

110TH CONGRESS  
1ST SESSION

# S. 1219

To amend the Internal Revenue Code of 1986 to provide taxpayer protection and assistance, and for other purposes.

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IN THE SENATE OF THE UNITED STATES

APRIL 25, 2007

Mr. BINGAMAN (for himself, Mr. SMITH, Mr. KERRY, Mr. AKAKA, Mr. DURBIN, and Mr. LIEBERMAN) 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 provide taxpayer protection and assistance, 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 (a) SHORT TITLE.—This Act may be cited as the  
5 “Taxpayer Protection and Assistance Act of 2007”.

6 (b) AMENDMENT OF 1986 CODE.—Except as other-  
7 wise expressly provided, whenever in this Act an amend-  
8 ment or repeal is expressed in terms of an amendment  
9 to, or repeal of, a section or other provision, the reference

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

3 **SEC. 2. LOW-INCOME TAXPAYER CLINICS.**

4 (a) GRANTS FOR RETURN PREPARATION CLINICS.—

5 (1) IN GENERAL.—Chapter 77 (relating to mis-  
 6 cellaneous provisions) is amended by inserting after  
 7 section 7526 the following new section:

8 **“SEC. 7526A. RETURN PREPARATION CLINICS FOR LOW-IN-**  
 9 **COME TAXPAYERS.**

10 “(a) IN GENERAL.—The Secretary may, subject to  
 11 the availability of appropriated funds, make grants to pro-  
 12 vide matching funds for the development, expansion, or  
 13 continuation of qualified return preparation clinics.

14 “(b) DEFINITIONS.—For purposes of this section—

15 “(1) QUALIFIED RETURN PREPARATION CLIN-  
 16 IC.—

17 “(A) IN GENERAL.—The term ‘qualified  
 18 return preparation clinic’ means a clinic  
 19 which—

20 “(i) does not charge more than a  
 21 nominal fee for its services (except for re-  
 22 imbursement of actual costs incurred), and

23 “(ii) operates programs which assist  
 24 low-income taxpayers, including individuals  
 25 for whom English is a second language, in

1 preparing and filing their Federal income  
 2 tax returns, including schedules reporting  
 3 sole proprietorship or farm income.

4 “(B) ASSISTANCE TO LOW-INCOME TAX-  
 5 PAYERS.—A clinic is treated as assisting low-in-  
 6 come taxpayers under subparagraph (A)(ii) if  
 7 at least 90 percent of the taxpayers assisted by  
 8 the clinic have incomes which do not exceed 250  
 9 percent of the poverty level, as determined in  
 10 accordance with criteria established by the Di-  
 11 rector of the Office of Management and Budg-  
 12 et.

13 “(2) CLINIC.—The term ‘clinic’ includes—

14 “(A) a clinical program at an eligible edu-  
 15 cational institution (as defined in section  
 16 529(e)(5)) which satisfies the requirements of  
 17 paragraph (1) through student assistance of  
 18 taxpayers in return preparation and filing, and

19 “(B) an organization described in section  
 20 501(c) and exempt from tax under section  
 21 501(a) which satisfies the requirements of para-  
 22 graph (1).

23 “(c) SPECIAL RULES AND LIMITATIONS.—

24 “(1) AGGREGATE LIMITATION.—Unless other-  
 25 wise provided by specific appropriation, the Sec-

1       retary shall not allocate more than \$10,000,000 per  
 2       year (exclusive of costs of administering the pro-  
 3       gram) to grants under this section.

4               “(2) OTHER APPLICABLE RULES.—Rules simi-  
 5       lar to the rules under paragraphs (2) through (7) of  
 6       section 7526(c) shall apply with respect to the  
 7       awarding of grants to qualified return preparation  
 8       clinics.”.

9               (2) CLERICAL AMENDMENT.—The table of sec-  
 10       tions for chapter 77 is amended by inserting after  
 11       the item relating to section 7526 the following new  
 12       item:

“Sec. 7526A. Return preparation clinics for low-income taxpayers.”.

13       (b) GRANTS FOR TAXPAYER REPRESENTATION AND  
 14       ASSISTANCE CLINICS.—

15               (1) INCREASE IN AUTHORIZED GRANTS.—Sec-  
 16       tion 7526(c)(1) (relating to aggregate limitation) is  
 17       amended by striking “\$6,000,000” and inserting  
 18       “\$10,000,000”.

