

105TH CONGRESS
1ST SESSION

S. 1174

To improve the operations and governance of the Internal Revenue Service,
and for other purposes.

IN THE SENATE OF THE UNITED STATES

SEPTEMBER 12, 1997

Mr. MOYNIHAN (by request) introduced the following bill; which was read
twice and referred to the Committee on Finance

A BILL

To improve the operations and governance of the Internal
Revenue Service, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE; AMENDMENT OF THE 1986 CODE;**

4 **TABLE OF CONTENTS.**

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

7 (b) AMENDMENT OF 1986 CODE.—Except as other-
8 wise expressly provided, whenever in this Act an amend-
9 ment or repeal is expressed in terms of an amendment
10 to, or repeal of, a section or other provision, the reference

1 shall be considered to be made to a section or other provi-
 2 sion of the Internal Revenue Code of 1986.

3 (c) TABLE OF CONTENTS.—

Sec. 1. Short title; amendment of 1986 Code; table of contents.

Sec. 2. Findings and purposes.

TITLE I—IMPROVEMENTS IN IRS MANAGEMENT AND OVERSIGHT

Sec. 101. Five-year term for IRS Commissioner.

Sec. 102. Institutionalized Executive branch oversight of the IRS; outside ad-
 vice for the Secretary of the Treasury.

Sec. 103. Assistant Commissioner (Customer Service).

Sec. 104. Additional duties for the Taxpayer Advocate.

TITLE II—IMPROVING THE EFFICIENCY OF TAX
 ADMINISTRATION

Sec. 201. Promotion of electronic filing.

Sec. 202. Cooperative agreements with State tax authorities.

TITLE III—PROVIDING FLEXIBILITY FOR THE IRS

Sec. 301. Improvements of personnel flexibilities.

Sec. 302. Authorization for appropriations.

4 **SEC. 2. FINDINGS AND PURPOSES.**

5 (a) The Congress finds that:

6 (1) The taxpayer would benefit from greater
 7 continuity in IRS leadership and oversight.

8 (2) The enhanced oversight of the IRS by the
 9 Secretary of the Treasury needs to be institutional-
 10 ized.

11 (3) While the IRS has made considerable im-
 12 provement in recent years, customer service at the
 13 IRS continues to lag behind the level of service the
 14 American people receive from the best private sector
 15 organizations. The IRS should adopt the best cus-
 16 tomer service practices of the private sector, consist-

1 ent with the IRS's overall mission of collecting the
2 tax revenues which are due.

3 (4) The taxpayer needs IRS to continue to im-
4 prove its use of technology for the benefit of Amer-
5 ican taxpayers and the IRS.

6 (5) The Secretary of the Treasury, the IRS,
7 and the taxpayer would benefit from increased pri-
8 vate sector advice regarding technology, customer
9 service, and modern management techniques.

10 (6) The IRS Taxpayer Advocate should be
11 given additional responsibilities and independence to
12 represent American taxpayers within the IRS.

13 (7) There should be increased use of electronic
14 filing for income tax returns and information report-
15 ing.

16 (8) The taxpayer needs IRS to have greater
17 flexibility to attract and retain high caliber person-
18 nel and to manage its human resources in ways that
19 fit its organizational needs.

20 (9) The taxpayer needs IRS to have adequate
21 and stable funding and budgeting to ensure continu-
22 ity in its effort to improve its performance.

23 (10) Improved cooperation between the IRS
24 and State tax authorities can reduce overall taxpayer
25 burden and improve the efficiency of tax collection.

1 (b) The purposes of this Act are:

2 (1) To provide greater continuity in Internal
3 Revenue Service leadership.

4 (2) To enhance and institutionalize the over-
5 sight of the IRS by the Secretary of the Treasury.

6 (3) To ensure that taxpayers receive fair, im-
7 partial, timely, and courteous treatment from the In-
8 ternal Revenue Service, consistent with the overall
9 IRS mission of collecting taxes that are due.

10 (4) To ensure that the Secretary of the Treas-
11 ury and the IRS have the benefit of private sector
12 advice regarding technology, customer service, and
13 modern management techniques.

14 (5) To provide additional independence to the
15 IRS Taxpayer Advocate to represent American tax-
16 payers within the IRS.

17 (6) To establish the goal of paperless filing as
18 the preferred and most convenient means of filing
19 tax returns for the vast majority of taxpayers.

20 (7) To enable the Internal Revenue Service to
21 recruit and retain a first-class workforce that will be
22 rewarded for performance and held accountable for
23 working with taxpayers to solve problems.

24 (8) To improve cooperation between the Inter-
25 nal Revenue Service and State taxing authorities to

1 reduce overall taxpayer burdens and improve the ef-
 2 ficiency of tax collection.

3 **TITLE I—IMPROVEMENTS IN IRS**
 4 **MANAGEMENT AND OVERSIGHT**

5 **SEC. 101. FIVE-YEAR TERM FOR IRS COMMISSIONER.**

6 (a) Section 7802(a) of the Internal Revenue Code of
 7 1986 is amended to read as follows:

8 “(a) COMMISSIONER OF INTERNAL REVENUE.—
 9 There shall be in the Department of the Treasury a Com-
 10 missioner of Internal Revenue, who shall be appointed by
 11 the President, by and with the advice and consent of the
 12 Senate, for a term of five years. The Commissioner of In-
 13 ternal Revenue shall have such duties and powers as may
 14 be prescribed by the Secretary of the Treasury.”.

15 (b) EFFECTIVE DATE.—The amendment made by
 16 subsection (a) shall apply to individuals appointed after
 17 the date of the enactment of this Act.

18 **SEC. 102. INSTITUTIONALIZED EXECUTIVE BRANCH OVER-**
 19 **SIGHT OF THE IRS; OUTSIDE ADVICE FOR**
 20 **THE SECRETARY OF THE TREASURY.**

21 Section 7801 is amended to read as follows:

22 **“SEC. 7801. AUTHORITY OF THE DEPARTMENT OF THE**
 23 **TREASURY.**

24 (a) POWERS AND DUTIES OF THE SECRETARY.—Ex-
 25 cept as otherwise expressly provided by law, the adminis-

1 tration and enforcement of this title shall be performed
 2 by or under the supervision of the Secretary of the Treas-
 3 ury.

