

105TH CONGRESS  
1ST SESSION

# S. 1555

To amend the Internal Revenue Code of 1986 to restructure and reform the Internal Revenue Service, and for other purposes.

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IN THE SENATE OF THE UNITED STATES

NOVEMBER 13, 1997

Mr. FAIRCLOTH 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 restructure and reform 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 Oversight, Restructuring and  
7       Tax Code Elimination Act of 1997”.

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

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

4 (c) TABLE OF CONTENTS.—

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

Sec. 2. Internal Revenue Service Oversight Board.

Sec. 3. Commissioner of Internal Revenue; other officials.

Sec. 4. Other personnel.

Sec. 5. Prohibition on executive branch influence over taxpayer audits and  
 other investigations.

Sec. 6. Termination of Internal Revenue Code of 1986 and Internal Revenue  
 Service.

Sec. 7. Structure of new Federal tax system.

5 **SEC. 2. INTERNAL REVENUE SERVICE OVERSIGHT BOARD.**

6 (a) IN GENERAL.—Section 7802 (relating to the  
 7 Commissioner of Internal Revenue) is amended to read as  
 8 follows:

9 **“SEC. 7802. INTERNAL REVENUE SERVICE OVERSIGHT**  
 10 **BOARD.**

11 “(a) ESTABLISHMENT.—There is established within  
 12 the Department of the Treasury the Internal Revenue  
 13 Service Oversight Board (hereafter in this subchapter re-  
 14 ferred to as the ‘Oversight Board’).

15 “(b) MEMBERSHIP.—

16 “(1) COMPOSITION.—The Oversight Board  
 17 shall be composed of 9 members who are not Fed-  
 18 eral officers or employees and who are appointed by  
 19 the President, by and with the advice and consent  
 20 of the Senate.

21 “(2) QUALIFICATIONS AND TERMS.—

1           “(A) QUALIFICATIONS.—Members of the  
2           Oversight Board shall be appointed solely on  
3           the basis of their professional experience and  
4           expertise in 1 or more of the following areas:

5                   “(i) Management of large service or-  
6                   ganizations.

7                   “(ii) Customer service.

8                   “(iii) Federal tax laws, including tax  
9                   administration and compliance.

10                  “(iv) Information technology.

11                  “(v) Organization development.

12                  “(vi) The needs and concerns of tax-  
13                  payers.

14                  “(vii) Management or ownership of a  
15                  small business.

16           In the aggregate, the members of the Oversight  
17           Board should collectively bring to bear expertise  
18           in all of the areas described in the preceding  
19           sentence.

20           “(B) TERMS.—Each member shall be ap-  
21           pointed for a term of 5 years, except that of the  
22           members first appointed under paragraph (1)—

23                   “(i) 1 member shall be appointed for  
24                   a term of 1 year,

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

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

5                   “(iv) 2 members shall be appointed  
6                   for a term of 4 years.

7                   Such terms shall begin on the date of appoint-  
8                   ment.

9                   “(C) REAPPOINTMENT.—An individual  
10                  may be appointed to no more than two 5-year  
11                  terms on the Oversight Board.

12                  “(D) VACANCY.—Any vacancy on the  
13                  Oversight Board shall be filled in the same  
14                  manner as the original appointment. Any mem-  
15                  ber appointed to fill a vacancy occurring before  
16                  the expiration of the term for which the mem-  
17                  ber’s predecessor was appointed shall be ap-  
18                  pointed for the remainder of that term.

19                  “(E) SPECIAL GOVERNMENT EMPLOY-  
20                  EES.—During the entire period that an individ-  
21                  ual is a member of the Oversight Board, such  
22                  individual shall be treated as—

23                         “(i) serving as a special government  
24                         employee (as defined in section 202 of title

1           18, United States Code) and as described  
2           in section 207(c)(2) of such title 18, and  
3           “(ii) serving as an officer or employee  
4           referred to in section 101(f) of the Ethics  
5           in Government Act of 1978 for purposes of  
6           title I of such Act.

7           “(3) QUORUM.—6 members of the Oversight  
8           Board shall constitute a quorum. A majority of  
9           members present and voting shall be required for the  
10          Oversight Board to take action.

11          “(4) REMOVAL.—Any member of the Oversight  
12          Board may be removed at the will of the President.