19               (2) USE OF GRANTS FOR OVERHEAD EXPENSES  
 20       PROHIBITED.—

21               (A) IN GENERAL.—Section 7526(c) (relat-  
 22       ing to special rules and limitations) is amended  
 23       by adding at the end the following new para-  
 24       graph:

1           “(6) USE OF GRANTS FOR OVERHEAD EX-  
 2           PENSES PROHIBITED.—No grant made under this  
 3           section may be used for the overhead expenses of  
 4           any clinic or of any institution sponsoring such clin-  
 5           ic.”.

6                       (B) CONFORMING AMENDMENTS.—Section  
 7           7526(c)(5) is amended—

8                       (i) by inserting “qualified” before  
 9                       “low-income”, and

10                      (ii) by striking the last sentence.

11                      (3) PROMOTION OF CLINICS.—Section 7526(c),  
 12           as amended by paragraph (2), is amended by adding  
 13           at the end the following new paragraph:

14                      “(7) PROMOTION OF CLINICS.—The Secretary  
 15           is authorized to promote the benefits of and encour-  
 16           age the use of low-income taxpayer clinics through  
 17           the use of mass communications, referrals, and other  
 18           means.”.

19                      (c) EFFECTIVE DATE.—The amendments made by  
 20           this section shall apply to grants made after the date of  
 21           the enactment of this Act.

22   **SEC. 3. CLARIFICATION OF ENROLLED AGENT CREDEN-**  
 23                      **TIALS.**

24           Section 330 of title 31, United States Code, is  
 25           amended—

1 (1) by redesignating subsections (b) and (c) as  
 2 subsections (c) and (d), respectively, and

3 (2) by inserting after subsection (a) the fol-  
 4 lowing new subsection:

5 “(b) Any enrolled agents properly licensed to practice  
 6 as required under rules promulgated under subsection (a)  
 7 shall be allowed to use the credentials or designation as  
 8 ‘enrolled agent’, ‘EA’, or ‘E.A.’.”.

9 **SEC. 4. REGULATION OF FEDERAL TAX RETURN PRE-**  
 10 **PARERS.**

11 (a) **AUTHORIZATION.**—Section 330(a)(1) of title 31,  
 12 United States Code, is amended by inserting “(including  
 13 compensated preparers of Federal tax returns, documents,  
 14 and other submissions)” after “representatives”.

15 (b) **REQUIREMENT.**—

16 (1) **IN GENERAL.**—Not later than 1 year after  
 17 the date of the enactment of this Act, the Secretary  
 18 of the Treasury shall prescribe regulations under  
 19 section 330 of title 31, United States Code—

20 (A) to regulate those compensated pre-  
 21 parers not otherwise regulated under regula-  
 22 tions promulgated under such section on the  
 23 date of the enactment of this Act, and

24 (B) to carry out the provisions of, and  
 25 amendments made by, this section.

1 (2) EXAMINATION.—

2 (A) IN GENERAL.—In promulgating the  
3 regulations under paragraph (1), the Secretary  
4 shall develop (or approve) and administer an  
5 eligibility examination designed to test—

6 (i) the technical knowledge and com-  
7 petency of each preparer described in para-  
8 graph (1)(A)—

9 (I) to prepare Federal tax re-  
10 turns, including individual and busi-  
11 ness income tax returns, and

12 (II) to properly claim the earned  
13 income tax credit under section 32 of  
14 the Internal Revenue Code of 1986  
15 with respect to such individual re-  
16 turns, and

17 (ii) the knowledge of each such pre-  
18 parer regarding such ethical standards for  
19 the preparation of such returns as deter-  
20 mined appropriate by the Secretary.

21 (B) STATE LICENSING OR REGISTRATION  
22 PROGRAMS.—The Secretary is authorized to ac-  
23 cept an individual as meeting the eligibility ex-  
24 amination requirement of this section if, in lieu

of the eligibility examination under this section,  
the individual passed—

(i) a State licensing or State registration program eligibility examination that is comparable to the eligibility examination established by the Secretary, or

(ii) an eligibility examination administered by an existing organization for tax return preparers that is comparable to the eligibility examination established by the Secretary if such test was administered prior to the issuance of the regulations under this section.

(3) CONTINUING ELIGIBILITY.—

(A) IN GENERAL.—The regulations under paragraph (1) shall require a renewal of eligibility every 3 years and shall set forth the manner in which a preparer described in paragraph (1)(A) must renew such eligibility.

