

110TH CONGRESS
1ST SESSION

H. R. 1677

IN THE SENATE OF THE UNITED STATES

APRIL 18, 2007

Received; read twice and referred to the Committee on Finance

AN ACT

To amend the Internal Revenue Code of 1986 to enhance
taxpayer protections and outreach.

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

1 **SECTION 1. SHORT TITLE; ETC.**

2 (a) SHORT TITLE.—This Act may be cited as the
3 “Taxpayer Protection Act of 2007”.

4 (b) AMENDMENT OF 1986 CODE.—Except as other-
5 wise expressly provided, whenever in this Act an amend-
6 ment or repeal is expressed in terms of an amendment
7 to, or repeal of, a section or other provision, the reference
8 shall be considered to be made to a section or other provi-
9 sion of the Internal Revenue Code of 1986.

10 (c) TABLE OF CONTENTS.—The table of contents for
11 this Act is as follows:

- Sec. 1. Short title; etc.
- Sec. 2. Family business tax simplification.
- Sec. 3. Taxpayer notification of suspected identity theft.
- Sec. 4. Extension of time for return of property for wrongful levy.
- Sec. 5. Individuals held harmless on wrongful levy, etc., on individual retire-
ment plan.
- Sec. 6. Clarification of IRS unclaimed refund authority.
- Sec. 7. Prohibition on IRS debt indicators for predatory refund anticipation
loans.
- Sec. 8. Prohibition on misuse of Department of the Treasury names and sym-
bols.
- Sec. 9. EITC outreach.
- Sec. 10. Modification of rules pertaining to FIRPTA nonforeign affidavits.
- Sec. 11. Disclosure of prisoner return information to Federal Bureau of Pris-
ons.
- Sec. 12. Increase in penalty for bad checks and money orders.

12 **SEC. 2. FAMILY BUSINESS TAX SIMPLIFICATION.**

13 (a) IN GENERAL.—Section 761 (defining terms for
14 purposes of partnerships) is amended by redesignating
15 subsection (f) as subsection (g) and by inserting after sub-
16 section (e) the following new subsection:

17 “(f) QUALIFIED JOINT VENTURE.—

1 “(1) IN GENERAL.—In the case of a qualified
2 joint venture conducted by a husband and wife who
3 file a joint return for the taxable year, for purposes
4 of this title—

5 “(A) such joint venture shall not be treat-
6 ed as a partnership,

7 “(B) all items of income, gain, loss, deduc-
8 tion, and credit shall be divided between the
9 spouses in accordance with their respective in-
10 terests in the venture, and

11 “(C) each spouse shall take into account
12 such spouse’s respective share of such items as
13 if they were attributable to a trade or business
14 conducted by such spouse as a sole proprietor.

15 “(2) QUALIFIED JOINT VENTURE.—For pur-
16 poses of paragraph (1), the term ‘qualified joint ven-
17 ture’ means any joint venture involving the conduct
18 of a trade or business if—

19 “(A) the only members of such joint ven-
20 ture are a husband and wife,

21 “(B) both spouses materially participate
22 (within the meaning of section 469(h) without
23 regard to paragraph (5) thereof) in such trade
24 or business, and

1 “(C) both spouses elect the application of
2 this subsection.”.

3 (b) NET EARNINGS FROM SELF-EMPLOYMENT.—

4 (1) Subsection (a) of section 1402 (defining net
5 earnings from self-employment) is amended by strik-
6 ing “, and” at the end of paragraph (15) and insert-
7 ing a semicolon, by striking the period at the end of
8 paragraph (16) and inserting “; and”, and by insert-
9 ing after paragraph (16) the following new para-
10 graph:

11 “(17) notwithstanding the preceding provisions
12 of this subsection, each spouse’s share of income or
13 loss from a qualified joint venture shall be taken
14 into account as provided in section 761(f) in deter-
15 mining net earnings from self-employment of such
16 spouse.”.

17 (2) Subsection (a) of section 211 of the Social
18 Security Act (defining net earnings from self-em-
19 ployment) is amended by striking “and” at the end
20 of paragraph (14), by striking the period at the end
21 of paragraph (15) and inserting “; and”, and by in-
22 serting after paragraph (15) the following new para-
23 graph:

24 “(16) Notwithstanding the preceding provisions
25 of this subsection, each spouse’s share of income or

1 loss from a qualified joint venture shall be taken
 2 into account as provided in section 761(f) of the In-
 3 ternal Revenue Code of 1986 in determining net
 4 earnings from self-employment of such spouse.”.

5 (c) EFFECTIVE DATE.—The amendments made by
 6 this section shall apply to taxable years beginning after
 7 December 31, 2006.