13          “(5) CLAIMS.—

14               “(A) IN GENERAL.—Members of the Over-  
15               sight Board shall have no personal liability  
16               under Federal law with respect to any claim  
17               arising out of or resulting from an act or omis-  
18               sion by such member within the scope of service  
19               as a member. The preceding sentence shall not  
20               be construed to limit personal liability for crimi-  
21               nal acts or omissions, willful or malicious con-  
22               duct, acts or omissions for private gain, or any  
23               other act or omission outside the scope of the  
24               service of such member on the Oversight Board.

1 “(B) EFFECT ON OTHER LAW.—This para-  
 2 graph shall not be construed—

3 “(i) to affect any other immunities  
 4 and protections that may be available to  
 5 such member under applicable law with re-  
 6 spect to such transactions,

7 “(ii) to affect any other right or rem-  
 8 edy against the United States under appli-  
 9 cable law, or

10 “(iii) to limit or alter in any way the  
 11 immunities that are available under appli-  
 12 cable law for Federal officers and employ-  
 13 ees.

14 “(c) GENERAL RESPONSIBILITIES.—

15 “(1) IN GENERAL.—The Oversight Board shall  
 16 oversee the Internal Revenue Service in its adminis-  
 17 tration, management, conduct, direction, and super-  
 18 vision of the execution and application of the inter-  
 19 nal revenue laws or related statutes and tax conven-  
 20 tions to which the United States is a party.

21 “(2) RESTRICTION ON DISCLOSURE OF RETURN  
 22 INFORMATION TO OVERSIGHT BOARD MEMBERS.—  
 23 No return, return information, or taxpayer return  
 24 information (as defined in section 6103(b)) may be  
 25 disclosed to any member of the Oversight Board.

1 Any request for information not permitted to be dis-  
 2 closed under the preceding sentence, and any contact  
 3 relating to a specific taxpayer, made by a member  
 4 of the Oversight Board so described to an officer or  
 5 employee of the Internal Revenue Service shall be  
 6 reported by such officer or employee to the Secretary  
 7 and the Joint Committee on Taxation.

8 “(d) SPECIFIC RESPONSIBILITIES.—The Oversight  
 9 Board shall have the following specific responsibilities:

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

13 “(A) mission and objectives, and standards  
 14 of performance relative to either, and

15 “(B) annual and long-range strategic  
 16 plans.

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

20 “(A) plans for modernization of the tax  
 21 system, including the procurement of informa-  
 22 tion technology intended to process tax returns,

23 “(B) plans for outsourcing or managed  
 24 competition, and

25 “(C) plans for training and education.

1 “(3) MANAGEMENT.—To—

2 “(A) recommend to the President can-  
3 didates for appointment as the Commissioner of  
4 Internal Revenue and recommend to the Presi-  
5 dent the removal of the Commissioner,

6 “(B) review the Commissioner’s selection,  
7 evaluation, and compensation of senior man-  
8 agers,

9 “(C) review and approve the Commis-  
10 sioner’s plans for any major reorganization of  
11 the Internal Revenue Service, and

12 “(D) review, and make recommendations  
13 to the Commissioner concerning, the auditing  
14 procedures and collection activities of the Inter-  
15 nal Revenue Service.

16 “(4) BUDGET.—To—

17 “(A) review and approve the budget re-  
18 quest of the Internal Revenue Service prepared  
19 by the Commissioner,

20 “(B) submit such budget request to the  
21 Secretary of the Treasury, and

22 “(C) ensure that the budget request sup-  
23 ports the annual and long-range strategic plans.

24 The Secretary shall submit the budget request referred to  
25 in paragraph (4)(B) for any fiscal year to the President



1 who shall submit such request, without revision, to Con-  
 2 gress together with the President's annual budget request  
 3 for the Internal Revenue Service for such fiscal year.

4 “(e) OVERSIGHT BOARD PERSONNEL MATTERS.—

5 “(1) COMPENSATION OF MEMBERS.—

6 “(A) IN GENERAL.—Each member of the  
 7 Oversight Board shall be compensated at a rate  
 8 not to exceed \$30,000 per year.

9 “(B) CHAIRPERSON.—In lieu of the  
 10 amount specified in subparagraph (A), the  
 11 Chairperson of the Oversight Board shall be  
 12 compensated at a rate not to exceed \$50,000.