4 “(b) INTERNAL REVENUE SERVICE MANAGEMENT
 5 BOARD.—

6 “(1) There shall be within the Department of
 7 the Treasury an Internal Revenue Service Manage-
 8 ment Board (Management Board) which shall con-
 9 sist of career and non-career employees, including—

10 “(A) the Deputy Secretary of the Treas-
 11 ury, who shall serve as Chair of the Board;

12 “(B) the Assistant Secretary of the Treas-
 13 ury (Management), who shall serve as Vice-
 14 Chair;

15 “(C) the Commissioner of Internal Reve-
 16 nue;

17 “(D) the Deputy Commissioner of Internal
 18 Revenue;

19 “(E) the Assistant Secretary of the Treas-
 20 ury (Tax Policy);

21 “(F) the Chief Information Officer of the
 22 Department of the Treasury;

23 “(G) the Chief Information Officer of the
 24 Internal Revenue Service;

25 “(H) the General Counsel of the Treasury;

1 “(I) the Chief Counsel of the Internal Rev-
2 enue Service;

3 “(J) the Taxpayer Advocate of the Internal
4 Revenue Service;

5 “(K) a representative of the Office of Man-
6 agement and Budget designated by the Director
7 of such office;

8 “(L) a representative of an organization
9 that represents a substantial number of Inter-
10 nal Revenue Service employees designated by
11 the Secretary;

12 “(M) representatives of other government
13 agencies, with specific expertise relevant to the
14 issues faced by the Internal Revenue Service, as
15 may be determined from time to time by the
16 Secretary of the Treasury, designated by the
17 head of such agency;

18 “(N) such other officers or employees of
19 the Department of the Treasury as may be des-
20 ignated by the Secretary; and

21 “(O) such other individuals as may be des-
22 ignated by the Secretary.

23 “(2) A member of the Management Board de-
24 scribed in paragraph (1) may be removed by the

1 Secretary or the official who designated such mem-
2 ber.

3 “(3) There shall be an Executive Committee of
4 the Management Board, the members of which shall
5 be appointed by the Secretary.

6 “(4) The Management Board shall support di-
7 rectly the Secretary’s oversight of the management
8 and operation of the Internal Revenue Service pur-
9 suant to subsection (a), including—

10 “(A) working through the Deputy Sec-
11 retary, assisting the Secretary of high-level
12 management issues and concerns affecting the
13 Internal Revenue Service, particularly those
14 that have a significant impact on taxpayer as-
15 sistance, communications and filings, customer
16 service, operations and modernization, and in
17 the review of performance plans and accom-
18 plishments of senior Internal Revenue Service
19 officials; and

20 “(B) acting through the Executive Com-
21 mittee, serving as the primary review body for
22 strategic decisions concerning modernization of
23 the Internal Revenue Service and tax adminis-
24 tration, including modernization direction,
25 strategy, recurring systemic problems affecting

1 taxpayers, significant reorganization plans, per-
2 formance metrics, budgetary issues, major cap-
3 ital investments, procurement of property and
4 services, and compensation of personnel.

5 The Secretary also may appoint committees com-
6 posed of Management Board members and others to
7 provide advice on particular issues.

8 “(5) The Management Board shall meet at
9 least monthly and shall prescribe such by-laws or
10 procedures as the Management Board deems appro-
11 priate.

12 “(6) The Management Board shall prepare
13 semi-annual reports to the President and the Con-
14 gress describing the matters considered, and the
15 conclusions reached, by the Management Board,
16 which shall be transmitted by the Secretary of the
17 Treasury.

18 “(7) The Secretary of the Treasury shall pro-
19 vide the Management Board with career staff whose
20 responsibility shall be to provide support to the Man-
21 agement Board, administrative services, facilities,
22 experts on consultative services, and such financial
23 support as may be necessary for the performance of
24 its functions.

1 “(8) The provisions of the Federal Advisory
2 Committee Act (5 U.S.C. App. 2) shall not apply to
3 the Management Board.

4 “(c) INTERNAL REVENUE SERVICE ADVISORY
5 BOARD.—

6 “(1) The Secretary shall establish an advisory
7 committee known as the ‘Internal Revenue Service
8 Advisory Board’ (Advisory Board).

9 “(A) The Advisory Board shall be com-
10 posed of up to 14 members appointed by the
11 Secretary from the private sector, including in-
12 dividuals with expertise in: customer service,
13 taxpayer advocacy technology, operating large
14 and small businesses, operating non-profit orga-
15 nizations, operating educational organizations,
16 the Internal Revenue Code, tax preparation,
17 and state tax administration. Appointments
18 shall be made without regard to political affili-
19 ation.

20 “(B) The Secretary shall designate an Ad-
21 visory Board member as Chairperson of the Ad-
22 visory Board.

23 “(C) Advisory Board members shall be ap-
24 pointed for three-year terms. With respect to
25 the initial appointments, however, the Secretary

1 shall select, on a representative basis to the
2 maximum extent practicable, no more than five
3 of the members to serve three-year terms, no
4 more than five of the members to serve two-
5 year terms, and no more than four members to
6 serve one-year terms. The Secretary may re-
7 appoint an Advisory Board member whose term
8 has expired.

9 “(D) Any vacancy on the Advisory Board
10 shall be filled by the Secretary for the remain-
11 der of the original terms. Any Advisory Board
12 member whose term has expired may continue
13 to serve until a successor is appointed.

14 “(E) Any Advisory Board member may be
15 removed at the discretion of the Secretary.

16 “(2) The Advisory Board shall advise the Sec-
17 retary and the Management Board on the manage-
18 ment and operation of the Internal Revenue Service,
19 including ways to improve and modernize the Inter-
20 nal Revenue Service and enhance the fairness of the
21 administration of the Internal Revenue Code.

22 “(3) The Advisory Board shall meet at the call
23 of the Chair, but not less than four times per year,
24 and shall submit to the Secretary and the Manage-
25 ment Board a report regarding each such meeting.

1 “(4) At the request of the Chair or Vice Chair
2 of the Management Board, the Advisory Board may
3 meet with and provide advice directly to the Man-
4 agement Board.

5 “(5) The Advisory Board shall prepare an An-
6 nual Report to Taxpayers, which the Secretary shall
7 submit to Congress not later than June 30 of each
8 year.

9 “(6) The provisions of the Federal Advisory
10 Committee Act (5 U.S.C. App. 2) shall apply to the
11 advisory Board, except that—

12 “(A) The Advisory Board shall function
13 for such period as may be necessary, and sec-
14 tion 14 of such Act (relating to termination of
15 advisory committees after two years) shall not
16 apply to the Advisory Board; and

17 “(B) The requirements of sections 10(a)
18 and (b) and section 11 of such Act (relating to
19 open meetings, public notice, public participa-
20 tion, and public availability of documents) shall
21 not apply to the Advisory Board to the extent
22 the Secretary determines that the disclosure of
23 the Advisory Board’s discussions would com-
24 promise the Advisory Board’s ability to provide

1 candid advice or otherwise would be inappropriate.
2 ate.