(B) CONTINUING EDUCATION REQUIREMENTS.—As part of the renewal of eligibility, such regulations shall require that each such preparer show evidence of completion of such continuing education requirements as specified by the Secretary.



1 (C) NONMONETARY SANCTIONS.—The reg-  
 2 ulations under paragraph (1) shall provide for  
 3 the suspension or termination of such eligibility  
 4 in the event of any failure to comply with the  
 5 requirements for such eligibility.

6 (4) PENALTY FOR UNAUTHORIZED PREPARA-  
 7 TION OF RETURNS, ETC.—In promulgating the regu-  
 8 lations under paragraph (1), the Secretary shall im-  
 9 pose a penalty of \$1,000 for each Federal tax re-  
 10 turn, document, or other submission prepared by a  
 11 preparer described in paragraph (1)(A) who is not in  
 12 compliance with the requirements of paragraph (2)  
 13 or (3) or who is suspended or disbarred from prac-  
 14 tice before the Department of the Treasury under  
 15 such regulations. Such penalty shall be in addition  
 16 to any other penalty which may be imposed.

17 (c) OFFICE OF PROFESSIONAL RESPONSIBILITY.—  
 18 Section 330 of title 31, United States Code, is amended  
 19 by adding at the end the following new subsection:

20 “(e) OFFICE OF PROFESSIONAL RESPONSIBILITY.—

21 “(1) IN GENERAL.—There shall be in the Inter-  
 22 nal Revenue Service an Office of Professional Re-  
 23 sponsibility the functions of which shall be as pre-  
 24 scribed by the Secretary of the Treasury, including  
 25 the carrying out of the purposes of this section.

1 “(2) DIRECTOR.—

2 “(A) IN GENERAL.—The Office of Profes-  
3 sional Responsibility shall be under the super-  
4 vision and direction of an official known as the  
5 ‘Director, Office of Professional Responsibility’.  
6 The Director, Office of Professional Responsi-  
7 bility, shall report directly to the Commissioner  
8 of Internal Revenue and shall be entitled to  
9 compensation at the same rate as the highest  
10 rate of basic pay established for the Senior Ex-  
11 ecutive Service under section 5382 of title 5, or,  
12 if the Secretary of the Treasury so determines,  
13 at a rate fixed under section 9503 of such title.

14 “(B) APPOINTMENT.—The Director, Office  
15 of Professional Responsibility, shall be ap-  
16 pointed by the Secretary of the Treasury with-  
17 out regard to the provisions of title 5 relating  
18 to appointments in the competitive service or  
19 the Senior Executive Service.

20 “(3) HEARING.—Any hearing on an action ini-  
21 tiated by the Director, Office of Professional Re-  
22 sponsibility, to impose a sanction under regulations  
23 promulgated under this section shall be conducted in  
24 accordance with sections 556 and 557 of title 5 by  
25 1 or more administrative law judges appointed by

1 the Secretary of the Treasury under section 3105 of  
2 title 5.

3 “(4) COORDINATION WITH STATE SANCTION  
4 PROGRAMS.—In carrying out the purposes of this  
5 section, the Director, Office of Professional Respon-  
6 sibility shall coordinate with appropriate State offi-  
7 cials in order to collect information regarding rep-  
8 resentatives, employers, firms and other entities  
9 which have been disciplined or suspended under  
10 State or local rules.

11 “(5) INFORMATION ON SANCTIONS TO BE  
12 AVAILABLE TO THE PUBLIC.—

13 “(A) SANCTIONS INITIATED BY ACTION.—  
14 When an action is initiated by the Director, Of-  
15 fice of Professional Responsibility, to impose a  
16 sanction under regulations promulgated under  
17 this section, the pleadings, and the record of  
18 the proceeding and hearing shall be open to the  
19 public (subject to restrictions imposed under  
20 subparagraph (C)).

21 “(B) SANCTION NOT INITIATED BY AC-  
22 TION.—When a sanction under regulations pro-  
23 mulgated under this section (other than a pri-  
24 vate reprimand) is imposed without initiation of  
25 an action, the Director, Office of Professional

1           Responsibility, shall make available to the pub-  
2           lic information identifying the representative,  
3           employer, firm, or other entity sanctioned, as  
4           well as information about the conduct which  
5           gave rise to the sanction (subject to restrictions  
6           imposed under subparagraph (C)).