13 “(2) TRAVEL EXPENSES.—The members of the  
 14 Oversight Board shall be allowed travel expenses, in-  
 15 cluding per diem in lieu of subsistence, at rates au-  
 16 thorized for employees of agencies under subchapter  
 17 I of chapter 57 of title 5, United States Code, while  
 18 away from their homes or regular places of business  
 19 for purposes of attending meetings of the Oversight  
 20 Board.

21 “(3) STAFF.—At the request of the Chair-  
 22 person of the Oversight Board, the Commissioner  
 23 shall detail to the Oversight Board such personnel as  
 24 may be necessary to enable the Oversight Board to  
 25 perform its duties. Such detail shall be without

1 interruption or loss of civil service status or privi-  
2 lege. The Chairperson of the Oversight Board may  
3 recommend to the Commissioner specific staff of the  
4 Internal Revenue Service for detail to the Oversight  
5 Board, and may recommend to the Commissioner  
6 specific individuals not employed by the Internal  
7 Revenue Service to be hired by the Internal Revenue  
8 Service for the purpose of being detailed to the  
9 Oversight Board.

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

15 “(f) ADMINISTRATIVE MATTERS.—

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

19 “(2) COMMITTEES.—The Oversight Board may  
20 establish such committees as the Oversight Board  
21 determines appropriate.

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

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

21           (1) IN GENERAL.—The amendments made by  
22           this section shall take effect on the date of the en-  
23           actment of this Act.

24           (2) NOMINATIONS TO INTERNAL REVENUE  
25           SERVICE OVERSIGHT BOARD.—The President shall

1 submit nominations under section 7802 of the Inter-  
 2 nal Revenue Code of 1986, as added by this section,  
 3 to the Senate not later than 6 months after the date  
 4 of the enactment of this Act.

5 **SEC. 3. COMMISSIONER OF INTERNAL REVENUE; OTHER**  
 6 **OFFICIALS.**

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

9 **“SEC. 7803. COMMISSIONER OF INTERNAL REVENUE;**  
 10 **OTHER OFFICIALS.**

11 **“(a) COMMISSIONER OF INTERNAL REVENUE.—**

12 **“(1) APPOINTMENT.—**

13 **“(A) IN GENERAL.—**There shall be in the  
 14 Department of the Treasury a Commissioner of  
 15 Internal Revenue who shall be appointed by the  
 16 President, by and with the advice and consent  
 17 of the Senate, to a 5-year term. The appoint-  
 18 ment shall be made without regard to political  
 19 affiliation or activity.

20 **“(B) VACANCY.—**Any individual appointed  
 21 to fill a vacancy in the position of Commis-  
 22 sioner occurring before the expiration of the  
 23 term for which such individual’s predecessor  
 24 was appointed shall be appointed only for the  
 25 remainder of that term.

1                   “(C) REMOVAL.—The Commissioner may  
2                   be removed at the will of the President.

3                   “(2) DUTIES.—The Commissioner shall have  
4                   such duties and powers as the Secretary may pre-  
5                   scribe, including the power to—

6                   “(A) administer, manage, conduct, direct,  
7                   and supervise the execution and application of  
8                   the internal revenue laws or related statutes  
9                   and tax conventions to which the United States  
10                  is a party; and

11                  “(B) recommend to the President a can-  
12                  didate for appointment as Chief Counsel for the  
13                  Internal Revenue Service when a vacancy oc-  
14                  curs, and recommend to the President the re-  
15                  moval of such Chief Counsel.

16                  If the Secretary determines not to delegate a power  
17                  specified in subparagraph (A) or (B), such deter-  
18                  mination may not take effect until 30 days after the  
19                  Secretary notifies the Committees on Ways and  
20                  Means, Government Reform and Oversight, and Ap-  
21                  propriations of the House of Representatives, the  
22                  Committees on Finance, Government Operations,  
23                  and Appropriations of the Senate, and the Joint  
24                  Committee on Taxation.

1           “(3) CONSULTATION WITH OVERSIGHT  
2 BOARD.—The Commissioner shall consult with the  
3 Oversight Board on all matters set forth in para-  
4 graphs (2) and (3) (other than paragraph (3)(A)) of  
5 section 7802(d).