3 “(7) Members of the Advisory Board shall not
4 be paid for their time or services. While attending
5 Advisory Board meetings or otherwise engaging in
6 its business, Advisory Board members shall be reim-
7 bursed for their travel expenses as authorized by
8 section 5703 of title 5, United States Code. The
9 Secretary shall furnish the Advisory Board with nec-
10 essary staff and support services.

11 “(d) REPORTING TO CONGRESS.—The Secretary and
12 the Deputy Secretary shall annually—

13 “(1) submit a report to the Congress on their
14 stewardship of the Internal Revenue Service, and

15 “(2) appear together before an appropriate
16 committee of the House of Representatives and an
17 appropriate committee of the Senate to report on
18 such stewardship.

19 “(e) FUNCTIONS OF DEPARTMENT OF JUSTICE UN-
20 AFFECTED.—Nothing in this section or section 301(f) of
21 title 31 shall be considered to affect the duties, powers,
22 or functions imposed upon, or vested in, the Department
23 of Justice, or any officer thereof, by law existing on May
24 10, 1934.”.

1 **SEC. 103. ASSISTANT COMMISSIONER (CUSTOMER SERV-**
 2 **ICE).**

3 (a) ASSISTANT COMMISSIONER (CUSTOMER SERV-
 4 ICE).—Section 7802(c) of the Internal Revenue Code of
 5 1986 is amended to read as follows:

6 “(c) ASSISTANT COMMISSIONER (CUSTOMER SERV-
 7 ICE).—There is established within the Internal Revenue
 8 Service an office to be known as the ‘Office for Customer
 9 Service’ to be under the supervision and direction of an
 10 Assistant Commissioner of Internal Revenue. The Assist-
 11 ant Commissioner shall be responsible for all taxpayer as-
 12 sistance, information and education.”.

13 (b) CONFORMING AMENDMENT.—Section 6235 of the
 14 Technical and Miscellaneous Revenue Act of 1988 is
 15 amended by deleting subsection (b) and redesignating sub-
 16 section (c) as subsection “(b)”.

17 **SEC. 104. ADDITIONAL DUTIES FOR THE TAXPAYER ADVOCATE.**
 18 **CATE.**

19 Section 7802(d) of the Internal Revenue Code of
 20 1986 is amended to read as follows:

21 (d) OFFICE OF TAXPAYER ADVOCATE.—

22 “(1) IN GENERAL.—

23 “(A) There is established in the Internal
 24 Revenue Service an office to be known as the
 25 ‘Office of the Taxpayer Advocate’. Such office
 26 shall be under the supervision and direction of

1 an official to be known as the ‘Taxpayer Advoca-
2 cate’ who shall be appointed by and report di-
3 rectly to the Commissioner of Internal Revenue.
4 The Taxpayer Advocate may be compensated at
5 a level up to the same rate as the highest level
6 official reporting directly to the Deputy Com-
7 missioner of Internal Revenue.

8 “(B) As a qualification for appointment as
9 the Taxpayer Advocate, an individual must have
10 knowledge of the working of tax administration
11 systems, experience representing taxpayers be-
12 fore the Internal Revenue Service, or experience
13 with taxpayer rights issues.

14 “(C) An individual who, before being ap-
15 pointed as the Taxpayer Advocate, was an offi-
16 cer or employee of the Internal Revenue Service
17 may be so appointed only if such individual
18 agrees not to accept any employment with the
19 Internal Revenue Service for a period of five
20 years after ceasing to be the Taxpayer Advoca-
21 cate.

22 “(2) FUNCTIONS OF OFFICE.—

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

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

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

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

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

13 “(B) ANNUAL REPORTS.—

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

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

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

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

20 “(III) contain a summary of at
21 least 20 of the most serious problems
22 encountered by taxpayers including a
23 description of the nature of such prob-
24 lems,

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

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

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

20 “(VII) identify any Taxpayer As-
21 sistance Order which was not honored
22 by the Internal Revenue Service in a
23 timely manner, as specified under sec-
24 tion 7811(b),

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

6 “(IX) describe the extent to
7 which regional taxpayer advocates
8 participate in the selection and eval-
9 uation of local taxpayer advocates,

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

16 “(XI) contain a list supplied by
17 the National Director of Appeals
18 which identifies the 10 most litigated
19 issues for various categories of tax-
20 payers (e.g., individuals, self-employed
21 individuals, and small businesses), in-
22 cluding recommendations for mitigat-
23 ing such disputes, and

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

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

14 “(C) OTHER RESPONSIBILITIES.—The
15 Taxpayer Advocate also shall—

16 “(i) monitor the coverage and geo-
17 graphic allocation of taxpayer advocates,

18 “(ii) develop guidance to be distrib-
19 uted to all Internal Revenue Service offi-
20 cers and employees outlining the criteria
21 for referral of taxpayer inquiries to tax-
22 payer advocates,

23 “(iii) ensure that taxpayers have di-
24 rect access to the problem resolution pro-

gram through a dedicated telephone number, and

“(iv) in conjunction with the Commissioner, develop career paths for taxpayer advocates choosing to make a career in the Office of the Taxpayer Advocate.

“(3) RESPONSIBILITIES OF COMMISSIONER.—

The Commissioner of Internal Revenue shall establish procedures requiring a formal response to all recommendations submitted to the Commissioner by the Taxpayer Advocate within three months after submission to the Commissioner.”.

TITLE II—IMPROVING THE EFFICIENCY OF TAX ADMINISTRATION

SEC. 201 PROMOTION OF ELECTRONIC TAX ADMINISTRATION.

(a) PROMOTION OF ELECTRONIC FILING; FACILITATING THE FILING OF ELECTRONIC RETURNS.—Section 6011 of the Internal Revenue Code of 1986 is amended by adding the following new subsections:

“(g) PROMOTION OF ELECTRONIC FILING.—Notwithstanding any other law, the Secretary is authorized to promote the benefits of and encourage the use of electronic tax administration programs, as they become avail-

1 able, through the use of mass communications and other
2 means.

3 “(h) INCENTIVE PAYMENTS.—Notwithstanding any
4 other provision of law, amounts appropriated to the Inter-
5 nal Revenue Service may be used by the Secretary to en-
6 courage the expanded use of electronic means to file re-
7 turns and other documents.

8 “(i) ALTERNATIVES TO ATTACHING DOCUMENTS TO
9 RETURNS.—If any section of this title requires a state-
10 ment or information supporting a return, the Secretary
11 may prescribe the method of submitting the statement or
12 information.”.