7           “(C) RESTRICTIONS ON RELEASE OF IN-  
8           FORMATION.—Information about clients of the  
9           representative, employer, firm, or other entity  
10          and medical information with respect to the  
11          representative shall not be released to the pub-  
12          lic or discussed in an open hearing, except to  
13          the extent necessary to understand the nature,  
14          scope, and impact of the conduct giving rise to  
15          the sanction or proposed sanction. Disagree-  
16          ments regarding the application of this sub-  
17          paragraph shall be resolved by the administra-  
18          tive law judge or, when a sanction is imposed  
19          without initiation of an action, by the Director,  
20          Office of Professional Responsibility.

21          “(6) FEES.—Any fees imposed under regula-  
22          tions promulgated under this section shall be avail-  
23          able without fiscal year limitation to the Office of  
24          Professional Responsibility for the purpose of reim-

1       bursement of the costs of administering and enforce-  
2       ing the requirements of such regulations.”.

3       (d) BAN ON AUDIT INSURANCE.—Section 330 of title  
4       31, United States Code, as amended by subsection (c), is  
5       amended by adding at the end the following new sub-  
6       section:

7       “(f) BAN ON AUDIT INSURANCE.—No person admit-  
8       ted to practice before the Department of the Treasury may  
9       directly or indirectly offer or provide insurance to cover  
10      professional fees and other expenses incurred in respond-  
11      ing to or defending an audit by the Internal Revenue Serv-  
12      ice.”.

13      (e) PENALTIES.—

14           (1) INCREASE IN CERTAIN PENALTIES.—Sub-  
15      sections (a), (b), and (c) of section 6695 (relating to  
16      other assessable penalties with respect to the prepa-  
17      ration of income tax returns for other persons) are  
18      each amended by striking “a penalty of \$50” and all  
19      that follows and inserting “a penalty equal to—

20           “(1) \$1,000, or

21           “(2) in the case of 3 or more such failures in  
22      a calendar year, \$500 for each such failure.

23      The preceding sentence shall not apply with respect to any  
24      failure if such failure is due to reasonable cause and not  
25      due to willful neglect.”.

1           (2) USE OF PENALTIES.—Unless specifically  
 2           appropriated otherwise, there is authorized to be ap-  
 3           propriated and is appropriated to the Office of Pro-  
 4           fessional Responsibility for each fiscal year for the  
 5           administration of the public awareness campaign de-  
 6           scribed in subsection (g) an amount equal to the  
 7           penalties collected during the preceding fiscal year  
 8           under sections 6694 and 6695 of the Internal Rev-  
 9           enue Code of 1986 and under the regulations pro-  
 10          mulgated under section 330 of title 31, United  
 11          States Code (by reason of subsection (b)(1)).

12           (3) REVIEW BY THE TREASURY INSPECTOR  
 13          GENERAL FOR TAX ADMINISTRATION.—Section  
 14          7803(d)(2)(A) is amended—

15                   (A) by striking “and” at the end of clause  
 16                   (iii),

17                   (B) by striking the period at the end of  
 18                   clause (iv) and inserting “, and”, and

19                   (C) by adding at the end the following new  
 20                   clause:

21                           “(v) a summary of the penalties as-  
 22                           sessed and collected during the reporting  
 23                           period under sections 6694 and 6695 and  
 24                           under the regulations promulgated under  
 25                           section 330 of title 31, United States

1 Code, and a review of the procedures by  
2 which violations are identified and pen-  
3 alties are assessed under those sections,”.

4 (f) COORDINATION WITH SECTION 6060(a).—The  
5 Secretary of the Treasury shall coordinate the require-  
6 ments under the regulations promulgated under section  
7 330 of title 31, United States Code, with the return re-  
8 quirements of section 6060 of the Internal Revenue Code  
9 of 1986.

10 (g) PUBLIC AWARENESS CAMPAIGN.—The Secretary  
11 of the Treasury or the Secretary’s delegate shall conduct  
12 a public information and consumer education campaign,  
13 utilizing paid advertising—

14 (1) to encourage taxpayers to use for Federal  
15 tax matters only professionals who establish their  
16 competency under the regulations promulgated  
17 under section 330 of title 31, United States Code,  
18 and

19 (2) to inform the public of the requirements  
20 that any compensated preparer of tax returns, docu-  
21 ments, and submissions subject to the requirements  
22 under the regulations promulgated under such sec-  
23 tion must sign the return, document, or submission  
24 prepared for a fee and display notice of such pre-  
25 parer’s compliance under such regulations.