8 **SEC. 3. TAXPAYER NOTIFICATION OF SUSPECTED IDENTITY**
 9 **THEFT.**

10 (a) IN GENERAL.—Chapter 77 (relating to miscella-
 11 neous provisions) is amended by adding at the end the
 12 following new section:

13 **“SEC. 7529. NOTIFICATION OF SUSPECTED IDENTITY**
 14 **THEFT.**

15 “If, in the course of an investigation under section
 16 7206 (relating to fraud and false statements) or 7207 (re-
 17 lating to fraudulent returns, statements, or other docu-
 18 ments), the Secretary determines that there was or may
 19 have been an unauthorized use of the identity of the tax-
 20 payer or dependents, the Secretary shall—

21 “(1) as soon as practicable and without jeop-
 22 ardizing such investigation, notify the taxpayer of
 23 such determination, and

24 “(2) if any person is criminally charged by in-
 25 dictment or information under either of such sec-

1 tions, notify such taxpayer as soon as practicable of
 2 such charge.”.

3 (b) CLERICAL AMENDMENT.—The table of sections
 4 for chapter 77 is amended by adding at the end the fol-
 5 lowing new item:

“Sec. 7529. Notification of suspected identity theft.”.

6 (c) EFFECTIVE DATE.—The amendments made by
 7 this section shall apply to determinations made after the
 8 date of the enactment of this Act.

9 **SEC. 4. EXTENSION OF TIME FOR RETURN OF PROPERTY**
 10 **FOR WRONGFUL LEVY.**

11 (a) EXTENSION OF TIME FOR RETURN OF PROPERTY
 12 SUBJECT TO LEVY.—Subsection (b) of section 6343 (re-
 13 lating to return of property) is amended by striking “9
 14 months” and inserting “2 years”.

15 (b) PERIOD OF LIMITATION ON SUITS.—Subsection
 16 (c) of section 6532 (relating to suits by persons other than
 17 taxpayers) is amended—

18 (1) in paragraph (1) by striking “9 months”
 19 and inserting “2 years”, and

20 (2) in paragraph (2) by striking “9-month” and
 21 inserting “2-year”.

22 (c) EFFECTIVE DATE.—The amendments made by
 23 this section shall apply to—

24 (1) levies made after the date of the enactment
 25 of this Act, and

1 (2) levies made on or before such date if the 9-
 2 month period has not expired under section 6343(b)
 3 of the Internal Revenue Code of 1986 (without re-
 4 gard to this section) as of such date.

5 **SEC. 5. INDIVIDUALS HELD HARMLESS ON WRONGFUL**
 6 **LEVY, ETC., ON INDIVIDUAL RETIREMENT**
 7 **PLAN.**

8 (a) IN GENERAL.—Section 6343 (relating to author-
 9 ity to release levy and return property) is amended by add-
 10 ing at the end the following new subsection:

11 “(f) INDIVIDUALS HELD HARMLESS ON WRONGFUL
 12 LEVY, ETC. ON INDIVIDUAL RETIREMENT PLAN.—

13 “(1) IN GENERAL.—If the Secretary determines
 14 that an individual retirement plan has been levied
 15 upon in a case to which subsection (b) or (d)(2)(A)
 16 applies, an amount equal to the sum of—

17 “(A) the amount of money returned by the
 18 Secretary on account of such levy, and

19 “(B) interest paid under subsection (c) on
 20 such amount of money,

21 may be deposited into such individual retirement
 22 plan or any other individual retirement plan (other
 23 than an endowment contract) to which a rollover
 24 from the plan levied upon is permitted.

1 “(2) TREATMENT AS ROLLOVER.—If amounts
2 are deposited into an individual retirement plan
3 under paragraph (1) not later than the 60th day
4 after the date on which the individual receives the
5 amounts under paragraph (1)—

6 “(A) such deposit shall be treated as a
7 rollover described in section 408(d)(3)(A)(i),

8 “(B) to the extent the deposit includes in-
9 terest paid under subsection (c), such interest
10 shall not be includible in gross income, and

11 “(C) such deposit shall not be taken into
12 account under section 408(d)(3)(B).

13 For purposes of subparagraph (B), an amount shall
14 be treated as interest only to the extent that the
15 amount deposited exceeds the amount of the levy.

16 “(3) REFUND, ETC., OF INCOME TAX ON
17 LEVY.—If any amount is includible in gross income
18 for a taxable year by reason of a levy referred to in
19 paragraph (1) and any portion of such amount is
20 treated as a rollover under paragraph (2), any tax
21 imposed by chapter 1 on such portion shall not be
22 assessed, and if assessed shall be abated, and if col-
23 lected shall be credited or refunded as an overpay-
24 ment made on the due date for filing the return of
25 tax for such taxable year.