13 (b)(1) AUTHORITY TO WAIVE SIGNATURE REQUIRE-
14 MENTS OR PRESCRIBE ALTERNATIVE METHODS OF VERI-
15 FYING RETURNS.—Part IV of subchapter A of chapter 61
16 is amended by adding at the end the following new section:

17 **“SEC. 6066. AUTHORITY TO WAIVE SIGNATURE REQUIRE-**
18 **MENTS OR PRESCRIBE ALTERNATIVE METH-**
19 **ODS OF VERIFYING RETURNS.**

20 “(a) AUTHORITY.—The Secretary may waive the re-
21 quirements of a signature for all returns or classes of re-
22 turns, or may provide for alternative methods of subscrib-
23 ing all returns, declarations, statements, or other docu-
24 ments required or permitted to be made or written under
25 internal revenue laws and regulations.

1 “(b) TREATMENT OF ALTERNATIVE METHODS.—
 2 Notwithstanding any other provision of law, any return,
 3 declaration, statement or other document filed without sig-
 4 nature under the authority of this section or verified,
 5 signed or subscribed under any method adopted under
 6 subsection (a) shall be treated for all purposes (both civil
 7 and criminal, including penalties for perjury) in the same
 8 manner as though signed and subscribed. Any such re-
 9 turn, declaration, statement or other document shall be
 10 presumed to have been actually submitted and subscribed
 11 by the person on whose behalf it was submitted.

12 “(c) PUBLISHED GUIDANCE.—The Secretary shall
 13 publish guidance as appropriate to define and implement
 14 any waiver of the signature requirements.”.

15 (2) CLERICAL AMENDMENT.—The table of sections
 16 for part IV of subchapter A of chapter 61 is amended by
 17 inserting after the item relating to section 6065 the follow-
 18 ing new item:

“Sec. 6066. Authority to waive signature requirements or prescribe alternative
 methods of verifying returns.”.

19 (c) ACKNOWLEDGMENT OF ELECTRONIC FILING.—
 20 Section 7502(c) is amended to read as follows:

21 “(c) REGISTERED AND CERTIFIED MAILING; ELEC-
 22 TRONIC FILING.—

23 “(1) REGISTERED MAIL.—For purposes of this
 24 section, if any return, claim, statement, or other

1 document, or payment, is sent by United States reg-
 2 istered mail—

3 “(A) such registration shall be prima facie
 4 evidence that the return, claim, statement, or
 5 other document was delivered to the agency, of-
 6 ficer, or office to which addressed; and

7 “(B) the date of registration shall be
 8 deemed the postmark date.

9 “(2) CERTIFIED MAIL; ELECTRONIC FILING.—
 10 The Secretary is authorized to provide by regula-
 11 tions the extent to which the provisions of paragraph
 12 (1) of this subsection with respect to prima facie evi-
 13 dence of delivery and the date shall apply to certified
 14 mail and electronic filing.”.

15 **SEC. 202. COOPERATIVE AGREEMENTS WITH STATE TAX**
 16 **AUTHORITIES.**

17 (a) IN GENERAL.—Chapter 77 of Subtitle F (relating
 18 to miscellaneous provisions) of the Internal Revenue Code
 19 of 1986 is amended by adding after section 7524 the fol-
 20 lowing new section:

21 **“SEC. 7525. TAX ADMINISTRATION AGREEMENTS.**

22 “(a) IN GENERAL.—To the extent provided in regula-
 23 tions, the Secretary is authorized to enter into tax admin-
 24 istration agreements with any State agency, body, or com-
 25 mission described in section 6103(d)(1). Under such

1 agreements, the Secretary may delegate powers relating
2 to the administration of this title to officers and employees
3 of such State agency, body, or commission, only if such
4 officers and employees in exercising such powers are under
5 the supervision of the Secretary.

6 “(b) TAX ADMINISTRATION AGREEMENT DE-
7 FINED.—A tax administration agreement is a written
8 agreement entered into by the Secretary and a State agen-
9 cy, body, or commission described in section 6103(d)(1)
10 that provides for a delegation of tax administration powers
11 or a payment of reasonable compensation for activities
12 conducted by either party to the agreement. Each Federal
13 or State tax administration power to be exercised pursuant
14 to a tax administration agreement shall be performed in
15 accordance with the terms of the agreement to the extent
16 such terms do not conflict with the Federal or State laws
17 that otherwise authorize the respective tax administration
18 function.

19 “(c) JUDICIAL PROCEEDINGS.—

20 “(1) REVIEW BY THE UNITED STATES
21 COURTS.—Nothing in this subchapter shall give any
22 court of the United States any additional jurisdic-
23 tion nor diminish its jurisdiction.

24 “(2) PROHIBITION OF REVIEW BY THE STATE
25 COURTS.—No court or other tribunal of any State

1 shall have jurisdiction to adjudicate in any action,
2 legal or equitable, the validity or scope of an assess-
3 ment of an internal revenue tax that is the subject
4 of a tax administration agreement.

5 “(3) LIMITATION ON PERSONAL JURISDIC-
6 TION.—No court or other tribunal of any State shall
7 have jurisdiction over an individual who exercises
8 Federal tax administration powers pursuant to a tax
9 administration agreement for actions relating to the
10 exercise of those powers.

11 “(d) PAYMENT FOR SERVICES.—The Secretary is au-
12 thorized to pay reasonable compensation for activities con-
13 ducted by a State pursuant to a tax administration agree-
14 ment. The Secretary is authorized to collect reasonable
15 compensation for activities conducted by the United States
16 pursuant to a tax administration agreement.

17 “(e) AVAILABILITY OF FUNDS.—Any funds appro-
18 priated for purposes of the administration of this title
19 shall be available for purposes of carrying out the Sec-
20 retary’s responsibilities under a tax administration agree-
21 ment. Any reasonable compensation received pursuant to
22 a tax administration agreement shall be credited to the
23 amounts so appropriated and shall remain available to the
24 Internal Revenue Service until expended to supplement
25 appropriations made available to the appropriations ac-

1 counts in the fiscal year during which this provision is en-
 2 acted and all fiscal years thereafter.

3 “(f) TAX TREATIES AND OTHER INTERNATIONAL
 4 AGREEMENTS.—To the extent the provisions of this sub-
 5 chapter or a tax administration agreement may conflict
 6 with the terms of any tax treaty, or other international
 7 agreement of the United States containing provisions re-
 8 lating to taxation or the administration of tax laws, the
 9 terms of the treaty or international agreement shall con-
 10 trol.

11 “(g) EMPLOYEE STATUS.—Any officer or employee
 12 of the United States acting pursuant to a tax administra-
 13 tion agreement shall be deemed to remain a Federal em-
 14 ployee. Except as otherwise expressly provided by the laws
 15 of the United States, any officer or employee of a State
 16 acting pursuant to a tax administration agreement shall
 17 be deemed to remain a State employee.”.