1 (h) ADDITIONAL FUNDS AVAILABLE FOR COMPLI-  
 2 ANCE ACTIVITIES.—The Secretary of the Treasury may  
 3 use any specifically appropriated funds for earned income  
 4 tax credit compliance to improve and expand enforcement  
 5 of the regulations promulgated under section 330 of title  
 6 31, United States Code.

7 (i) ADDITIONAL CERTIFICATION ON DOCUMENTS  
 8 OTHER THAN RETURNS.—The Secretary of the Treasury  
 9 shall require that each document or other submission filed  
 10 with the Internal Revenue Service (other than a return  
 11 signed by the taxpayer) shall be signed under penalty of  
 12 perjury and the identifying number of any paid preparer  
 13 who prepared such document (if any) under rules similar  
 14 to the rules under section 6109(a)(4).

15 **SEC. 5. CONTRACT AUTHORITY FOR EXAMINATIONS OF**  
 16 **PREPARERS.**

17 The Secretary of the Treasury is authorized to con-  
 18 tract for the development or administration, or both, of  
 19 any examinations under the regulations promulgated  
 20 under section 330 of title 31, United States Code.

21 **SEC. 6. REGULATION OF REFUND ANTICIPATION LOAN**  
 22 **FACILITATORS.**

23 (a) REGULATION OF REFUND ANTICIPATION LOAN  
 24 FACILITATORS.—



1           (1) IN GENERAL.—Chapter 77 (relating to mis-  
 2           cellaneous provisions) is amended by inserting at the  
 3           end the following new section:

4   **“SEC. 7529. REFUND ANTICIPATION LOAN FACILITATORS.**

5           “(a) REGISTRATION.—Each refund loan facilitator  
 6           shall register with the Secretary on an annual basis. As  
 7           a part of such registration, each refund loan facilitator  
 8           shall provide the Secretary with the name, address, and  
 9           taxpayer identification number of such facilitator, and the  
 10          fee schedule of such facilitator for the year of such reg-  
 11          istration.

12          “(b) DISCLOSURE.—Each refund loan facilitator  
 13          shall disclose to a taxpayer both orally and on a separate  
 14          written form at the time such taxpayer applies for a re-  
 15          fund anticipation loan the following information:

16                 “(1) NATURE OF THE TRANSACTION.—The re-  
 17          fund loan facilitator shall disclose—

18                         “(A) that the taxpayer is applying for a  
 19                         loan that is based upon the taxpayer’s antici-  
 20                         pated income tax refund,

21                         “(B) the expected time within which the  
 22                         loan will be paid to the taxpayer if such loan is  
 23                         approved,

1           “(C) the time frame in which income tax  
2           refunds are typically paid based upon the dif-  
3           ferent filing options available to the taxpayer,

4           “(D) that there is no guarantee that a re-  
5           fund will be paid in full or received within a  
6           specified time period and that the taxpayer is  
7           responsible for the repayment of the loan even  
8           if the refund is not paid in full or has been de-  
9           layed,

10          “(E) if the refund loan facilitator has an  
11          agreement with another refund loan facilitator  
12          (or any lender working in conjunction with an-  
13          other refund loan facilitator) to offset out-  
14          standing liabilities for previous refund anticipa-  
15          tion loans provided by such other refund loan  
16          facilitator, that any refund paid to the taxpayer  
17          may be so offset and the implication of any  
18          such offset,

19          “(F) that the taxpayer may file an elec-  
20          tronic return without applying for a refund an-  
21          ticipation loan and the fee for filing such an  
22          electronic return, and

23          “(G) that the loan may have substantial  
24          fees and interest charges that may exceed those

1 of other sources of credit and the taxpayer  
2 should carefully consider—

3 “(i) whether such a loan is appro-  
4 priate for the taxpayer, and

5 “(ii) other sources of credit.