6           “(b) ASSISTANT COMMISSIONER FOR EMPLOYEE  
7 PLANS AND EXEMPT ORGANIZATIONS.—There is estab-  
8 lished within the Internal Revenue Service an office to be  
9 known as the ‘Office of Employee Plans and Exempt Or-  
10 ganizations’ to be under the supervision and direction of  
11 an Assistant Commissioner of Internal Revenue. As head  
12 of the Office, the Assistant Commissioner shall be respon-  
13 sible for carrying out such functions as the Secretary may  
14 prescribe with respect to organizations exempt from tax  
15 under section 501(a) and with respect to plans to which  
16 part I of subchapter D of chapter 1 applies (and with re-  
17 spect to organizations designed to be exempt under such  
18 section and plans designed to be plans to which such part  
19 applies) and other nonqualified deferred compensation ar-  
20 rangements. The Assistant Commissioner shall report an-  
21 nually to the Commissioner with respect to the Assistant  
22 Commissioner’s responsibilities under this section.

23           “(c) OFFICE OF TAXPAYER ADVOCATE.—

24           “(1) IN GENERAL.—

“(A) ESTABLISHMENT.—There is established in the Internal Revenue Service an office to be known as the ‘Office of the Taxpayer Advocate’. Such office shall be under the supervision and direction of an official to be known as the ‘Taxpayer Advocate’ who shall be appointed with the approval of the Oversight Board by the Commissioner of Internal Revenue and shall report directly to the Commissioner. The Taxpayer Advocate shall be entitled to compensation at the same rate as the highest level official reporting directly to the Commissioner of Internal Revenue.

“(B) RESTRICTION ON SUBSEQUENT EMPLOYMENT.—An individual who is an officer or employee of the Internal Revenue Service may be appointed as Taxpayer Advocate only if such individual agrees not to accept any employment with the Internal Revenue Service for at least 5 years after ceasing to be the Taxpayer Advocate.

“(2) FUNCTIONS OF OFFICE.—

“(A) IN GENERAL.—It shall be the function 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, the Tax-  
16 payer Advocate shall report to the Commit-  
17 tee on Ways and Means of the House of  
18 Representatives, the Committee on Fi-  
19 nance of the Senate, and the Subcommit-  
20 tees on Treasury, Postal Service, and Gen-  
21 eral Government of the Committees on Ap-  
22 propriation of the House of Representa-  
23 tives and the Senate on the objectives of  
24 the Taxpayer Advocate for the fiscal year  
25 beginning in such calendar year. Any such



1 report shall contain full and substantive  
2 analysis, in addition to statistical informa-  
3 tion.

4 “(ii) ACTIVITIES.—Not later than De-  
5 cember 31 of each calendar year, the Tax-  
6 payer Advocate shall report to the Commit-  
7 tee on Ways and Means of the House of  
8 Representatives, the Committee on Fi-  
9 nance of the Senate, and the Subcommit-  
10 tees on Treasury, Postal Service, and Gen-  
11 eral Government of the Committees on Ap-  
12 propriation of the House of Representa-  
13 tives and the Senate on the activities of the  
14 Taxpayer Advocate during the fiscal year  
15 ending during such calendar year. Any  
16 such report shall contain full and sub-  
17 stantive analysis, in addition to statistical  
18 information, and shall—

19 “(I) identify the initiatives the  
20 Taxpayer Advocate has taken on im-  
21 proving taxpayer services and Internal  
22 Revenue Service responsiveness,

23 “(II) contain recommendations  
24 received from individuals with the au-

1           thority to issue Taxpayer Assistance  
2           Orders under section 7811,

3                   “(III) contain a summary of at  
4           least 20 of the most serious problems  
5           encountered by taxpayers, including a  
6           description of the nature of such prob-  
7           lems,

8                   “(IV) contain an inventory of the  
9           items described in subclauses (I), (II),  
10          and (III) for which action has been  
11          taken and the result of such action,

12                   “(V) contain an inventory of the  
13          items described in subclauses (I), (II),  
14          and (III) for which action remains to  
15          be completed and the period during  
16          which each item has remained on such  
17          inventory,

18                   “(VI) contain an inventory of the  
19          items described in subclauses (I), (II),  
20          and (III) for which no action has been  
21          taken, the period during which each  
22          item has remained on such inventory,  
23          the reasons for the inaction, and iden-  
24          tify any Internal Revenue Service offi-

1 cial who is responsible for such inac-  
2 tion,

3 “(VII) identify any Taxpayer As-  
4 sistance Order which was not honored  
5 by the Internal Revenue Service in a  
6 timely manner, as specified under sec-  
7 tion 7811(b),