18 (b) CONFORMING AMENDMENTS.—

19 (1) Section 6103(d) is amended—

20 (A) by amending paragraph (1) to read as
 21 follows:

22 “(1)(A) IN GENERAL.—Returns and return in-
 23 formation with respect to taxes imposed by chapters
 24 1, 2, 6, 11, 12, 21, 23, 24, 31, 32, 44, 51, 52, and
 25 subchapter D of chapter 36 shall be open to inspec-

tion by, or disclosure to, any State agency, body, or commission, or its legal representative, which is charged under the laws of such State with the responsibility for the administration of State tax laws for the purpose of, and only to the extent necessary in—

“(i) the administration of such laws, including any procedures with respect to locating, any person who may be entitled to a refund; or

“(ii) the administration of Federal tax laws pursuant to a tax administration agreement entered into between such agency, body or commission and the Secretary under section 7525.

“(B) WRITTEN REQUEST BY AGENCY HEAD REQUIRED FOR DISCLOSURE.—The inspection of returns and return information under this paragraph shall be permitted, or disclosure of such returns and return information made, only upon written request by the head of such agency, body, or commission, and only to the representatives of such agency, body, or commission designated in such written request as the individuals who are to inspect or receive the returns or return information on behalf of such agency, body, or commission.

1 “(C) PERMISSIBLE RECIPIENTS.—The rep-
 2 resentatives of such agency, body, or commission to
 3 whom disclosure is permitted under this paragraph
 4 shall include only employees or legal representatives
 5 of such agency, body, or commission, or a person de-
 6 scribed in subsection (n) of this section. However,
 7 notwithstanding the foregoing, disclosure shall not
 8 be permitted to any individual who is the chief exec-
 9 utive officer of such State.

10 “(D) CONFIDENTIAL INFORMANTS; IMPAIR-
 11 MENT OF INVESTIGATIONS.—Return information
 12 shall not be disclosed under this paragraph to the
 13 extent that the Secretary determines that such dis-
 14 closure would identify a confidential informant or se-
 15 riously impair any civil or criminal tax investiga-
 16 tion.”; and

17 (B) by adding at the end the following new
 18 paragraph (5):

19 “(5) JOINT RETURN FILING PROGRAMS.—

20 “(A) IN GENERAL.—Upon written request
 21 by the head of any agency, body, or commission
 22 described in paragraph (1), the Secretary may
 23 disclose common data to such agency, body or
 24 commission for the purpose of carrying out a

1 joint return filing program entered into under
2 section 7525.

3 “(B) COMMON DATA DEFINED.—For pur-
4 poses of this paragraph, ‘common data’ means
5 any item of information that is required by both
6 Federal and State law to be attached to or in-
7 cluded on the respective Federal and State re-
8 turns.

9 “(C) PROCEDURES FOR STATE AGEN-
10 CIES.—Subsections (a)(2) and (p)(4) of this
11 section shall not apply with respect to any dis-
12 closures made pursuant to this paragraph.
13 However, common data disclosed pursuant to
14 this paragraph is subject to subsection (p)(8) of
15 this section.”.

16 (2) Section 6103(p)(3) is amended—

17 (A) in subparagraph (A) by inserting
18 “(d),” after “subsections (c),”, and

19 (B) in subparagraph (C)(i) by striking
20 “(d),”.

21 (3) Section 7212(a) is amended by inserting
22 “or any State officer or employee who is authorized
23 to administer Federal tax laws pursuant to an
24 agreement authorized by section 7525” after “any

1 officer or employee of the United States” in both
2 places it appears.

3 (4) Section 7213(a)(2) is amended by deleting
4 “(d),” and inserting instead “(d) (1), (2), (3), or
5 (4),”.

6 (5) Section 7214 is amended—

7 (A) in subsection (a), by inserting “or any
8 State officer or employee who is authorized to
9 administer Federal tax laws pursuant to an
10 agreement authorized by section 7525” after
11 “Any officer or employee of the United States”;
12 and

13 (B) in subsection (b), by inserting “or any
14 State employee who is authorized to administer
15 Federal tax laws pursuant to an agreement au-
16 thorized by section 7525” after “Any internal
17 revenue officer or employee”.

18 (6) Section 7431(a)(1) is amended by inserting
19 “or any State employee who is authorized to admin-
20 ister Federal tax laws pursuant to an agreement au-
21 thorized by section 7525” after “If any officer or
22 employee of the United States”.

23 (7) Section 7432(a) is amended by inserting
24 “or any State employee who is authorized to release
25 liens under section 6325 pursuant to an agreement

1 authorized by section 7525” after “If any officer or
2 employee of the Internal Revenue Service”.

3 (8) Section 7433(a) is amended by inserting
4 “or any State employee who is authorized to collect
5 Federal taxes pursuant to an agreement authorized
6 by section 7525” after “If, in connection with any
7 collection of Federal tax with respect to a taxpayer,
8 any officer or employee of the Internal Revenue
9 Service”.

10 (c) CLERICAL AMENDMENT.—The table of sections
11 for Chapter 77 is amended by adding at the end the fol-
12 lowing:

“7525. Tax administration agreements.”.

13 **TITLE III—PROVIDING FLEXIBIL-** 14 **ITY FOR IRS MANAGEMENT**

15 **SEC. 301. IMPROVEMENTS IN PERSONNEL FLEXIBILITIES.**

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

19 **“Subpart I—Miscellaneous**

20 **CHAPTER 95—PERSONNEL FLEXIBILITIES** 21 **RELATING TO THE INTERNAL REVE-** 22 **NUE SERVICE**

“Sec.

“9501. Internal Revenue Service personnel flexibilities.

“9502. Pay authority for critical positions.

“9503. Streamlined critical pay authority.

“9504. Recruitment, retention, and relocation incentives.

“9505. Performance awards for senior executives.

“9506. Limited appointments to career reserved Senior Executive Service positions.

“9507. Streamlined demonstration project authority.

“9508. General workforce performance management system.

“9509. General workforce classification and pay.

“9510. General workforce staffing.

1 **“§ 9501. Internal Revenue Service personnel flexibili-**
 2 **ties**

3 “(a) Any flexibilities provided by sections 9502
 4 through 9510 of this chapter shall be exercised in a man-
 5 ner consistent with the following provisions of this title:

6 “(1) chapter 23 (relating to merit system prin-
 7 ciples and prohibited personnel practices);

8 “(2) provisions relating to preference eligibles;

9 “(3) except as otherwise specifically provided,
 10 section 5307 (relating to the aggregate limitation on
 11 pay);

12 “(4) except as otherwise specifically provided,
 13 chapter 71 (relating to labor-management relations);
 14 and

15 “(5) subject to sections 1104 (b) and (c), as
 16 though such authorities were delegated to the Sec-
 17 retary of the Treasury under section 1104(a)(2).