1 “(4) INTEREST.—Notwithstanding subsection
 2 (d), interest shall be allowed under subsection (c) in
 3 a case in which the Secretary makes a determination
 4 described in subsection (d)(2)(A) with respect to a
 5 levy upon an individual retirement plan.”.

6 (b) EFFECTIVE DATE.—The amendment made by
 7 this section shall apply to amounts paid under subsections
 8 (b), (c), and (d)(2)(A) of section 6343 of the Internal Rev-
 9 enue Code of 1986 after the date of the enactment of this
 10 Act.

11 **SEC. 6. CLARIFICATION OF IRS UNCLAIMED REFUND AU-**
 12 **THORITY.**

13 Section 6103(m)(1) (relating to tax refunds) is
 14 amended by inserting “, and through any other means of
 15 mass communication,” after “media”.

16 **SEC. 7. PROHIBITION ON IRS DEBT INDICATORS FOR PRED-**
 17 **ATORY REFUND ANTICIPATION LOANS.**

18 (a) IN GENERAL.—Subsection (f) of section 6011 (re-
 19 lating to promotion of electronic filing) is amended by add-
 20 ing at the end the following new paragraph:

21 “(3) PROHIBITION ON IRS DEBT INDICATORS
 22 FOR PREDATORY REFUND ANTICIPATION LOANS.—

23 “(A) IN GENERAL.—In carrying out any
 24 program under this subsection, the Secretary
 25 shall not provide a debt indicator to any person

1 with respect to any refund anticipation loan if
2 the Secretary determines that the business
3 practices of such person involve refund anticipa-
4 tion loans and related charges and fees that are
5 predatory.

6 “(B) REFUND ANTICIPATION LOAN.—For
7 purposes of this paragraph, the term ‘refund
8 anticipation loan’ means a loan of money or of
9 any other thing of value to a taxpayer secured
10 by the taxpayer’s anticipated receipt of a Fed-
11 eral tax refund.

12 “(C) IRS DEBT INDICATOR.—For purposes
13 of this paragraph, the term ‘debt indicator’
14 means a notification provided through a tax re-
15 turn’s acknowledgment file that a refund will be
16 offset to repay debts for delinquent Federal or
17 State taxes, student loans, child support, or
18 other Federal agency debt.”.

19 (b) EFFECTIVE DATE.—The amendment made by
20 this section shall apply to determinations after the date
21 of the enactment of this Act.

22 **SEC. 8. PROHIBITION ON MISUSE OF DEPARTMENT OF THE**
23 **TREASURY NAMES AND SYMBOLS.**

24 (a) IN GENERAL.—Subsection (a) of section 333 of
25 title 31, United States Code, is amended by inserting

1 “internet domain address,” after “solicitation,” both
2 places it appears.

3 (b) PENALTY FOR MISUSE BY ELECTRONIC
4 MEANS.—Subsections (c)(2) and (d)(1) of section 333 of
5 such Code are each amended by inserting “or any other
6 mass communications by electronic means,” after “tele-
7 cast,”.

8 (c) EFFECTIVE DATE.—The amendments made by
9 this section shall apply with respect to violations occurring
10 after the date of the enactment of this Act.

11 **SEC. 9. EITC OUTREACH.**

12 (a) IN GENERAL.—Section 32 (relating to earned in-
13 come) is amended by adding at the end the following new
14 subsection:

15 “(n) NOTIFICATION OF POTENTIAL ELIGIBILITY FOR
16 CREDIT AND REFUND.—

17 “(1) IN GENERAL.—To the extent possible and
18 on an annual basis, the Secretary shall provide to
19 each taxpayer who—

20 “(A) for any preceding taxable year for
21 which credit or refund is not precluded by sec-
22 tion 6511, and

23 “(B) did not claim the credit under sub-
24 section (a) but may be allowed such credit for
25 any such taxable year based on return or return

1 information (as defined in section 6103(b))
2 available to the Secretary,
3 notice that such taxpayer may be eligible to claim
4 such credit and a refund for such taxable year.

5 “(2) NOTICE.—Notice provided under para-
6 graph (1) shall be in writing and sent to the last
7 known address of the taxpayer.”.

