

106TH CONGRESS  
1ST SESSION

# H. R. 753

To amend the Internal Revenue Code of 1986 to provide that interest on the tax portion of an underpayment shall be compounded annually, to provide that the amount and timing of payments under an installment agreement may not be modified without the taxpayer's consent, and for other purposes.

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## IN THE HOUSE OF REPRESENTATIVES

FEBRUARY 11, 1999

Mr. TOWNS introduced the following bill; which was referred to the Committee on Ways and Means

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## A BILL

To amend the Internal Revenue Code of 1986 to provide that interest on the tax portion of an underpayment shall be compounded annually, to provide that the amount and timing of payments under an installment agreement may not be modified without the taxpayer's consent, 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.**

4       This Act may be cited as the “Fairness in IRS Debt  
5       Payment Act of 1999”.

1 **SEC. 2. INTEREST ON TAX PORTION OF UNDERPAYMENT TO**  
2 **BE COMPOUNDED ANNUALLY.**

3 (a) IN GENERAL.—Section 6622 of the Internal Rev-  
4 enue Code of 1986 (relating to interest compounded daily)  
5 is amended by adding at the end the following new sub-  
6 section:

7 “(c) INTEREST ON TAX PORTION OF UNDER-  
8 PAYMENT TO BE COMPOUNDED ANNUALLY.—

9 “(1) IN GENERAL.—In the case of interest or  
10 other amount referred to in subsection (a) which is  
11 required to be paid by the taxpayer, such interest  
12 and such amount shall be compounded annually.  
13 The preceding sentence shall only apply to the ex-  
14 tent that the amount on which such interest and  
15 amount are imposed is tax.

16 “(2) INTEREST AND PENALTIES NOT TREATED  
17 AS TAX.—Notwithstanding sections 6601(e) and  
18 6665, interest and additions to the tax, additional  
19 amounts, and penalties provided by chapter 68 shall  
20 not be treated as tax for purposes of paragraph (1).

21 “(3) ALLOCATION OF PAYMENTS.—For pur-  
22 poses of paragraph (1), payments on any under-  
23 payment shall be allocated first to amounts which  
24 are not treated as tax under paragraph (2) and then  
25 to amounts of tax.”

1 (b) EFFECTIVE DATE.—The amendment made by  
 2 subsection (a) shall apply to interest for periods after De-  
 3 cember 31, 1999.

4 **SEC. 3. ALLOCATION OF PAYMENTS TO UNDERPAYMENTS.**

5 (a) IN GENERAL.—Chapter 77 of the Internal Reve-  
 6 nue Code of 1986 is amended by adding at the end the  
 7 following new section:

8 **“SEC. 7527. ALLOCATION OF PAYMENTS TO UNDERPAY-**  
 9 **MENTS.**

10 “In the case of a taxpayer having underpayments for  
 11 more than 1 taxable period, payments by the taxpayer  
 12 against those underpayments shall be allocated by the Sec-  
 13 retary of the Treasury equally among such underpayments  
 14 or in such other manner as may be directed by the tax-  
 15 payer.”

16 (b) CLERICAL AMENDMENT.—The table of sections  
 17 for chapter 77 of such Code is amended by adding at the  
 18 end the following new item:

“Sec. 7527. Allocation of payments to underpayments.”

19 (c) EFFECTIVE DATE.—The amendments made by  
 20 this section shall apply to payments made after December  
 21 31, 1999.

22 **SEC. 4. PROHIBITION ON MODIFICATION OF INSTALLMENT**  
 23 **AGREEMENTS.**

24 (a) IN GENERAL.—Section 6159 of the Internal Rev-  
 25 enue Code of 1986 (relating to agreements for payment

1 of tax liability in installments) is amended by redesignat-  
 2 ing subsections (d) and (e) as subsection (e) and (f), re-  
 3 spectively, and by inserting after subsection (c) the follow-  
 4 ing new subsection:

5 “(d) PROHIBITION OF CERTAIN MODIFICATIONS OF  
 6 INSTALLMENT AGREEMENTS.—If the Secretary enters  
 7 into an installment agreement with a taxpayer under this  
 8 section (other than under subsection (c))—

9 “(1) such agreement shall serve as a closing  
 10 agreement with respect to the amount of the liability  
 11 specified in the installment agreement for the peri-  
 12 ods to which such liability relates, and

13 “(2) except as provided in subsection (b)(2),  
 14 such installment agreement may not be altered,  
 15 modified, or terminated other than by reason of a  
 16 failure to make a timely payment of any installment  
 17 under such agreement.”

18 (b) CONFORMING AMENDMENTS.—

19 (1) Subsection (b) of section 6159 of such Code  
 20 is amended by striking paragraphs (3) and (4) and  
 21 by redesignating paragraph (5) as paragraph (3).

22 (2) Paragraph (3) of section 6159(b) of such  
 23 Code (as redesignating by paragraph (1)) is amend-  
 24 ed by striking “, (3), or (4)”.

1       (c) EFFECTIVE DATE.—The amendments made by  
2 this section shall apply to agreements entered into after  
3 December 31, 1999.

4 **SEC. 5. LIMITATION ON AGGREGATE INTEREST AND PEN-**  
5 **ALTIES.**

6       (a) IN GENERAL.—Section 6404 of the Internal Rev-  
7 enue Code of 1986 (relating to abatements) is amended  
8 by adding at the end the following new subsection:

9       “(j) ABATEMENT OF EXCESSIVE INTEREST AND  
10 PENALTIES.—

11           “(1) IN GENERAL.—The Secretary shall abate  
12 the excessive portion of interest and penalties.

13           “(2) EXCESSIVE PORTION.—The excessive por-  
14 tion of interest and penalties is the amount by which  
15 the aggregate interest, penalties, and additions to  
16 the tax with respect to any tax exceeds the amount  
17 of such tax.”

18       (b) EFFECTIVE DATE.—The amendment made by  
19 subsection (a) shall take effect on the date of the enact-  
20 ment of this Act.

1 **SEC. 6. GUIDELINES AND CRITERIA FOR PENALTY ABATE-**  
 2 **MENT; REQUIRED EXPLANATION OF REFUSAL**  
 3 **TO ABATE PENALTIES.**

4 (a) IN GENERAL.—Section 6404 of the Internal Rev-  
 5 enue Code of 1986 (relating to abatements) is amended  
 6 by adding at the end the following new subsection:

7 “(k) GUIDELINES AND CRITERIA FOR PENALTY  
 8 ABATEMENT; REQUIRED EXPLANATION OF REFUSAL TO  
 9 ABATE PENALTIES.—

10 “(1) GUIDELINES AND CRITERIA.—The Sec-  
 11 retary shall prescribe guidelines and criteria which  
 12 will be used by the Secretary in determining whether  
 13 to abate any penalty or addition to the tax.

14 “(2) EXPLANATIONS.—If—

15 “(A) a taxpayer requests (in such form  
 16 and manner as the Secretary prescribes) that  
 17 the Secretary abate any portion of a penalty or  
 18 an addition to the tax, and

19 “(B) the Secretary does not grant such re-  
 20 quest in full,

21 the Secretary shall provide a written explanation to  
 22 the taxpayer of the reason for not granting such re-  
 23 quest.”

1       (b) EFFECTIVE DATE.—The amendment made by  
2 subsection (a) shall take effect on the date of the enact-  
3 ment of this Act.