6 “(2) FEES AND INTEREST.—The refund loan  
7 facilitator shall disclose all refund anticipation loan  
8 fees with respect to the refund anticipation loan.  
9 Such disclosure shall include—

10 “(A) a copy of the fee schedule of the re-  
11 fund loan facilitator,

12 “(B) the typical fees and interest rates  
13 (using annual percentage rates as defined by  
14 section 107 of the Truth in Lending Act (15  
15 U.S.C. 1606)) for several typical amounts of  
16 such loans and of other types of consumer cred-  
17 it,

18 “(C) typical fees and interest charges if a  
19 refund is not paid or delayed, and

20 “(D) the amount of a fee (if any) that will  
21 be charged if the loan is not approved.

22 “(3) OTHER INFORMATION.—The refund loan  
23 facilitator shall disclose any other information re-  
24 quired to be disclosed by the Secretary.

25 “(c) FINES AND SANCTIONS.—

1           “(1) IN GENERAL.—The Secretary may impose  
2           a monetary penalty on any refund loan facilitator  
3           who—

4                   “(A) fails to register under subsection (a),  
5                   or

6                   “(B) fails to disclose any information re-  
7                   quired under subsection (b).

8           “(2) MAXIMUM MONETARY PENALTY.—Any  
9           monetary penalty imposed under paragraph (1) shall  
10          not exceed—

11                   “(A) in the case of a failure to register,  
12                   the gross income derived from all refund antici-  
13                   pation loans made during the period the refund  
14                   loan facilitator was not registered, and

15                   “(B) in the case of a failure to disclose in-  
16                   formation, the gross income derived from all re-  
17                   fund anticipation loans with respect to which  
18                   such failure applied.

19           “(3) REASONABLE CAUSE EXCEPTIONS.—No  
20           penalty may be imposed under this subsection with  
21           respect to any failure if it is shown that such failure  
22           is due to reasonable cause.

23           “(d) DEFINITIONS.—For purposes of this section—

24                   “(1) REFUND LOAN FACILITATOR.—

1                   “(A) IN GENERAL.—The term ‘refund loan  
2                   facilitator’ means any electronic return origi-  
3                   nator who—

4                   “(i) solicits for, processes, receives, or  
5                   accepts delivery of an application for a re-  
6                   fund anticipation loan, or

7                   “(ii) facilitates the making of a refund  
8                   anticipation loan in any other manner.

9                   “(B) ELECTRONIC RETURN ORIGINATOR.—  
10                  For purposes of subparagraph (A), the term  
11                  ‘electronic return originator’ means a person  
12                  who originates the electronic submission of in-  
13                  come tax returns for another person.

14                  “(2) REFUND ANTICIPATION LOAN.—The term  
15                  ‘refund anticipation loan’ means any loan of money  
16                  or any other thing of value to a taxpayer in connec-  
17                  tion with the taxpayer’s anticipated receipt of a Fed-  
18                  eral tax refund. Such term includes a loan secured  
19                  by the tax refund or an arrangement to repay a loan  
20                  from the tax refund.

21                  “(3) REFUND ANTICIPATION LOAN FEES.—The  
22                  term ‘refund anticipation loan fees’ means the fees,  
23                  charges, interest, and other consideration charged or  
24                  imposed by the lender or facilitator for the making  
25                  of a refund anticipation loan.

1       “(e) REGULATIONS.—The Secretary may prescribe  
2 such regulations as necessary to implement the require-  
3 ments of this section.”.

4           (2) CLERICAL AMENDMENT.—The table of sec-  
5 tions for chapter 77, as amended by this Act, is  
6 amended by adding at the end the following new  
7 item:

“Sec. 7529. Refund anticipation loan facilitators.”.

8       (b) DISCLOSURE OF PENALTY.—Section 6103(k) (re-  
9 lating to disclosure of certain returns and return informa-  
10 tion for tax administration purposes) is amended by add-  
11 ing at the end the following new paragraph:

12           “(10) DISCLOSURE OF PENALTIES ON REFUND  
13 ANTICIPATION LOAN FACILITATORS.—The Secretary  
14 may disclose the name and employer (including the  
15 employer’s address) of any person with respect to  
16 whom a penalty has been imposed under section  
17 7529 and the amount of any such penalty.”.

18       (c) USE OF PENALTIES.—Unless specifically appro-  
19 priated otherwise, there is authorized to be appropriated  
20 and is appropriated to the Internal Revenue Service for  
21 each fiscal year for the administration of the public aware-  
22 ness campaign described in subsection (d) an amount  
23 equal to the penalties collected during the preceding fiscal  
24 year under section 7529 of the Internal Revenue Code of  
25 1986.