18 “(b) The Secretary of the Treasury shall provide the
 19 Office of Personnel Management with any information
 20 that Office requires in carrying out its responsibilities
 21 under this section.

1 “(c) Employees within a unit to which a labor organi-
 2 zation is accorded exclusive recognition under chapter 71
 3 shall not be subject to any flexibility provided by sections
 4 9507 through 9510 of this chapter unless the exclusive
 5 representative and the internal Revenue Service have en-
 6 tered into a written agreement which specifically provides
 7 for the exercise of that flexibility. Such written agreement
 8 may not be imposed by the Federal Services Impasses
 9 Panel under section 7119.

10 “(d) For purposes of this chapter, the total annual
 11 compensation payable at the Office of the Comptroller of
 12 the Currency shall, for any year, be determined taking into
 13 account only those forms of compensation that are taken
 14 into account under section 5307(a) for purposes of such
 15 year.

16 **“§ 9502. Pay authority for critical positions**

17 “When the Secretary of the Treasury seeks a grant
 18 of authority pursuant to section 5377 for critical pay for
 19 one or more positions at the Internal Revenue Service, the
 20 Office of Management and Budget may fix the rate of
 21 basic pay, notwithstanding section 5377(d)(2) and section
 22 5307, at any rate up to the highest total annual compensa-
 23 tion payable at the Office of the Comptroller of the Cur-
 24 rency, provided that total annual compensation for individ-
 25 uals appointed to such positions not exceed the highest

1 total annual compensation payable at the Office of the
2 Comptroller of the Currency.

3 **“§ 9503. Streamlined critical pay authority**

4 “Notwithstanding section 9502 of this title, and with-
5 out regard to the provisions of this title governing appoint-
6 ments in the competitive service or the Senior Executive
7 Service and the provisions of chapters 51 and 53 of this
8 title (relating to classification and pay rates), the Sec-
9 retary of the Treasury may, for a period of ten years from
10 the date of enactment of this section, establish, fix the
11 compensation of, and appoint individuals to, designated
12 critical technical and professional positions needed to
13 carry out the functions of the Internal Revenue Service,
14 provided that—

15 “(1) the positions—

16 “(A) require expertise of an extremely high
17 level in a technical or professional field; and

18 “(B) are critical to the Internal Revenue
19 Service’s successful accomplishment of an im-
20 portant mission;

21 “(2) exercise of the authority is necessary to re-
22 cruit or retain an individual exceptionally well quali-
23 fied for the position;

24 “(3) the number of such positions does not ex-
25 ceed at the time of any new appointment the number

1 equal to 5 percent of the total number of employees
2 holding positions in the Internal Revenue Service the
3 rate of basic pay for which is not less than the mini-
4 mum rate of grade GS–15 of the General Schedule;
5 at pay levels equivalent to General Schedule grade
6 15 and higher;

7 “(4) designation of such positions shall be ap-
8 proved by the Secretary of the Treasury upon the
9 recommendation of the Internal Revenue Service
10 Management Board (established in section 7801(b)
11 of title 26, United States Code);

12 “(5) the terms of such appointments are limited
13 to no more than four years;

14 “(6) appointees to such positions were not In-
15 ternal Revenue Service employees immediately prior
16 to such appointment;

17 “(7) total annual compensation for any ap-
18 pointee to such positions does not exceed the highest
19 total annual compensation payable at the Office of
20 the Comptroller of the Currency;

21 “(8) all such positions shall be excluded from
22 the collective bargaining unit; and

23 “(9) individuals appointed pursuant to this sub-
24 section shall not be considered to be employees for
25 purposes of subchapter II of chapter 75 of this title.

1 **“§ 9504. Recruitment, retention, and relocation incen-**
2 **tives**

3 “For a period of ten years from the date of enact-
4 ment of this Act and subject to approval by the Office
5 of Personnel Management, the Secretary of the Treasury
6 may provide for variations from the provisions of sections
7 5753 and 5754 governing payment of recruitment, reloca-
8 tion, and retention incentives.

9 **“§ 9505. Performance awards for senior executives**

10 “(a) For a period of ten years from the date of enact-
11 ment of this Act, Internal Revenue Service senior execu-
12 tives who have program management responsibility over
13 significant functions of the Internal Revenue Service may
14 be paid a performance bonus without regard to the limita-
15 tion in section 5384(b)(2) of this title if the Secretary of
16 the Treasury finds such award warranted based upon the
17 executive’s performance.

18 “(b) In evaluating an executive’s performance for
19 purposes of an award under this section, the Secretary of
20 the Treasury shall take into account the executive’s con-
21 tributions toward the successful accomplishment of goals
22 and objectives established under the Government Perform-
23 ance and Results Act of 1993 and other performance
24 metrics or plans established in consultation with the Inter-
25 nal Revenue Service Management Board.

1 “(c) Any award in excess of 20 percent of an execu-
2 tive’s rate of basic pay must be approved by the Secretary
3 of the Treasury in consultation with the Internal Revenue
4 Service Management Board.

5 “(d) Notwithstanding section 5384(b)(3) of this title,
6 the Secretary of the Treasury shall determine the aggre-
7 gate amount of performance awards available to be paid
8 during any fiscal year under this section and section 5384
9 to career senior executives in the Internal Revenue Service
10 provided that such amount does not exceed an amount
11 equal to five percent of the aggregate amount of basic pay
12 paid to career senior executives in the Internal Revenue
13 Service during the preceding fiscal year. The Internal Rev-
14 enue Service shall not be included in the determination
15 under section 5384(b)(3) of the aggregate amount of per-
16 formance awards payable to career senior executives in the
17 Department of the Treasury outside of the Internal Reve-
18 nue Service.

19 “(e) Notwithstanding section 5307 of this title, a per-
20 formance bonus award may not be paid to an executive
21 in a calendar year if, or to the extent that, the executive’s
22 total annual compensation will exceed the maximum
23 amount of total annual compensation payable in the Office
24 of the Comptroller of the Currency.

1 **“§ 9506. Limited appointments to career reserved**
 2 **Senior Executive Service positions**

3 “Notwithstanding any other provision of law, in ap-
 4 plying section 3132 of this title, a ‘career reserved posi-
 5 tion’ in the Internal Revenue Service means a position des-
 6 ignated under section 3132(b) which may be filled only
 7 by—

8 “(1) a career appointee, or

9 “(2) a limited emergency appointee or a limited
 10 term appointee who, immediately upon entering the
 11 career-reserved position, was serving under a career
 12 or career-conditional appointment outside the Senior
 13 Executive Service or whose limited emergency or
 14 limited term appointment is approved in advance by
 15 the Office of Personnel Management.

