not include any information the dis-  
8 closure of which would be detrimental to law enforcement,  
9 but shall specify the general procedures used by the Inter-  
10 nal Revenue Service, including the extent to which tax-  
11 payers are selected for examination on the basis of infor-  
12 mation available in the media or on the basis of informa-  
13 tion provided to the Internal Revenue Service by inform-  
14 ants.

15 (b) TRANSMISSION TO COMMITTEES OF CON-  
16 GRESS.—Such Secretary shall transmit drafts of the state-  
17 ment required under subsection (a) (or proposed revisions  
18 to any such statement) to the Committee on Ways and  
19 Means of the House of Representatives, the Committee on  
20 Finance of the Senate, and the Joint Committee on Tax-  
21 ation on the same day.

22 **SEC. 305. ARCHIVAL OF RECORDS OF INTERNAL REVENUE**  
23 **SERVICE.**

24 (a) IN GENERAL.—Subsection (l) of section 6103 (re-  
25 lating to confidentiality and disclosure of returns and re-

1 turn information) is amended by adding at the end the  
2 following new paragraph:

3           “(16) DISCLOSURE TO NATIONAL ARCHIVES  
4       AND RECORDS ADMINISTRATION.—The Secretary  
5       shall, upon written request from the Archivist of the  
6       United States, disclose to the Archivist all records of  
7       the Internal Revenue Service for purposes of sched-  
8       uling such records for destruction or for retention in  
9       the National Archives. Any such information that is  
10      retained in the National Archives shall not be dis-  
11      closed without the express written approval of the  
12      Secretary.”

13      (b) EFFECTIVE DATE.—The amendment made by  
14      this section shall apply to requests made by the Archivist  
15      after the date of the enactment of this Act.

16 **SEC. 306. TAX RETURN INFORMATION.**

17      The Joint Committee on Taxation shall convene a  
18      study of the scope and use of provisions regarding tax-  
19      payer confidentiality, and shall report the findings of such  
20      study, together with such recommendations as it deems  
21      appropriate, to the Congress no later than one year after  
22      the date of the enactment of this Act. Such study shall  
23      be led by a panel of experts, to be appointed by the Joint  
24      Committee on Taxation, which shall examine the present  
25      protections for taxpayer privacy, the need for third parties

1 to use tax return information, and the ability to achieve  
2 greater levels of voluntary compliance by allowing the pub-  
3 lic to know who is legally required to do so, but does not  
4 file tax returns.

5 **SEC. 307. FREEDOM OF INFORMATION.**

6 (a) IN GENERAL.—The Secretary of the Treasury or  
7 the Secretary’s delegate shall, as soon as practicable, but  
8 not later than 180 days after the date of the enactment  
9 of this Act, develop procedures under which expedited ac-  
10 cess will be granted to requests under section 551 of title  
11 5, United States Code, when—

12 (1) there exists widespread and exceptional  
13 media interest in the requested information, and

14 (2) expedited processing is warranted because  
15 the information sought involves possible questions  
16 about the government’s integrity which affect public  
17 confidence.

18 In addition, such procedures shall require the Internal  
19 Revenue Service to provide an explanation to the person  
20 making the request if the request is not satisfied within  
21 30 days, including a summary of actions taken to date  
22 and the expected completion date. Finally, to the extent  
23 that any such request is not satisfied in full within 60  
24 days, such person may seek a determination of whether

1 such request should be granted by the appropriate Federal  
2 district court.

3 (b) TRANSMISSION TO COMMITTEES OF CON-  
4 GRESS.—Such Secretary shall transmit drafts of the pro-  
5 cedures required under subsection (a) (or proposed revi-  
6 sions to any such procedures) to the Committee on Ways  
7 and Means of the House of Representatives, the Commit-  
8 tee on Finance of the Senate, and the Joint Committee  
9 on Taxation on the same day.

10 **SEC. 308. OFFERS-IN-COMPROMISE.**

11 (a) IN GENERAL.—Section 7122 (relating to offers-  
12 in-compromise) is amended by adding at the end the fol-  
13 lowing new subsection:

14 “(c) ALLOWANCES.—The Secretary shall develop and  
15 publish schedules of national and local allowances to en-  
16 sure that taxpayers entering into a compromise have an  
17 adequate means to provide for basic living expenses.”

18 (b) EFFECTIVE DATE.—The amendment made by  
19 this section shall take effect on the date of the enactment  
20 of this Act.

21 **SEC. 309. ELIMINATION OF INTEREST DIFFERENTIAL ON**  
22 **OVERPAYMENTS AND UNDERPAYMENTS.**

23 (a) IN GENERAL.—Subsection (a) of section 6621  
24 (relating to the determination of rate of interest) is  
25 amended to read as follows:

1 “(a) GENERAL RULE.—

2 “(1) RATE.—The rate established under this  
3 section shall be the sum of—

4 “(A) the Federal short-term rate deter-  
5 mined under subsection (b), plus

6 “(B) the number of percentage points  
7 specified by the Secretary.