1 (d) PUBLIC AWARENESS CAMPAIGN.—The Secretary  
 2 of the Treasury or the Secretary’s delegate shall conduct  
 3 a public information and consumer education campaign,  
 4 utilizing paid advertising, to educate the public on making  
 5 sound financial decisions with respect to refund anticipa-  
 6 tion loans (as defined under section 7529 of the Internal  
 7 Revenue Code of 1986), including the need to compare—

8 (1) the rates and fees of such loans with the  
 9 rates and fees of conventional loans; and

10 (2) the amount of money received under the  
 11 loan after taking into consideration such costs and  
 12 fees with the total amount of the refund.

13 (e) EFFECTIVE DATE.—The amendments made by  
 14 this section shall take effect on the date that is 1 year  
 15 after the date of the enactment of this Act.

16 (f) TERMINATION OF DEBT INDICATOR PROGRAM.—  
 17 The Secretary of the Treasury shall terminate the Debt  
 18 Indicator program announced in Internal Revenue Service  
 19 Notice 9958 and may not implement any similar program.

20 **SEC. 7. TAXPAYER ACCESS TO FINANCIAL INSTITUTIONS.**

21 (a) ESTABLISHMENT OF PROGRAM.—The Secretary  
 22 of the Treasury is authorized to award demonstration  
 23 project grants (including multi-year grants) to eligible en-  
 24 tities which partner with volunteer and low-income prepa-  
 25 ration organizations to provide tax preparation services

1 and assistance in connection with establishing an account  
 2 in a federally insured depository institution for individuals  
 3 that currently do not have such an account.

4 (b) ELIGIBLE ENTITIES.—

5 (1) IN GENERAL.—An entity is eligible to re-  
 6 ceive a grant under this section if such an entity  
 7 is—

8 (A) an organization described in section  
 9 501(c)(3) of the Internal Revenue Code of 1986  
 10 and exempt from tax under section 501(a) of  
 11 such Code,

12 (B) a federally insured depository institu-  
 13 tion,

14 (C) an agency of a State or local govern-  
 15 ment,

16 (D) a community development financial in-  
 17 stitution,

18 (E) an Indian tribal organization,

19 (F) an Alaska Native Corporation,

20 (G) a Native Hawaiian organization,

21 (H) a labor organization, or

22 (I) a partnership comprised of 1 or more  
 23 of the entities described in the preceding sub-  
 24 paragraphs.



1           (2) DEFINITIONS.—For purposes of this sec-  
2       tion—

3                   (A) FEDERALLY INSURED DEPOSITORY IN-  
4       STITUTION.—The term “federally insured de-  
5       pository institution” means any insured deposi-  
6       tory institution (as defined in section 3 of the  
7       Federal Deposit Insurance Act (12 U.S.C.  
8       1813)) and any insured credit union (as defined  
9       in section 101 of the Federal Credit Union Act  
10      (12 U.S.C. 1752)).

11                  (B) COMMUNITY DEVELOPMENT FINAN-  
12      CIAL INSTITUTION.—The term “community de-  
13      velopment financial institution” means any or-  
14      ganization that has been certified as such pur-  
15      suant to section 1805.201 of title 12, Code of  
16      Federal Regulations.

17                  (C) ALASKA NATIVE CORPORATION.—The  
18      term “Alaska Native Corporation” has the  
19      same meaning as the term “Native Corpora-  
20      tion” under section 3(m) of the Alaska Native  
21      Claims Settlement Act (43 U.S.C. 1602(m)).

22                  (D) NATIVE HAWAIIAN ORGANIZATION.—  
23      The term “Native Hawaiian organization”  
24      means any organization that—

1 (i) serves and represents the interests  
2 of Native Hawaiians, and

3 (ii) has as a primary and stated pur-  
4 pose the provision of services to Native  
5 Hawaiians.

6 (E) LABOR ORGANIZATION.—The term  
7 “labor organization” means an organization—

8 (i) in which employees participate,

9 (ii) which exists for the purpose, in  
10 whole or in part, of dealing with employers  
11 concerning grievances, labor disputes,  
12 wages, rates of pay, hours of employment,  
13 or conditions of work, and

14 (iii) which is described in section  
15 501(c)(5) of the Internal Revenue Code of  
16 1986.