16 **“§ 9507. Streamlined demonstration project authority**

17 “(a) The exercise of any of the flexibilities under sec-
 18 tions 9502 through 9510 does not affect the authority of
 19 the Secretary of the Treasury to implement for the Inter-
 20 nal Revenue Service a demonstration project subject to
 21 chapter 47 of this title, as provided in subsection (b).

22 “(b) In applying section 4703 of this title to a dem-
 23 onstration project described in section 4701(a)(4) of this
 24 title which involves the Internal Revenue Service—

25 “(1) section 4703(b)(1) shall be deemed to read
 26 as follows:

1 “(1) develop a plan for such project which de-
 2 scribes its purpose, the employees to be covered, the
 3 project itself, its anticipated outcomes, and the
 4 method of evaluating the project;’;

5 “(2) section 4703(b)(3) shall not apply;

6 “(3) the 180-day notification period in section
 7 4703(b)(4) shall be deemed to be a notification pe-
 8 riod of 30 days;

9 “(4) section 4703(b)(6) shall be deemed to read
 10 as follows:

11 “(6) provides each House of Congress with the
 12 final version of the plan.’;

13 “(5) section 4703(c)(1) shall be deemed to read
 14 as follows:

15 “(1) subchapter V of chapter 63 or subpart G
 16 of part III of this title;’;

17 “(6) the requirements of sections 4703
 18 (d)(1)(A) and (d)(2) shall not apply; and

19 “(7) notwithstanding section 4703(d)(1)(B),
 20 based on an evaluation as provided in section
 21 4703(h), the Office of Personnel Management and
 22 the Secretary of the Treasury, except as otherwise
 23 provided by this subsection, may waive the termi-
 24 nation date of a demonstration project under section
 25 4703(d). At least 90 days before waiving the termi-

1 nation date, the Office of Personnel Management
2 shall publish in the Federal Register a notice of its
3 intention to waive the termination date and shall in-
4 form in writing both Houses of Congress of its in-
5 tention.

6 **“§ 9508. General workforce performance management**
7 **system**

8 “(a) In lieu of a performance appraisal system estab-
9 lished under section 4302 of this title, the Secretary of
10 the Treasury may establish for all or part of the Internal
11 Revenue Service a performance management system
12 which—

13 “(1) maintains individual accountability by—

14 “(A) establishing one or more retention
15 standards for each employee related to the work
16 of the employee and expressed in terms of indi-
17 vidual performance, and communicating such
18 retention standards to employees;

19 “(B) making period determinations of
20 whether each employee meets or does not meet
21 the employee’s established retention standards;
22 and

23 “(C) taking actions, in accordance with ap-
24 plicable laws and regulations, with respect to
25 any employee whose performance does not meet

1 established retention standards, including deny-
2 ing any increases in basic pay, promotions, and
3 credit for performance under section 3502 of
4 this title, and taking one or more of the follow-
5 ing actions:

6 “(i) reassignment;

7 “(ii) an action under chapter 43 or
8 chapter 75 of this title; or

9 “(iii) any other appropriate action to
10 resolve the performance problem; and

11 “(2) strengthens its effectiveness by—

12 “(A) establishing goals or objectives for in-
13 dividual, group, or organizational performance
14 (or any combination thereof), consistent with
15 the Internal Revenue Service’s performance
16 planning procedures, including those established
17 under the Government Performance and Re-
18 sults Act of 1993, and communicating such
19 goals or objectives to employees;

20 “(B) using such goals and objectives to
21 make performance distinctions among employ-
22 ees or groups of employees; and

23 “(C) using performance assessments as a
24 basis for granting employee awards, adjusting
25 an employee’s rate of basic pay, and other ap-

1 appropriate personnel actions, in accordance with
2 applicable laws and regulations.

3 “(3) For purposes of subsection (a)(2), ‘per-
4 formance assessment’ means a determination of
5 whether or not retention standards established under
6 subsection (a)(1)(A) are met, and any additional
7 performance determination made on the basis of per-
8 formance goals and objectives established under sub-
9 section (a)(2)(A).

10 For purposes of this title, ‘unacceptable performance’ with
11 respect to an employee of the Internal Revenue Service
12 covered by a performance management system established
13 pursuant to this section means performance of the em-
14 ployee which fails to meet a retention standard established
15 under this subsection.

16 “(b)(1) The Secretary of the Treasury may establish
17 an awards program designed to provide incentives for and
18 recognition of organizational, group, and individual
19 achievements by providing for granting awards to employ-
20 ees who, as individuals or members of a group, contribute
21 to meeting the performance goals and objectives estab-
22 lished under this chapter by such means as a superior in-
23 dividual or group accomplishment, a documented produc-
24 tivity gain, or sustained superior performance.

1 “(2) A cash award under subchapter I of chapter 45
 2 may be granted to an employee of the Internal Revenue
 3 Service without the need for any approval under section
 4 4502(b).

5 “(c)(1) In applying sections 4303(b)(1)(A) and
 6 7513(b)(1) of this title to employees of the Internal Reve-
 7 nue Service, ‘30 days’ may be deemed to be ‘15 days’.

8 “(2) Notwithstanding the second sentence of section
 9 5335(c) of this title, an employee of the Internal Revenue
 10 Service shall not have a right to appeal the denial of a
 11 periodic step increase under section 5335 to the Merit Sys-
 12 tems Protection Board.

13 **“§ 9509. General workforce classification and pay**

14 “(a)(1) The Secretary of the Treasury may, subject
 15 to criteria to be prescribed by the Office of Personnel
 16 Management, establish one or more broad-banded systems
 17 covering all or any portion of the Internal Revenue Service
 18 workforce.

19 “(2)(A) Except as provided subparagraph (B), for
 20 purposes of this section, ‘broad-banded system’ means a
 21 system for grouping positions for pay, job evaluation, and
 22 other purposes that is different from the system estab-
 23 lished under chapter 51 and subchapter III of chapter 53
 24 of this title as a result of combining grades and related
 25 ranges of rates of pay in one or more occupational series.

1 “(B) With the approval of the Office of Personnel
2 Management, a broad-banded system established under
3 this section may either include or consist of positions that
4 otherwise would be subject to subchapter IV of chapter
5 53 or section 5376 of this title.

6 “(3) The Office of Personnel Management may re-
7 quire the Secretary of the Treasury to submit information
8 relating to broad-banded systems at the Internal Revenue
9 Service.

10 “(4) Except as otherwise provided under this section,
11 employees under a broad-banded system shall continue to
12 be subject to the laws and regulations covering employees
13 under the pay system that otherwise would apply to them.