8 “(2) DETERMINATION OF PERCENTAGE  
9 POINTS.—The number of percentage points specified  
10 by the Secretary for purposes of paragraph (1)(B)  
11 shall be the number which the Secretary estimates  
12 will result in the same net revenue to the Treasury  
13 as would have resulted without regard to the amend-  
14 ments made by section 309 of the Internal Revenue  
15 Service Restructuring and Reform Act of 1997.”

16 (b) CONFORMING AMENDMENTS.—

17 (1) Section 6621 is amended by striking sub-  
18 section (c).

19 (2) The following provisions are each amended  
20 by striking “overpayment rate” and inserting  
21 “rate”: Sections 42(j)(2)(B), 167(g)(2)(C),  
22 460(b)(2)(C), 6343(c), 6427(i)(3)(B), 6611(a), and  
23 7426(g).

24 (3) The following provisions are each amended  
25 by striking “underpayment rate” and inserting

1 “rate”: Sections 42(k)(4)(A)(ii), 148(f)(4)(C)(x)(II),  
 2 148(f)(7)(C)(ii), 453A(c)(2)(B), 644(a)(2)(B),  
 3 852(e)(3)(A), 4497(c)(2), 6332(d)(1), 6601(a),  
 4 6602, 6654(a)(1), 6655(a)(1), and 6655(h)(1).

5 (c) EFFECTIVE DATE.—The amendments made by  
 6 this section shall apply for purposes of determining inter-  
 7 ests for periods after the date of the enactment of this  
 8 Act.

9 **SEC. 310. ELIMINATION OF APPLICATION OF FAILURE TO**  
 10 **PAY PENALTY DURING PERIOD OF INSTALL-**  
 11 **MENT AGREEMENT.**

12 (a) IN GENERAL.—Subsection (c) of section 6651  
 13 (relating to the penalty for failure to file tax return or  
 14 to pay tax) is amended by adding at the end the following  
 15 new paragraph:

16 “(3) TOLLING DURING PERIOD OF INSTALL-  
 17 MENT AGREEMENT.—If the amount required to be  
 18 paid is the subject of an agreement for payment of  
 19 tax liability in installments made pursuant to section  
 20 6159, the additions imposed under subsection (a)  
 21 shall not apply so long as such agreement remains  
 22 in effect.”

23 (b) EFFECTIVE DATE.—The amendment made by  
 24 this section shall apply to agreements entered into after  
 25 the date of the enactment of this Act.

1 **SEC. 311. SAFE HARBOR FOR QUALIFICATION FOR IN-**  
2 **STALLMENT AGREEMENTS.**

3 (a) IN GENERAL.—Subsection (a) of section 6159  
4 (relating to agreements for payment of tax liability in in-  
5 stallments) is amended—

6 (1) by striking “The Secretary is” and inserting  
7 the following:

8 “(1) IN GENERAL.—The Secretary is”,

9 (2) by moving the test 2 ems to the right, and

10 (3) by adding at the end the following new  
11 paragraph:

12 “(2) SAFE HARBOR.—The Secretary shall enter  
13 into an agreement to accept the payment of a tax li-  
14 ability in installments if—

15 “(A) the amount of such liability does not  
16 exceed \$10,000,

17 “(B) the taxpayer has not failed to file any  
18 tax return or pay any tax required to be shown  
19 thereon during the immediately preceding 5  
20 years, and

21 “(C) the taxpayer has not entered into any  
22 prior installment agreement under this para-  
23 graph.”

24 (b) EFFECTIVE DATE.—The amendments made by  
25 this section shall apply to agreements entered into after  
26 the date of the enactment of this Act.



1 **SEC. 312. PAYMENT OF TAXES.**

2 (a) IN GENERAL.—The Secretary of the Treasury or  
 3 his delegate shall establish such rules, regulations, and  
 4 procedures as are necessary to require payment of taxes  
 5 by check or money order to be made payable to the Treas-  
 6 urer, United States of America.

7 (b) EFFECTIVE DATE.—The amendment made by  
 8 this section shall take effect on the date of the enactment  
 9 of this Act.

10 **SEC. 313. LOW INCOME TAXPAYER CLINICS.**

11 (a) IN GENERAL.—Chapter 77 (relating to mis-  
 12 cellaneous provisions) is amended by adding at the end  
 13 thereof the following new section:

14 **“SEC. 7525. LOW INCOME TAXPAYER CLINICS.**

15 “(a) IN GENERAL.—The Secretary shall make grants  
 16 to provide matching funds for the development, expansion,  
 17 or continuation of qualified low income taxpayer clinics.

