

110TH CONGRESS
1ST SESSION

H. R. 3424

To authorize appropriations for the purpose of establishing an office within the Internal Revenue Service to focus on violations of the internal revenue laws by persons who are under investigation for conduct relating to commercial sex acts, and to increase the criminal monetary penalty limitations for the underpayment or overpayment of tax due to fraud.

IN THE HOUSE OF REPRESENTATIVES

AUGUST 3, 2007

Mrs. MALONEY of New York (for herself, Ms. PRYCE of Ohio, and Ms. WOOLSEY) introduced the following bill; which was referred to the Committee on Ways and Means

A BILL

To authorize appropriations for the purpose of establishing an office within the Internal Revenue Service to focus on violations of the internal revenue laws by persons who are under investigation for conduct relating to commercial sex acts, and to increase the criminal monetary penalty limitations for the underpayment or overpayment of tax due to fraud.

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. AUTHORIZATION OF APPROPRIATIONS FOR**
2 **TAX LAW ENFORCEMENT RELATING TO**
3 **HUMAN SEX TRAFFICKING.**

4 (a) AUTHORIZATION OF APPROPRIATIONS.—

5 (1) IN GENERAL.—There is authorized to be
6 appropriated \$4,000,000 for fiscal year 2008 for the
7 purpose of establishing an office within the Internal
8 Revenue Service to investigate and prosecute viola-
9 tions of the internal revenue laws by persons that
10 appear to be engaged in conduct in violation of sec-
11 tion 1591(a), section 2421, section 2422, subsection
12 (a), (d), or (e) of section 2423, or section 1952 of
13 title 18, United States Code, or the laws of any
14 State or territory that prohibit the promotion of
15 prostitution or any commercial sex act (as such term
16 is defined in section 1591(c)(1) of title 18, United
17 States Code).

18 (2) AVAILABILITY.—Any amounts appropriated
19 pursuant to the authority of paragraph (1) shall re-
20 main available for fiscal year 2009.

21 (b) ADDITIONAL FUNDING FOR OPERATIONS OF OF-
22 FICE.—Unless specifically appropriated otherwise, there is
23 authorized to be appropriated and is appropriated to the
24 office established under subsection (a)(1) for fiscal years
25 2008 and 2009 for the administration of such office an
26 amount equal to the amount of any tax under chapter 1

1 of the Internal Revenue Code of 1986 (including any inter-
2 est) collected during such fiscal years as the result of the
3 actions of such office, plus any civil or criminal monetary
4 penalties imposed under such Code relating to such tax
5 and so collected.

6 (c) REPORT.—Not later than 1 year after the date
7 of the enactment of this Act, the Secretary of the Treasury
8 shall report to the Committee of Ways and Means of the
9 House of Representatives and the Committee on Finance
10 of the Senate on the enforcement activities of the office
11 established under subsection (a)(1) and shall include any
12 recommendations for statutory changes to assist in future
13 prosecutions under this section.

14 (d) APPLICABILITY OF WHISTLEBLOWER AWARDS TO
15 VICTIMS OF HUMAN SEX TRAFFICKING.—For purposes of
16 making an award under paragraph (1) or (2) of section
17 7623(b) of the Internal Revenue Code of 1986 with re-
18 spect to information provided by victims of any person
19 convicted of violating section 1591(a), section 2421, sec-
20 tion 2422, subsection (a), (d), or (e) of section 2423, or
21 section 1952 of title 18, United States Code, or the laws
22 of any State or territory that prohibit the promotion of
23 prostitution or any commercial sex act (as such term is
24 defined in section 1591(c)(1) of title 18, United States
25 Code), the determination of whether such person is de-

1 scribed in such paragraph shall be made without regard
 2 to paragraph (3) of section 7623(b) of such Code.