14 “(5) The criteria to be prescribed by the Office of
15 Personnel Management shall, at a minimum—

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

19 “(B) establish the minimum and maximum
20 number of grades that may be combined into pay
21 bands;

22 “(C) establish requirements for setting mini-
23 mum and maximum rates of pay in a pay band;

24 “(D) establish requirements for adjusting the
25 pay of an employee within a pay band;

1 “(E) establish requirements for setting the pay
 2 of a supervisory employee whose position is in a pay
 3 band or who supervises employees whose positions
 4 are in pay bands; and

5 “(F) establish requirements and methodologies
 6 for setting the pay of an employee upon conversion
 7 to a broad-banded system, initial appointment,
 8 change of position or type of appointment (including
 9 promotion, demotion, transfer, reassignment, rein-
 10 statement, placement in another pay band, or move-
 11 ment to a different geographic location), and move-
 12 ment between a broad-banded system and another
 13 pay system.

14 “(b) With the approval of the Office of Personnel
 15 Management and in accordance with a plan for implemen-
 16 tation submitted by the Secretary of the Treasury, the
 17 Secretary may, with respect to Internal Revenue Service
 18 employees who are covered by a broad-banded system es-
 19 tablished under subsection (a), provide for variations from
 20 the provisions of subchapter VI of chapter 53 of this title.

21 **“§ 9510. General workforce staffing**

22 “(a)(1) Except as otherwise provided by this section,
 23 an employee of the Internal Revenue Service may be se-
 24 lected for a permanent appointment in the competitive

1 service in the Internal Revenue Service through internal
2 competitive promotion procedures if:

3 “(A) the employee has completed, in the com-
4 petitive service, two years of current continuous
5 service under a term appointment or any combina-
6 tion of term appointments;

7 “(B) such term appointment or appointments
8 were made under competitive procedures prescribed
9 for permanent appointments;

10 “(C) the employee’s performance under such
11 term appointment or appointments met established
12 retention standards, or, if not covered by a perform-
13 ance management system established under section
14 9508, was rated at the fully successful level or high-
15 er (or equivalent thereof); and

16 “(D) the vacancy announcement for the term
17 appointment from which the conversion is made
18 stated that there was a potential for subsequent con-
19 version to a permanent appointment.

20 “(2) An appointment under this section may be made
21 only to a position in the same line of work as a position
22 to which the employee received a term appointment under
23 competitive procedures.

24 “(b)(1) Notwithstanding subchapter I of chapter 33
25 of this title, the Secretary of the Treasury may establish

1 category rating systems for evaluating job applicants for
2 Internal Revenue Service positions in the competitive serv-
3 ice under which qualified candidates are divided into two
4 or more quality categories on the basis of relative degrees
5 of merit, rather than assigned individual numerical rat-
6 ings.

7 “(2) Each applicant who meets the minimum quali-
8 fication requirements for the position to be filled shall be
9 assigned to an appropriate category based on an evalua-
10 tion of the applicant’s knowledge, skills, and abilities rel-
11 ative to those needed for successful performance in the
12 job to be filled.

13 “(3) Within each quality category established under
14 paragraph (1), preference eligibles shall be listed ahead
15 of individuals who are not preference eligibles. For other
16 than scientific and professional positions at or higher than
17 GS-9 (or equivalent), preference eligibles who have a com-
18 pensable service-connected disability of 10 percent or
19 more, and who meet the minimum qualification standards,
20 shall be listed in the highest quality category.

21 “(4) An appointing authority may select any appli-
22 cant from the highest quality category or, if fewer than
23 three candidates have been assigned to the highest quality
24 category, from a merged category consisting of the highest
25 and second highest quality categories.

1 “(5) Notwithstanding paragraph (4), the appointing
2 authority may not pass over a preference eligible in the
3 same or higher category from which selection is made un-
4 less the requirements of section 3317(b) or 3318(b) of this
5 title, as applicable, are satisfied.

6 “(c) The Secretary of the Treasury may detail em-
7 ployees among the offices of the Internal Revenue Service
8 without regard to the 120-day limitation in section
9 3341(b) of this title.

10 “(d) Notwithstanding any other provision of law or
11 regulation, the Secretary of the Treasury may establish
12 a probationary period under section 3321 of this title of
13 up to three years for Internal Revenue Service positions
14 where the Secretary of the Treasury determines that the
15 nature of the work is such that a shorter period is insuffi-
16 cient to demonstrate complete proficiency in the position.

17 “(e) Nothing in this section exempts the Secretary
18 of the Treasury from—

19 “(1) any employment priority established under
20 direction of the President for the placement of sur-
21 plus or displaced employees; or

22 “(2) any obligation under a court order or de-
23 cree relating to the employment practices of the In-
24 ternal Revenue Service or the Department of the
25 Treasury.”.

1 (b) CLERICAL AMENDMENT.—The table of sections
 2 for Part III of title 5, United States Code, is amended
 3 by adding at the end the following:

“Subpart I—Miscellaneous

“95. Personnel flexibilities relating to the Internal Revenue Service 9501”.

4 **SEC. 302. AUTHORIZATION FOR APPROPRIATIONS.**

5 There are authorized to be appropriated from time
 6 to time such sums as may be necessary to carry out the
 7 purposes of this Act.

8 **SEC. 303. INTERNAL REVENUE SERVICE FUNDING.**

9 (a) FINDINGS.—The Congress finds that:

10 (1) The need of the Internal Revenue Service to
 11 resolve any issues regarding their computer systems
 12 and the century date change is the highest tech-
 13 nology priority of the agency.

14 (2) Without stable and predictable funding, the
 15 Internal Revenue Service is unable effectively and ef-
 16 ficiently to plan and execute key programs for tax
 17 law enforcement, tax processing, taxpayer assistance
 18 and management.

19 (3) A lack of multi-year budgets for Internal
 20 Revenue Service technology and capital investment
 21 programs deters some contractors from working with
 22 the agency and raises the costs of the changes nec-
 23 essary to make technology an enabler of Internal
 24 Revenue Service strategic objectives.

1 (b) SENSE OF CONGRESS.—Based on these findings,
2 it is the sense of the Congress that:

3 (1) Internal Revenue Service efforts to resolve
4 any century date change computer issues should be
5 funded fully to provide for certain resolution of those
6 issues.

7 (2) The Internal Revenue Service budget for
8 tax law enforcement, tax processing, taxpayer assist-
9 ance and management should be maintained at no
10 less than current levels for the next three years.

11 (3) Multi-year budgets should be adopted for
12 Internal Revenue Service technology and capital in-
13 vestment programs in order to ensure stability in the
14 implementation of those programs.

○