18 “(b) DEFINITIONS.—For purposes of this section—

19 “(1) QUALIFIED LOW INCOME TAXPAYER CLIN-  
 20 IC.—

21 “(A) IN GENERAL.—The term ‘qualified  
 22 low income taxpayer clinic’ means a clinic  
 23 that—

24 “(i) represents low income taxpayers  
 25 in controversies with the Internal Revenue  
 26 Service,

1 “(ii) operates programs to inform in-  
2 dividuals for whom English is a second  
3 language about their rights and respon-  
4 sibilities under this title, and

5 “(iii) does not charge more than a  
6 nominal fee for its services, except for re-  
7 imbursement of actual costs incurred.

8 “(B) REPRESENTATION OF LOW INCOME  
9 TAXPAYERS.—A clinic meets the requirements  
10 of subparagraph (A)(i) if—

11 “(i) at least 90 percent of the tax-  
12 payers represented by the clinic have in-  
13 come which does not exceed 250 percent of  
14 the poverty level, as determined in accord-  
15 ance with criteria established by the Direc-  
16 tor of the Office of Management and  
17 Budget, and

18 “(ii) the amount in controversy for  
19 any taxable year generally does not exceed  
20 the amount specified in section 7463.

21 “(2) CLINIC.—The term ‘clinic’ includes—

22 “(A) a clinical program at an accredited  
23 law school in which students represent low in-  
24 come taxpayers in controversies arising under  
25 this title, and

1           “(B) an organization exempt from tax  
2           under section 501(c) which satisfies the require-  
3           ments of paragraph (1) through representation  
4           of taxpayers or referral of taxpayers to qualified  
5           representatives.

6           “(3) QUALIFIED REPRESENTATIVE.—The term  
7           ‘qualified representative’ means any individual  
8           (whether or not an attorney) who is authorized to  
9           practice before the Internal Revenue Service or the  
10          applicable court.

11          “(c) SPECIAL RULES AND LIMITATIONS.—

12           “(1) AGGREGATE LIMITATION.—Unless other-  
13          wise provided by specific appropriation, the Sec-  
14          retary shall not allocate more than \$3,000,000 per  
15          year (exclusive of costs of administering the pro-  
16          gram) to grants under this section.

17           “(2) LIMITATION ON INDIVIDUAL GRANTS.—A  
18          grant under this section shall not exceed \$100,000  
19          per year.

20           “(3) MULTI-YEAR GRANTS.—Upon application  
21          of a qualified low income taxpayer clinic, the Sec-  
22          retary is authorized to award a multi-year grant not  
23          to exceed 3 years.

1           “(4) CRITERIA FOR AWARDS.—In determining  
2           whether to make a grant under this section, the Sec-  
3           retary shall consider—

4                   “(A) the numbers of taxpayers who will be  
5                   served by the clinic, including the number of  
6                   taxpayers in the geographical area for whom  
7                   English is a second language,

8                   “(B) the existence of other low income tax-  
9                   payer clinics serving the same population,

10                   “(C) the quality of the program offered by  
11                   the low income taxpayer clinic, including the  
12                   qualifications of its administrators and qualified  
13                   representatives, and its track record, if any, in  
14                   providing service to low income taxpayers, and

15                   “(D) alternative funding sources available  
16                   to the clinic, including amounts received from  
17                   other grants and contributions, and the endow-  
18                   ment and resources of the educational institu-  
19                   tion sponsoring the clinic.

20           “(5) REQUIREMENT OF MATCHING FUNDS.—A  
21           low income taxpayer clinic must provide matching  
22           funds on a dollar for dollar basis for all grants pro-  
23           vided under this section. Matching funds may in-  
24           clude—

1           “(A) the salary (including fringe benefits)  
2           of a faculty member at an educational institu-  
3           tion who is teaching in the clinic;

4           “(B) the salaries of administrative person-  
5           nel employed in the clinic; and

6           “(C) the cost of equipment used in the  
7           clinic.

8           Indirect expenses, including general overhead of the  
9           educational institution sponsoring the clinic, shall  
10          not be counted as matching funds.”.

11          (b) CLERICAL AMENDMENT.—The table of sections  
12          for chapter 77 is amended by adding at the end the follow-  
13          ing new section:

                  “Sec. 7525. Low income taxpayer clinics.”

14          (c) EFFECTIVE DATE.—The amendments made by  
15          this section shall take effect on the date of the enactment  
16          of this Act.

17       **SEC. 314. JURISDICTION OF THE TAX COURT.**

18          (a) INTEREST DETERMINATIONS.—Subsection (c) of  
19          section 7481 (relating to the date when Tax Court deci-  
20          sions become final) is amended—

21               (1) by inserting “or underpayment” after  
22               “overpayment” each place it appears, and

23               (2) by striking “petition” in paragraph (3) and  
24               inserting “motion”.