8 “(VIII) contain recommendations  
9 for such administrative and legislative  
10 action as may be appropriate to re-  
11 solve problems encountered by tax-  
12 payers,

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

19 “(X) in conjunction with the Na-  
20 tional Director of Appeals, identify  
21 the 10 most litigated issues for each  
22 category of taxpayers, including rec-  
23 ommendations for mitigating such dis-  
24 putes, and

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

4 “(iii) SUBMISSION OF REPORT.—Each  
5 report required under this subparagraph  
6 shall be provided to the committees de-  
7 scribed in clauses (i) and (ii) with prior re-  
8 view and comment from the Oversight  
9 Board, but without any prior review or  
10 comment from the Secretary of the Treas-  
11 ury, any other officer or employee of the  
12 Department of the Treasury, or the Office  
13 of Management and Budget.

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

16 “(i) monitor the coverage and geo-  
17 graphic allocation of problem resolution of-  
18 ficers, and

19 “(ii) develop guidance to be distrib-  
20 uted to all Internal Revenue Service offi-  
21 cers and employees outlining the criteria  
22 for referral of taxpayer inquiries to prob-  
23 lem resolution officers.

24 “(3) RESPONSIBILITIES OF COMMISSIONER.—  
25 The Commissioner shall establish procedures requir-

ing a formal response to all recommendations submitted to the Commissioner by the Taxpayer Advocate within 3 months after submission to the Commissioner.”.

(b) CONFORMING AMENDMENTS.—

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

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

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

(c) EFFECTIVE DATE.—

(1) IN GENERAL.—The amendments made by this section shall take effect on the date of the enactment of this Act.

(2) CURRENT OFFICERS.—

(A) In the case of an individual serving as Commissioner of Internal Revenue on the date of the enactment of this Act who was appointed to such position before such date, the 5-year term required by section 7803(a)(1) of the Internal Revenue Code of 1986, as added by this section, shall begin as of the date of such appointment.

1 (B) Section 7803(c)(1)(B) of such Code,  
2 as added by this section, shall not apply to the  
3 individual serving as Taxpayer Advocate on the  
4 date of the enactment of this Act.

5 **SEC. 4. OTHER PERSONNEL.**

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

8 **“SEC. 7804. OTHER PERSONNEL.**

9 “(a) APPOINTMENT AND SUPERVISION.—Unless oth-  
10 erwise prescribed by the Secretary, the Commissioner of  
11 Internal Revenue is authorized to employ such number of  
12 persons as the Commissioner deems proper for the admin-  
13 istration and enforcement of the internal revenue laws,  
14 and the Commissioner shall issue all necessary directions,  
15 instructions, orders, and rules applicable to such persons.

16 “(b) POSTS OF DUTY OF EMPLOYEES IN FIELD  
17 SERVICE OR TRAVELING.—Unless otherwise prescribed by  
18 the Secretary—

19 “(1) DESIGNATION OF POST OF DUTY.—The  
20 Commissioner shall determine and designate the  
21 posts of duty of all such persons engaged in field  
22 work or traveling on official business outside of the  
23 District of Columbia.

24 “(2) DETAIL OF PERSONNEL FROM FIELD  
25 SERVICE.—The Commissioner may order any such

1 person engaged in field work to duty in the District  
2 of Columbia, for such periods as the Commissioner  
3 may prescribe, and to any designated post of duty  
4 outside the District of Columbia upon the comple-  
5 tion of such duty.

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

22 (b) CONFORMING AMENDMENTS.—

23 (1) Subsection (b) of section 6344 is amended  
24 by striking “section 7803(d)” and inserting “section  
25 7804(c)”.

1           (2) The table of sections for subchapter A of  
 2           chapter 80 is amended by striking the item relating  
 3           to section 7804 and inserting the following new  
 4           item:

“Sec. 7804. Other personnel.”.

5           (c) EFFECTIVE DATE.—The amendments made by  
 6           this section shall take effect on the date of the enactment  
 7           of this Act.

8           **SEC. 5. PROHIBITION ON EXECUTIVE BRANCH INFLUENCE**  
 9                               **OVER TAXPAYER AUDITS AND OTHER INVESTIGATIONS.**  
 10

11          (a) IN GENERAL.—Part I of subchapter A of chapter  
 12          75 (relating to crimes, other offenses, and forfeitures) is  
 13          amended by adding after section 7216 the following new  
 14          section:

15          **“SEC. 7217. PROHIBITION ON EXECUTIVE BRANCH INFLUENCE**  
 16                               **OVER TAXPAYER AUDITS AND OTHER**  
 17                               **INVESTIGATIONS.**

18          “(a) PROHIBITION.—It shall be unlawful for any ap-  
 19          plicable person to request any officer or employee of the  
 20          Internal Revenue Service to conduct or terminate an audit  
 21          or other investigation of any particular taxpayer with re-  
 22          spect to the tax liability of such taxpayer.