3 **SEC. 2. INCREASE IN CRIMINAL MONETARY PENALTY LIM-**
 4 **TATION FOR THE UNDERPAYMENT OR OVER-**
 5 **PAYMENT OF TAX DUE TO FRAUD.**

6 (a) IN GENERAL.—

7 (1) ATTEMPT TO EVADE OR DEFEAT TAX.—

8 Section 7201 (relating to attempt to evade or defeat
 9 tax) is amended—

10 (A) by striking “\$100,000 (\$500,000” and
 11 inserting “\$500,000 (\$1,000,000”, and

12 (B) by striking “5 years” and inserting
 13 “10 years”.

14 (2) WILLFUL FAILURE TO FILE RETURN, SUP-
 15 PLY INFORMATION, OR PAY TAX.—

16 (A) IN GENERAL.—Section 7203 (relating
 17 to willful failure to file return, supply informa-
 18 tion, or pay tax) is amended—

19 (i) in the first sentence—

20 (I) by striking “Any person” and
 21 inserting the following:

22 “(a) IN GENERAL.—Any person”, and

23 (II) by striking “\$25,000” and
 24 inserting “\$50,000”,

1 (ii) in the third sentence, by striking
 2 “section” and inserting “subsection”, and
 3 (iii) by adding at the end the fol-
 4 lowing new subsection:

5 “(b) AGGRAVATED FAILURE TO FILE.—

6 “(1) IN GENERAL.—In the case of any failure
 7 described in paragraph (2), the first sentence of sub-
 8 section (a) shall be applied by substituting—

9 “(A) ‘felony’ for ‘misdemeanor’,

10 “(B) ‘\$500,000 (\$1,000,000’ for ‘\$50,000
 11 (\$100,000’, and

12 “(C) ‘10 years’ for ‘1 year’.

13 “(2) FAILURE DESCRIBED.—A failure described
 14 in this paragraph is—

15 “(A) a failure to make a return described
 16 in subsection (a) for a period of 3 or more con-
 17 secutive taxable years if the aggregate tax li-
 18 ability for such period is not less than
 19 \$100,000, or

20 “(B) a failure to make a return if the tax
 21 liability giving rise to the requirement to make
 22 such return is attributable to an activity which
 23 is a felony under any State or Federal law.”.

24 (B) PENALTY MAY BE APPLIED IN ADDI-
 25 TION TO OTHER PENALTIES.—Section 7204 (re-

1 lating to fraudulent statement or failure to
 2 make statement to employees) is amended by
 3 striking “the penalty provided in section 6674”
 4 and inserting “the penalties provided in sections
 5 6674 and 7203”.

6 (3) FRAUD AND FALSE STATEMENTS.—Section
 7 7206 (relating to fraud and false statements) is
 8 amended—

9 (A) by striking “\$100,000 (\$500,000” and
 10 inserting “\$500,000 (\$1,000,000”, and

11 (B) by striking “3 years” and inserting “5
 12 years”.

13 (b) INCREASE IN MONETARY LIMITATION FOR UN-
 14 DERPAYMENT OR OVERPAYMENT OF TAX DUE TO
 15 FRAUD.—Section 7206 (relating to fraud and false state-
 16 ments), as amended by subsection (a)(3), is amended—

17 (1) by striking “Any person who—” and insert-
 18 ing “(a) IN GENERAL.—Any person who—”, and

19 (2) by adding at the end the following new sub-
 20 section:

21 “(b) INCREASE IN MONETARY LIMITATION FOR UN-
 22 DERPAYMENT OR OVERPAYMENT OF TAX DUE TO
 23 FRAUD.—If any portion of any underpayment (as defined
 24 in section 6664(a)) or overpayment (as defined in section
 25 6401(a)) of tax required to be shown on a return is attrib-

1 utable to fraudulent action described in subsection (a), the
2 applicable dollar amount under subsection (a) shall in no
3 event be less than an amount equal to such portion. A
4 rule similar to the rule under section 6663(b) shall apply
5 for purposes of determining the portion so attributable.”.

6 (c) EFFECTIVE DATE.—The amendments made by
7 this section shall apply to actions, and failures to act, oc-
8 curring after the date of the enactment of this Act.

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