1       (b) EXTENSION OF TIME FOR PAYMENT OF ESTATE  
2 TAX.—Section 6166 (relating to the extension of time for  
3 payment of estate tax) is amended—

4           (1) by redesignating subsection (k) as sub-  
5 section (l), and

6           (2) by inserting after subsection (j) the follow-  
7 ing new subsection:

8       “(k) JUDICIAL REVIEW.—The Tax Court shall have  
9 jurisdiction to review disputes regarding initial or continu-  
10 ing eligibility for extensions of time for payment under  
11 this section, including disputes regarding the proper  
12 amount of installment payments required herein.”

13       (c) SMALL CASE CALENDAR.—

14           (1) Subsection (a) of section 7463 (relating to  
15 disputes involving \$10,000 or less) is amended by  
16 striking “\$10,000” each place it appears and insert-  
17 ing “\$25,000”.

18           (2) The section heading for section 7463 is  
19 amended by striking “**\$10,000**” and inserting  
20 “**\$25,000**”.

21           (3) The item relating to section 7463 in the  
22 table of sections for part II of subchapter C of chap-  
23 ter 76 is amended by striking “\$10,000” and insert-  
24 ing “\$25,000”.

1 (d) EFFECTIVE DATE.—The amendments made by  
2 this section shall apply to proceedings commencing after  
3 the date of the enactment of this Act.

4 **SEC. 315. CATALOGING COMPLAINTS.**

5 (a) IN GENERAL.—The Commissioner of Internal  
6 Revenue shall, as soon as practicable, but not later than  
7 180 days after the date of the enactment of this Act, de-  
8 velop procedures to catalog and review taxpayer com-  
9 plaints of misconduct by Internal Revenue Service employ-  
10 ees. Such procedures should include guidelines for internal  
11 review and discipline of employees, as warranted by the  
12 scope of such complaints.

13 (b) HOTLINE.—The Commissioner of Internal Reve-  
14 nue shall, as soon as practicable, but not later than 180  
15 days after the date of the enactment of this Act, establish  
16 a toll-free telephone number for taxpayers to register com-  
17 plaints of misconduct by Internal Revenue Service employ-  
18 ees, and shall publish such number in Publication 1.

19 **SEC. 316. PROCEDURES INVOLVING TAXPAYER INTER-**  
20 **VIEWS.**

21 (a) IN GENERAL.—Paragraph (1) of section 7521(b)  
22 (relating to procedures involving taxpayer interviews) is  
23 amended to read as follows:

1           “(1) EXPLANATIONS OF PROCESSES.—An offi-  
2           cer or employee of the Internal Revenue Service  
3           shall—

4                   “(A) before or at an initial interview, pro-  
5           vide to the taxpayer—

6                           “(i) in the case of an in-person inter-  
7                           view with the taxpayer relating to the de-  
8                           termination of any tax, an explanation of  
9                           the audit process and the taxpayer’s rights  
10                          under such process, or

11                           “(ii) in the case of an in-person inter-  
12                           view with the taxpayer relating to the col-  
13                           lection of any tax, an explanation of the  
14                           collection process and the taxpayer’s rights  
15                           under such process, and

16                          “(B) before an in-person initial interview  
17                          with the taxpayer relating to the determination  
18                          of any tax—

19                           “(i) inquire whether the taxpayer is  
20                           represented by an individual described in  
21                           subsection (c),

22                           “(ii) explain that the taxpayer has the  
23                           right to have the interview take place in a  
24                           reasonable place and that such place does  
25                           not have to be the taxpayer’s home,



1 “(iii) explain the reasons for the selec-  
2 tion of the taxpayer’s return for examina-  
3 tion, and

4 “(iv) provide the taxpayer with a writ-  
5 ten explanation of the applicable burdens  
6 of proof on taxpayers and the Internal  
7 Revenue Service.

8 If the taxpayer is represented by an individual de-  
9 scribed in subsection (c), the interview may not pro-  
10 ceed without the presence of such individual unless  
11 the taxpayer consents.”

12 (b) EFFECTIVE DATE.—The amendments made by  
13 this section shall apply to interviews and examinations  
14 taking place after the date of the enactment of this Act.

15 **SEC. 317. EXPLANATION OF JOINT AND SEVERAL**  
16 **LIABILITY.**

17 (a) IN GENERAL.—The Secretary of the Treasury or  
18 the Secretary’s delegate shall, as soon as practicable, but  
19 not later than 180 days after the date of the enactment  
20 of this Act, establish procedures to clearly alert taxpayers  
21 of their joint and several liabilities on all tax forms, publi-  
22 cations, and instructions. Such procedures shall include  
23 explanations of the possible consequences of joint and sev-  
24 eral liability.

1 (b) TRANSMISSION TO COMMITTEES OF CON-  
 2 GRESS.—Such Secretary shall transmit drafts of the pro-  
 3 cedures required under subsection (a) (or proposed revi-  
 4 sions to any such procedures) to the Committee on Ways  
 5 and Means of the House of Representatives, the Commit-  
 6 tee on Finance of the Senate, and the Joint Committee  
 7 on Taxation on the same day.