23          “(b) REPORTING REQUIREMENT.—Any officer or em-  
 24          ployee of the Internal Revenue Service receiving any re-  
 25          quest prohibited by subsection (a) shall report the receipt



1 of such request to the Chief Inspector of the Internal Rev-  
2 enue Service.

3 “(c) EXCEPTIONS.—Subsection (a) shall not apply  
4 to—

5 “(1) any request made to an applicable person  
6 by the taxpayer or a representative of the taxpayer  
7 and forwarded by such applicable person to the In-  
8 ternal Revenue Service,

9 “(2) any request by an applicable person for  
10 disclosure of return or return information under sec-  
11 tion 6103 if such request is made in accordance with  
12 the requirements of such section, or

13 “(3) any request by the Secretary of the Treas-  
14 ury as a consequence of the implementation of a  
15 change in tax policy.

16 “(d) PENALTY.—Any person who willfully violates  
17 subsection (a) or fails to report under subsection (b) shall  
18 be punished upon conviction by a fine in any amount not  
19 exceeding \$5,000, or imprisonment of not more than 5  
20 years, or both, together with the costs of prosecution.

21 “(e) APPLICABLE PERSON.—For purposes of this  
22 section, the term ‘applicable person’ means—

23 “(1) the President, the Vice President, any em-  
24 ployee of the executive office of the President, and

1 any employee of the executive office of the Vice  
2 President, and

3 “(2) any individual (other than the Attorney  
4 General of the United States) serving in a position  
5 specified in section 5312 of title 5, United States  
6 Code.”.

7 (b) CLERICAL AMENDMENT.—The table of sections  
8 for part I of subchapter A of chapter 75 is amended by  
9 adding after the item relating to section 7216 the follow-  
10 ing new item:

“Sec. 7217. Prohibition on executive branch influence over tax-  
payer audits and other investigations.”.

11 (c) EFFECTIVE DATE.—The amendments made by  
12 this section shall apply to requests made after the date  
13 of the enactment of this Act.

14 **SEC. 6. TERMINATION OF INTERNAL REVENUE CODE OF**  
15 **1986 AND INTERNAL REVENUE SERVICE.**

16 (a) TAX CODE.—No tax shall be imposed under the  
17 Internal Revenue Code of 1986—

18 (1) for any taxable year beginning after Decem-  
19 ber 31, 2000, and

20 (2) in the case of any tax not imposed on the  
21 basis of a taxable year, on any taxable event or for  
22 any period after December 31, 2000.

23 (b) INTERNAL REVENUE SERVICE.—The operations  
24 of the Internal Revenue Service are terminated and no ap-

1    appropriations are authorized for such operations in fiscal  
2    years beginning after September 30, 2001. The Secretary  
3    of the Treasury shall provide for the orderly termination  
4    of such operations.

5        (c) EXCEPTIONS.—Subsection (a) shall not apply to  
6    taxes imposed by—

7            (1) chapter 2 (relating to tax on self-employ-  
8        ment income),

9            (2) chapter 21 (relating to Federal Insurance  
10    Contributions Act), and

11           (3) chapter 22 (relating to Railroad Retirement  
12    Tax Act).

13    **SEC. 7. STRUCTURE OF NEW FEDERAL TAX SYSTEM.**

14        The Congress hereby declares that any new Federal  
15    tax system should be a simple and fair system that—

16            (1) applies a low rate to all Americans,

17            (2) requires a supermajority of both Houses of  
18    Congress to raise taxes,

19            (3) provides tax relief for working Americans,

20            (4) protects the rights of taxpayers and reduces  
21    tax collection abuses,

22            (5) eliminates the bias against savings and in-  
23    vestment,

24            (6) promotes economic growth and job creation,

25            (7) does not penalize marriage or families, and

1           (8) protects the integrity of Social Security and  
2       Medicare.

3           (9) provides for a taxpayer-friendly collections  
4       process to replace the Internal Revenue Service.

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