17 (c) APPLICATION.—An eligible entity desiring a grant  
18 under this section shall submit an application to the Sec-  
19 retary of the Treasury in such form and containing such  
20 information as the Secretary may require.

21 (d) LIMITATION ON ADMINISTRATIVE COSTS.—A re-  
22 cipient of a grant under this section may not use more  
23 than 6 percent of the total amount of such grant in any  
24 fiscal year for the administrative costs of carrying out the  
25 programs funded by such grant in such fiscal year.

1       (e) EVALUATION AND REPORT.—For each fiscal year  
2 in which a grant is awarded under this section, the Sec-  
3 retary of the Treasury shall submit a report to Congress  
4 containing a description of the activities funded, amounts  
5 distributed, and measurable results, as appropriate and  
6 available.

7       (f) AUTHORIZATION OF APPROPRIATIONS.—There is  
8 authorized to be appropriated to the Secretary of the  
9 Treasury, for the grant program described in this section,  
10 \$10,000,000, or such additional amounts as deemed nec-  
11 essary, to remain available until expended.

12       (g) REGULATIONS.—The Secretary of the Treasury  
13 is authorized to promulgate regulations to implement and  
14 administer the grant program under this section.

15       (h) STUDY ON DELIVERY OF TAX REFUNDS.—

16           (1) IN GENERAL.—The Secretary of the Treas-  
17 ury, in consultation with the National Taxpayer Ad-  
18 vocate, shall conduct a study on the payment of tax  
19 refunds through Treasury debit cards or other elec-  
20 tronic means to assist individuals that do not have  
21 access to financial accounts or institutions.

22           (2) REPORT.—Not later than 1 year after the  
23 date of the enactment of this Act, the Secretary of  
24 the Treasury shall submit a report to Congress con-

1       taining the result of the study conducted under sub-  
2       section (a).

3   **SEC. 8. CLARIFICATION OF TAXPAYER ASSISTANCE ORDER**  
4       **AUTHORITY.**

5       (a) IN GENERAL.—Section 7811(b)(2) is amended—

6           (1) by redesignating subparagraphs (C) and  
7       (D) as subparagraphs (D) and (E), respectively, and

8           (2) by inserting after subparagraph (B) the fol-  
9       lowing new subparagraph:

10           “(C) chapter 74 (relating to closing agree-  
11       ments and compromises),”.

12       (b) EFFECTIVE DATE.—The amendments made by  
13       this section shall apply to orders issued after the date of  
14       the enactment of this Act.

15   **SEC. 9. CLARIFICATION OF STANDARDS FOR EVALUATION**  
16       **OF COMPROMISE OFFERS.**

17       Section 7122(d)(1) is amended—

18           (1) by inserting “based on doubt as to liability,  
19       doubt as to collectibility, or equitable consideration”  
20       after “dispute”, and

21           (2) by inserting at the end the following new  
22       paragraph:

23           “(4) EQUITABLE CONSIDERATION.—In pre-  
24       scribing guidelines under paragraph (1), the Sec-  
25       retary shall compromise a liability to promote effec-

1       tive tax administration when it is inequitable to col-  
2       lect any unpaid tax (or any portion thereof, includ-  
3       ing penalties and interest) based on all of the facts  
4       and circumstances, including—

5               “(A) whether the taxpayer acted reason-  
6               ably, responsibly, and in good faith under the  
7               circumstances, such as, by taking reasonable  
8               actions to avoid or mitigate the tax liability or  
9               delayed resolution of such liability,

10              “(B) whether the taxpayer is a victim of a  
11              bad act by a third party or any other unex-  
12              pected event that significantly contributed to  
13              the tax liability or delayed resolution of such li-  
14              ability,

15              “(C) whether the taxpayer has a recent  
16              history of compliance with tax filing and pay-  
17              ment obligations (before and after the situation  
18              that led to the current tax liability) or has a  
19              reasonable explanation for previous noncompli-  
20              ance,

21              “(D) whether any Internal Revenue Serv-  
22              ice processing errors, systemic or employee-re-  
23              lated, led to or significantly contributed to the  
24              tax liability,

1                   “(E) whether the Internal Revenue Service  
2                   action or inaction has unreasonably delayed res-  
3                   olution of the tax liability, and

4                   “(F) any other fact or circumstance that  
5                   would lead a reasonable person to conclude that  
6                   a compromise would be fair, equitable, and in  
7                   the best interest of tax administration.”.

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