8 **SEC. 318. PROCEDURES RELATING TO EXTENSIONS OF**  
 9 **STATUTE OF LIMITATIONS BY AGREEMENT.**

10 (a) IN GENERAL.—Paragraph (4) of section 6501(c)  
 11 (relating to the period for limitations on assessment and  
 12 collection) is amended—

13 (1) by striking “Where” and inserting the fol-  
 14 lowing:

15 “(A) IN GENERAL.—Where”,

16 (2) by moving the text 2 ems to the right, and

17 (3) by adding at the end the following new sub-  
 18 paragraph:

19 “(B) NOTICE TO TAXPAYER OF RIGHT TO  
 20 REFUSE OR LIMIT EXTENSION.—The Secretary  
 21 shall notify the taxpayer of the taxpayer’s right  
 22 to refuse to extend the period of limitations, or  
 23 to limit such extension to particular issues, on  
 24 each occasion when the taxpayer is requested to  
 25 provide such consent.”

1 (b) EFFECTIVE DATE.—The amendments made by  
2 this section shall apply to requests to extend the period  
3 of limitations made after the date of the enactment of this  
4 Act.

5 **SEC. 319. REVIEW OF PENALTY ADMINISTRATION.**

6 The Taxpayer Advocate shall prepare a study and  
7 provide an independent report to the Committee on Ways  
8 and Means of the House of Representatives, the Commit-  
9 tee on Finance of the Senate, and the Joint Committee  
10 on Taxation, no later than July 30, 1998, reviewing the  
11 administration and implementation by the Internal Reve-  
12 nue Service of the penalty reform recommendations made  
13 in the Omnibus Budget Reconciliation Act of 1989, includ-  
14 ing legislative and administrative recommendations to sim-  
15 plify penalty administration and reduce taxpayer burden.

16 **SEC. 320. STUDY OF TREATMENT OF ALL TAXPAYERS AS**  
17 **SEPARATE FILING UNITS.**

18 The Secretary of the Treasury or his delegate and  
19 the Comptroller General of the United States shall each  
20 conduct separate studies on the feasibility of treating each  
21 individual separately for purposes of the Internal Revenue  
22 Code of 1986, including recommendations for eliminating  
23 the marriage penalty, addressing community property is-  
24 sues, and reducing burden for divorced and separated tax-  
25 payers. The reports of each study shall be delivered to the

1 Committee on Ways and Means of the House of Rep-  
2 resentatives, the Committee on Finance of the Senate, and  
3 the Joint Committee on Taxation no later than 180 days  
4 after the date of the enactment of this Act.

5 **SEC. 321. STUDY OF BURDEN OF PROOF.**

6       The Comptroller General of the United States shall  
7 prepare a report on the burdens of proof for taxpayers  
8 and the Internal Revenue Service for controversies arising  
9 under the Internal Revenue Code of 1986, which shall be  
10 delivered to the Committee on Ways and Means of the  
11 House of Representatives, the Committee on Finance of  
12 the Senate, and the Joint Committee on Taxation no later  
13 than 180 days after the date of the enactment of this Act.  
14 Such report shall highlight the differences between these  
15 burdens and the burdens imposed in other disputes with  
16 the Federal Government, and should comment on the im-  
17 pact of changing these burdens on tax administration and  
18 taxpayer rights.

1 **TITLE IV—CONGRESSIONAL AC-**  
2 **COUNTABILITY FOR THE IN-**  
3 **TERNAL REVENUE SERVICE**

4 **Subtitle A—Oversight**

5 **SEC. 401. EXPANSION OF POWERS OF THE JOINT COMMIT-**  
6 **TEE ON TAXATION.**

7 (a) IN GENERAL.—Section 8021 (relating to the pow-  
8 ers of the Joint Committee on Taxation) is amended by  
9 adding at the end the following new subsections:

10 “(e) CONSULTANT SERVICES.—The Joint Committee  
11 is authorized to procure the services of experts and con-  
12 sultants in accordance with section 3109(b) of title 5,  
13 United States Code.

14 “(f) INVESTIGATIONS.—The Joint Committee shall  
15 review all requests (other than requests by a Committee  
16 or Subcommittee) for investigations of the Internal Reve-  
17 nue Service by the General Accounting Office, and approve  
18 such requests when appropriate, with a view towards  
19 eliminating overlapping investigations, ensuring that the  
20 General Accounting Office has the capacity to handle the  
21 investigation, and ensuring that investigations focus on  
22 areas of primary importance to tax administration.

23 “(g) RELATING TO JOINT HEARINGS.—

24 “(1) IN GENERAL.—The Chief of Staff, and  
25 such other staff as are appointed pursuant to section

1       8004, shall provide such assistance as is required for  
2       joint hearings described in paragraph (2).