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

11 **SEC. 10. MODIFICATION OF RULES PERTAINING TO FIRPTA**
12 **NONFOREIGN AFFIDAVITS.**

13 (a) IN GENERAL.—Subsection (b) of section 1445
14 (relating to exemptions) is amended by adding at the end
15 the following:

16 “(9) ALTERNATIVE PROCEDURE FOR FUR-
17 NISHING NONFOREIGN AFFIDAVIT.—For purposes of
18 paragraphs (2) and (7)—

19 “(A) IN GENERAL.—Paragraph (2) shall
20 be treated as applying to a transaction if, in
21 connection with a disposition of a United States
22 real property interest—

23 “(i) the affidavit specified in para-
24 graph (2) is furnished to a qualified sub-
25 stitute, and

1 “(ii) the qualified substitute furnishes
2 a statement to the transferee stating,
3 under penalty of perjury, that the qualified
4 substitute has such affidavit in his posses-
5 sion.

6 “(B) REGULATIONS.—The Secretary shall
7 prescribe such regulations as may be necessary
8 or appropriate to carry out this paragraph.”.

9 (b) QUALIFIED SUBSTITUTE.—Subsection (f) of sec-
10 tion 1445 (relating to definitions) is amended by adding
11 at the end the following new paragraph:

12 “(6) QUALIFIED SUBSTITUTE.—The term
13 ‘qualified substitute’ means, with respect to a dis-
14 position of a United States real property interest—

15 “(A) the person (including any attorney or
16 title company) responsible for closing the trans-
17 action, other than the transferor’s agent, and

18 “(B) the transferee’s agent.”.

19 (c) EXEMPTION NOT TO APPLY IF KNOWLEDGE OR
20 NOTICE THAT AFFIDAVIT OR STATEMENT IS FALSE.—

21 (1) IN GENERAL.—Paragraph (7) of section
22 1445(b) (relating to special rules for paragraphs (2)
23 and (3)) is amended to read as follows:

1 “(7) SPECIAL RULES FOR PARAGRAPHS (2), (3),
2 AND (9).—Paragraph (2), (3), or (9) (as the case
3 may be) shall not apply to any disposition—

4 “(A) if—

5 “(i) the transferee or qualified sub-
6 stitute has actual knowledge that the affi-
7 davit referred to in such paragraph, or the
8 statement referred to in paragraph
9 (9)(A)(ii), is false, or

10 “(ii) the transferee or qualified sub-
11 stitute receives a notice (as described in
12 subsection (d)) from a transferor’s agent,
13 transferee’s agent, or qualified substitute
14 that such affidavit or statement is false, or

15 “(B) if the Secretary by regulations re-
16 quires the transferee or qualified substitute to
17 furnish a copy of such affidavit or statement to
18 the Secretary and the transferee or qualified
19 substitute fails to furnish a copy of such affi-
20 davit or statement to the Secretary at such
21 time and in such manner as required by such
22 regulations.”.

23 (2) LIABILITY.—

24 (A) NOTICE.—Paragraph (1) of section
25 1445(d) (relating to notice of false affidavit;

1 foreign corporations) is amended to read as fol-
2 lows:

3 “(1) NOTICE OF FALSE AFFIDAVIT; FOREIGN
4 CORPORATIONS.—If—

5 “(A) the transferor furnishes the trans-
6 feree or qualified substitute an affidavit de-
7 scribed in paragraph (2) of subsection (b) or a
8 domestic corporation furnishes the transferee
9 an affidavit described in paragraph (3) of sub-
10 section (b), and

11 “(B) in the case of—

12 “(i) any transferor’s agent—

13 “(I) such agent has actual knowl-
14 edge that such affidavit is false, or

15 “(II) in the case of an affidavit
16 described in subsection (b)(2) fur-
17 nished by a corporation, such corpora-
18 tion is a foreign corporation, or

19 “(ii) any transferee’s agent or quali-
20 fied substitute, such agent or substitute
21 has actual knowledge that such affidavit is
22 false,

23 such agent or qualified substitute shall so notify
24 the transferee at such time and in such manner
25 as the Secretary shall require by regulations.”.

1 (B) FAILURE TO FURNISH NOTICE.—Para-
 2 graph (2) of section 1445(d) (relating to failure
 3 to furnish notice) is amended to read as follows:

4 “(2) FAILURE TO FURNISH NOTICE.—

5 “(A) IN GENERAL.—If any transferor’s
 6 agent, transferee’s agent, or qualified substitute
 7 is required by paragraph (1) to furnish notice,
 8 but fails to furnish such notice at such time or
 9 times and in such manner as may be required
 10 by regulations, such agent or substitute shall
 11 have the same duty to deduct and withhold that
 12 the transferee would have had if such agent or
 13 substitute had complied with paragraph (1).

