

105TH CONGRESS  
1ST SESSION

# S. 1274

To amend the Internal Revenue Code of 1986 to prohibit the Internal Revenue Service from using the threat of audit to compel agreement with the Tip Reporting Alternative Commitment or the Tip Rate Determination Agreement.

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## IN THE SENATE OF THE UNITED STATES

OCTOBER 8, 1997

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

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## A BILL

To amend the Internal Revenue Code of 1986 to prohibit the Internal Revenue Service from using the threat of audit to compel agreement with the Tip Reporting Alternative Commitment or the Tip Rate Determination Agreement.

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. FINDINGS.**

4       Congress finds that—

5               (1) the Tip Reporting Alternative Commitment  
6       Agreement and the Tip Rate Determination Agree-  
7       ment are voluntary agreements developed by the In-

1        ternal Revenue Service and the restaurant industry  
 2        as a means of improving the reporting of tip income;

3            (2) there have been reports that the Internal  
 4        Revenue Service may be compelling members of the  
 5        restaurant industry to accept such voluntary agree-  
 6        ment by using the possibility of audit to intimidate;  
 7        and

8            (3) the Internal Revenue Service has the au-  
 9        thority to perform audits to assure taxpayer compli-  
 10        ance with the internal revenue laws.

11    **SEC. 2. PROHIBITION ON USING THE THREAT OF AUDIT TO**  
 12                    **COMPEL AGREEMENT WITH THE TIP RE-**  
 13                    **PORTING ALTERNATIVE COMMITMENT.**

14        Section 7602 of the Internal Revenue Code of 1986  
 15        (relating to examination of books and witnesses) is amend-  
 16        ed by adding at the end the following new subsection:

17        “(d) NO THREAT OF SUMMONS OR EXAMINATIONS  
 18        TO COMPEL AGREEMENT WITH TIP REPORTING ALTER-  
 19        NATIVE COMMITMENT OR THE TIP RATE DETERMINA-  
 20        TION AGREEMENT.—The Secretary shall not use the  
 21        threat of making an examination or issuing a summons  
 22        under subsection (a) to compel a taxpayer to agree to or  
 23        sign the Tip Reporting Alternative Commitment Agree-

1 ment (TRAC) or the Tip Rate Determination Agreement  
2 (TRDA).”