3           “(2) JOINT HEARINGS.—On or before April 1  
4       of each calendar year after 1997, there shall be a  
5       joint hearing of two members of the majority and  
6       one member of the minority from each of the Com-  
7       mittees on Finance, Appropriations, and Govern-  
8       ment Affairs of the Senate, and the Committees on  
9       Ways and Means, Appropriations, and Government  
10      Reform and Oversight of the House of Representa-  
11      tives, to review the strategic plans and budget for  
12      the Internal Revenue Service. After the conclusion of  
13      the annual filing season, there shall be a second an-  
14      nual joint hearing to review other matters outlined  
15      in section 8022(3)(C).”.

16      (b) EFFECTIVE DATE.—The amendment made by  
17      this section shall take effect on the date of the enactment  
18      of this Act.

19   **SEC. 402. COORDINATED OVERSIGHT REPORTS.**

20      (a) IN GENERAL.—Paragraph (3) of section 8022  
21      (relating to the duties of the Joint Committee on Tax-  
22      ation) is amended to read as follows:

23           “(3) REPORTS.—

24           “(A) To report, from time to time, to the  
25           Committee on Finance and the Committee on

1           Ways and Means, and, in its discretion, to the  
2           Senate or House of Representatives, or both,  
3           the results of its investigations, together with  
4           such recommendations as it may deem advis-  
5           able.

6           “(B) To report, annually, to the Commit-  
7           tee on Finance and the Committee on Ways  
8           and Means on the overall state of the Federal  
9           tax system, together with recommendations  
10          with respect to possible simplification proposals  
11          and other matters relating to the administra-  
12          tion of the Federal tax system as it may deem  
13          advisable.

14          “(C) To report, annually, to the Commit-  
15          tees on Finance, Appropriations, and Govern-  
16          ment Affairs of the Senate, and to the Commit-  
17          tees on Ways and Means, Appropriations, and  
18          Government Reform and Oversight of the  
19          House of Representatives, with respect to—

20                  “(i) strategic and business plans for  
21                  the Internal Revenue Service;

22                  “(ii) progress of the Internal Revenue  
23                  Service in meeting its objectives;

1 “(iii) the budget for the Internal Rev-  
 2 enue Service and whether it supports its  
 3 objectives;

4 “(iv) progress of the Internal Revenue  
 5 Service in improving taxpayer service and  
 6 compliance;

7 “(v) progress of the Internal Revenue  
 8 Service on technology modernization; and

9 “(vi) the annual filing season.”.

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

## 13 **Subtitle B—Budget**

### 14 **SEC. 411. BUDGET DISCRETION.**

15 (a) IN GENERAL.—

16 (1) ADJUSTMENTS.—For purposes of the Con-  
 17 gressional Budget Act of 1974 and the Balanced  
 18 Budget and Emergency Deficit Control Act of  
 19 1985—

20 (A) the discretionary spending limits under  
 21 section 601(a)(2) of the Congressional Budget  
 22 Act of 1974 (and those limits as cumulatively  
 23 adjusted) for the current fiscal year and each  
 24 outyear;



1 (B) the allocations to the Committees on  
2 Appropriations under sections 302(a) and  
3 602(a) of the Congressional Budget Act of  
4 1974; and

5 (C) the levels for major functional category  
6 800 (General Government) and the appropriate  
7 budgetary aggregates in the most recently  
8 agreed to concurrent resolution on the budget,  
9 shall be adjusted to reflect the amounts of additional  
10 new budget authority or additional outlays reported  
11 by the Committee on Appropriations in appropria-  
12 tions legislation (or by the committee of conference  
13 on such legislation) for the Internal Revenue Serv-  
14 ice.

15 (2) LIMITATION.—Any adjustments made pur-  
16 suant to paragraph (1) may be made for new initia-  
17 tives on an annual basis only for—

18 (A) improvements in taxpayer services, in-  
19 cluding building an integrated database of tax-  
20 payer information accessible to front-line Inter-  
21 nal Revenue Service personnel; or

22 (B) other improvements that the Director  
23 of the Congressional Budget Office certifies to  
24 the Chairpersons of the Committees on Budget  
25 of the Senate and the House of Representatives

1           that such budget authority will not increase the  
2           Federal budget deficit,  
3           except that funding for ongoing programs shall be  
4           provided through the normal appropriations process.

5           (b) REVISED LIMITS, ALLOCATIONS, LEVELS, AND  
6 AGGREGATES.—Upon the reporting of legislation pursu-  
7 ant to subsection (a), and again upon the submission of  
8 a conference report on such legislation in either House (if  
9 a conference report is submitted), the Chairpersons of the  
10 Committees on the Budget of the Senate and the House  
11 of Representatives shall file with their respective Houses  
12 appropriately revised—

13           (1) discretionary spending limits under section  
14           601(a)(2) of the Congressional Budget Act of 1974  
15           (and those limits as cumulatively adjusted) for the  
16           current fiscal year and each outyear;

17           (2) allocations to the Committee on Appropria-  
18           tions under sections 302(a) and 602(a) of that Act;  
19           and

20           (3) levels for major functional category 800  
21           (General Government) and the appropriate budg-  
22           etary aggregates in the most recently agreed to con-  
23           current resolution on the budget, to carry out this  
24           subsection.