14 “(B) LIABILITY LIMITED TO AMOUNT OF
 15 COMPENSATION.—An agent’s or substitute’s li-
 16 ability under subparagraph (A) shall be limited
 17 to the amount of compensation the agent or
 18 substitute derives from the transaction.”.

19 (C) CONFORMING AMENDMENT.—The
 20 heading for section 1445(d) is amended by
 21 striking “OR TRANSFEREE’S AGENTS” and in-
 22 serting “, TRANSFEREE’S AGENTS, OR QUALI-
 23 FIED SUBSTITUTES”.

24 (d) EFFECTIVE DATE.—The amendments made by
 25 this section shall apply to dispositions of United States

1 real property interests after the date of the enactment of
2 this Act.

3 **SEC. 11. DISCLOSURE OF PRISONER RETURN INFORMA-**
4 **TION TO FEDERAL BUREAU OF PRISONS.**

5 (a) IN GENERAL.—Subsection (k) of section 6103
6 (relating to disclosure of certain return and return infor-
7 mation for tax administration purposes) is amended by
8 adding at the end the following new paragraph:

9 “(10) DISCLOSURE OF CERTAIN RETURN IN-
10 FORMATION OF PRISONERS TO FEDERAL BUREAU OF
11 PRISONS.—

12 “(A) IN GENERAL.—Under such proce-
13 dures as the Secretary may prescribe, the Sec-
14 retary may disclose to the head of the Federal
15 Bureau of Prisons any return information with
16 respect to individuals incarcerated in Federal
17 prison whom the Secretary has determined may
18 have filed or facilitated the filing of a false re-
19 turn to the extent that the Secretary deter-
20 mines that such disclosure is necessary to per-
21 mit effective Federal tax administration.

22 “(B) RESTRICTION ON REDISCLOSURE.—
23 Notwithstanding subsection (n), the head of the
24 Federal Bureau of Prisons may not disclose any
25 information obtained under subparagraph (A)

1 to any person other than an officer or employee
2 of such Bureau.

3 “(C) RESTRICTION ON USE OF DISCLOSED
4 INFORMATION.—Return information received
5 under this paragraph shall be used only for
6 purposes of and to the extent necessary in tak-
7 ing administrative action to prevent the filing of
8 false and fraudulent returns, including adminis-
9 trative actions to address possible violations of
10 administrative rules and regulations of the pris-
11 on facility.

12 “(D) ANNUAL REPORT.—In each of the
13 calendar years 2007 through 2010, the Sec-
14 retary shall submit to Congress and make pub-
15 licly available a report on the filing of false and
16 fraudulent returns by individuals incarcerated
17 in Federal and State prisons. Such report shall
18 include statistics on the number of false and
19 fraudulent returns associated with each Federal
20 and State prison.

21 “(E) TERMINATION.—No disclosure may
22 be made under this paragraph after December
23 31, 2010.”.

1 (b) RECORDKEEPING.—Paragraph (4) of section
 2 6103(p) is amended by striking “(k)(8)” both places it
 3 appears and inserting “(k)(8) or (10)”.

4 (c) EVALUATION BY TREASURY INSPECTOR GEN-
 5 ERAL FOR TAX ADMINISTRATION.—Paragraph (3) of sec-
 6 tion 7803(d) is amended by striking “and” at the end of
 7 subparagraph (A), by striking the period at the end of
 8 subparagraph (B) and inserting “; and”, and by adding
 9 at the end the following new subparagraph:

10 “(C) not later than December 31, 2009,
 11 submit a written report to Congress on the im-
 12 plementation of section 6103(k)(10).”.

13 (d) EFFECTIVE DATE.—

14 (1) IN GENERAL.—Except as provided in para-
 15 graph (2), the amendments made by this section
 16 shall apply to disclosures made after December 31,
 17 2007.

18 (2) ANNUAL REPORT.—Section 6103(k)(10)(D)
 19 of the Internal Revenue Code of 1986 (relating to
 20 annual reports), as added by this section, shall apply
 21 to reports submitted after the date of the enactment
 22 of this Act.

1 **SEC. 12. INCREASE IN PENALTY FOR BAD CHECKS AND**
2 **MONEY ORDERS.**

3 (a) IN GENERAL.—Section 6657 (relating to bad
4 checks) is amended—

5 (1) by striking “\$750” and inserting “\$1,250”,
6 and

7 (2) by striking “\$15” and inserting “\$25”.

8 (b) EFFECTIVE DATE.—The amendments made by
9 this section shall apply to checks or money orders received
10 after the date of the enactment of this Act.

Passed the House of Representatives April 17, 2007.

Attest: LORRAINE C. MILLER,
Clerk.