1 These revised discretionary spending limits, allocations,  
2 functional levels, and aggregates shall be considered for  
3 purposes of congressional enforcement of that Act as the  
4 discretionary spending limits, allocations, functional levels,  
5 and aggregates.

6 (c) REPORTING REVISED ALLOCATIONS.—The Com-  
7 mittees on Appropriations of the Senate and the House  
8 of Representatives may report appropriately revised allo-  
9 cations pursuant to sections 302(b) and 602(b) of the  
10 Congressional Budget Act of 1974 to carry out this sec-  
11 tion.

12 (d) CONTINGENCIES.—This section shall not apply to  
13 any additional new budget authority or additional outlays  
14 unless the Director of the Congressional Budget Office  
15 certifies to the Chairpersons of the Committees on Appro-  
16 priation of the Senate and the House of Representatives  
17 that the Director or any other outside authority has veri-  
18 fied that—

19 (1) the Internal Revenue Service has provided  
20 them with reasonably accurate cost and revenue in-  
21 formation;

22 (2) the Internal Revenue Service has imple-  
23 mented adequate quality service measures consistent  
24 with taxpayer rights;

1           (3) the Internal Revenue Service has obtained  
2           a clean opinion on its financial audit of appropriated  
3           accounts; and

4           (4) the Internal Revenue Service has made sig-  
5           nificant progress towards receiving a clean opinion  
6           on its financial audit of custodial accounts.

7   **SEC. 412. FUNDING FOR CENTURY DATE CHANGE.**

8           It is the sense of Congress that funding for the Inter-  
9           nal Revenue Service efforts to resolve the century date  
10          change computing problems should be funded fully to pro-  
11          vide for certain resolution of such problems.

12   **SEC. 413. FINANCIAL MANAGEMENT ADVISORY GROUP.**

13          The Commissioner shall convene a financial manage-  
14          ment advisory group consisting of individuals with exper-  
15          tise in governmental accounting and auditing from both  
16          the private sector and the Government to advise the Com-  
17          missioner on financial management issues, including—

18               (1) the continued partnership between the In-  
19               ternal Revenue Service and the General Accounting  
20               Office;

21               (2) the financial accounting aspects of the In-  
22               ternal Revenue Service's system modernization;

23               (3) the necessity and utility of year-round au-  
24               diting; and

1 (4) the Commissioner’s plans for improving its  
2 financial management system.

### 3 **Subtitle C—Tax Law Complexity**

#### 4 **SEC. 421. ROLE OF THE INTERNAL REVENUE SERVICE.**

5 It is the sense of Congress that the Internal Revenue  
6 Service should provide the Congress with an independent  
7 view of tax administration, and that during the legislative  
8 process, the tax writing committees of the Congress should  
9 hear from front-line technical experts at the Internal Rev-  
10 enue Service with respect to the administrability of pend-  
11 ing amendments to the Internal Revenue Code of 1986.

#### 12 **SEC. 422. TAX COMPLEXITY ANALYSIS.**

13 (a) IN GENERAL.—Chapter 92 (relating to powers  
14 and duties of the Joint Committee on Taxation) is amend-  
15 ed by adding at the end the following new section:

#### 16 **“SEC. 8024. TAX COMPLEXITY ANALYSIS.**

17 “(a) IN GENERAL.—

18 “(1) REPORTED BILLS AND RESOLUTIONS.—

19 When a committee of the Senate or House of Rep-  
20 resentatives reports a bill or joint resolution that in-  
21 cludes any provision amending the Internal Revenue  
22 Code of 1986, the report for such bill or joint resolu-  
23 tion shall contain a Tax Complexity Analysis pre-  
24 pared by the Joint Committee on Taxation for each  
25 provision therein.

1           “(2) AMENDED BILLS AND JOINT RESOLU-  
2           TIONS; CONFERENCE REPORTS.—If a bill or joint  
3           resolution is passed in an amended form (including  
4           if passed by one House as an amendment in the na-  
5           ture of a substitute for the text of a bill or joint res-  
6           olution from the other House) or is reported by a  
7           committee of conference in amended form, and the  
8           amended form contains an amendment to the Inter-  
9           nal Revenue Code of 1986 not previously considered  
10          by either House, then the committee of conference  
11          shall ensure that the Joint Committee on Taxation  
12          prepares a Tax Complexity Analysis for each provi-  
13          sion therein.

14          “(b) CONTENT OF COMPLEXITY ANALYSIS.—Each  
15          Tax Complexity Analysis must address—

16               “(1) whether the provision is new, modifies or  
17               replaces existing law, and whether hearings were  
18               held to discuss the proposal and whether the Inter-  
19               nal Revenue Service provided input as to its admin-  
20               istrability;

21               “(2) when the provision becomes effective, and  
22               corresponding compliance requirements on taxpayers  
23               (e.g., effective on date of enactment, phased in, or  
24               retroactive);

1           “(3) whether new Internal Revenue Service  
2 forms or worksheets are needed, whether existing  
3 forms or worksheets must be modified, and whether  
4 the effective date allows sufficient time for the Inter-  
5 nal Revenue Service to prepare such forms and edu-  
6 cate taxpayers;

7           “(4) necessity of additional interpretive guid-  
8 ance (e.g., regulations, rulings, and notices);

9           “(5) the extent to which the proposal relies on  
10 concepts contained in existing law, including defini-  
11 tions;

12           “(6) effect on existing record keeping require-  
13 ments and the activities of taxpayers, complexity of  
14 calculations and likely behavioral responses, and  
15 standard business practices and resource require-  
16 ments;

17           “(7) number, type, and sophistication of af-  
18 fected taxpayers; and

19           “(8) whether the proposal requires the Internal  
20 Revenue Service to assume responsibilities not di-  
21 rectly related to raising revenue which could be han-  
22 dled through another Federal agency.

23           “(c) LEGISLATION SUBJECT TO POINT OF ORDER.—

24           “(1) IN GENERAL.—It shall not be in order in  
25 the Senate or the House of Representatives to con-

1       sider any bill, joint resolution, amendment, motion,  
2       or conference report that is not accompanied by a  
3       Tax Complexity Analysis for each provision therein.

4           “(2) IN THE SENATE.—Upon a point of order  
5       being made by any Senator against any provision  
6       under this section, and the point of order being sus-  
7       tained by the Chair, such specific provision shall be  
8       deemed stricken from the bill, resolution, amend-  
9       ment, amendment in disagreement, or conference re-  
10      port, and may not be offered as an amendment from  
11      the floor.

12           “(3) IN THE HOUSE OF REPRESENTATIVES.—

13           “(A) It shall not be in order in the House  
14       of Representatives to consider a rule or order  
15       that waives the application of paragraph (1).

16           “(B) In order to be cognizable by the  
17       Chair, a point of order under this section must  
18       specify the precise language on which it is pre-  
19       mised.

20           “(C) As disposition of points of order  
21       under this section, the Chair shall put the ques-  
22       tion of consideration with respect to the propo-  
23       sition that is the subject of the points of order.

24           “(D) A question of consideration under  
25       this section shall be debatable for 10 minutes



1 by each Member initiating a point of order and  
 2 for 10 minutes by an opponent on each point  
 3 of order, but shall otherwise be decided without  
 4 intervening motion except one that the House  
 5 adjourn or that the Committee of the Whole  
 6 rise, as the case may be.

7 “(E) The disposition of the question of  
 8 consideration under this subsection with respect  
 9 to a bill or joint resolution shall be considered  
 10 also to determine the question of consideration  
 11 under this subsection with respect to an amend-  
 12 ment made in order as original text.

13 “(d) RESPONSIBILITIES OF THE COMMISSIONER.—  
 14 The Commissioner shall provide the Joint Committee on  
 15 Taxation with such information as is necessary to prepare  
 16 a Tax Complexity Analysis on each instance in which such  
 17 an analysis is required.”

18 (b) CLERICAL AMENDMENT.—The table of sections  
 19 for chapter 92 is amended by adding at the end the follow-  
 20 ing new item:

“Sec. 8024. Tax complexity analysis.”

21 (c) EFFECTIVE DATE.—The amendments made by  
 22 this section shall apply to legislation considered on or after  
 23 the earlier of January 1, 1998, or the 90th day after the  
 24 date of the enactment of an additional appropriation to

1 carry out section 8024 of the Internal Revenue Code of  
2 1986, as added by this section.

3 **SEC. 423. SIMPLIFIED TAX AND WAGE REPORTING SYSTEM.**

4 (a) **POLICY.**—It is the policy of the Congress that em-  
5 ployers should have a single point of filing tax and wage  
6 reporting information.

7 (b) **ELECTRONIC FILING OF INFORMATION RE-**  
8 **URNS.**—The Social Security Administration shall estab-  
9 lish procedures no later than December 31, 1998, to ac-  
10 cept electronic submissions of tax and wage reporting in-  
11 formation from employers, and to forward such informa-  
12 tion to the Internal Revenue Service, and to the tax ad-  
13 ministrators of the States, upon request and reimburse-  
14 ment of expenses. For purposes of this paragraph, recipi-  
15 ents of tax and wage reporting information from the Social  
16 Security Administration shall reimburse the Social Secu-  
17 rity Administration for its incremental expenses associated  
18 with accepting and furnishing such information.

19 **SEC. 424. COMPLIANCE BURDEN ESTIMATES.**

20 The Joint Committee on Taxation shall prepare a  
21 study of the feasibility of developing a baseline estimate  
22 of taxpayers' compliance burdens against which future leg-  
23 islative proposals could be measured.

○