

111TH CONGRESS  
2D SESSION

# H. R. 6491

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 the promotion of commercial sex acts and trafficking in persons crimes, and to increase the criminal monetary penalty limitations for the underpayment or overpayment of tax due to fraud.

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## IN THE HOUSE OF REPRESENTATIVES

DECEMBER 2, 2010

Mrs. MALONEY introduced the following bill; which was referred to the  
Committee on Ways and Means

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## 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 the promotion of commercial sex acts and trafficking in persons crimes, 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. SHORT TITLE.**

2       This Act may be cited as the “Human Trafficking  
3 Fraud Enforcement Act of 2010”.

4 **SEC. 2. AUTHORIZATION OF APPROPRIATIONS FOR TAX**  
5 **LAW ENFORCEMENT RELATING TO HUMAN**  
6 **TRAFFICKING AND PROMOTION OF COMMER-**  
7 **CIAL SEX ACTS.**

8 (a) AUTHORIZATION OF APPROPRIATIONS.—

9       (1) IN GENERAL.—There is authorized to be  
10 appropriated \$4,000,000 for fiscal year 2011 for the  
11 purpose of establishing an office within the Internal  
12 Revenue Service to investigate and prosecute viola-  
13 tions of the internal revenue laws by persons that  
14 appear to be engaged in conduct in violation of sec-  
15 tion 1591(a), section 2421, section 2422, subsection  
16 (a), (d), or (e) of section 2423, section 1952, section  
17 1589, section 1590, or section 1351 of title 18,  
18 United States Code, or section 1328 of title 8,  
19 United States Code, or the laws of any State or ter-  
20 ritory that prohibit the promotion of prostitution or  
21 of any commercial sex act (as such term is defined  
22 in section 1591(e)(3) of title 18, United States  
23 Code).

24       (2) AVAILABILITY.—Any amounts appropriated  
25 pursuant to the authority of paragraph (1) shall re-  
26 main available for fiscal year 2011.

1       (b) ADDITIONAL FUNDING FOR OPERATIONS OF OF-  
2 FICE.—Unless specifically appropriated otherwise, there is  
3 authorized to be appropriated and is appropriated to the  
4 office established under subsection (a)(1) for fiscal years  
5 2011 and 2012 for the administration of such office an  
6 amount equal to the amount of any tax under chapter 1  
7 of the Internal Revenue Code of 1986 (including any inter-  
8 est) collected during such fiscal years as the result of the  
9 actions of such office, plus any civil or criminal monetary  
10 penalties imposed under such Code relating to such tax  
11 and so collected.

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

20       (d) APPLICABILITY OF WHISTLEBLOWER AWARDS TO  
21 VICTIMS OF HUMAN TRAFFICKING.—For purposes of  
22 making an award under paragraph (1) or (2) of section  
23 7623(b) of the Internal Revenue Code of 1986 with re-  
24 spect to information provided by victims of any person  
25 convicted of violating section 1589, section 1590, section

1 1591(a), section 2421, section 2422, subsection (a), (d),  
 2 or (e) of section 2423, or section 1952, or section 1351  
 3 of title 18, United States Code, or section 1328 of title  
 4 8, United States Code, or the laws of any State or terri-  
 5 tory that prohibit the promotion of prostitution or of any  
 6 commercial sex act (as such term is defined in section  
 7 1591(e)(3)) of title 18, United States Code), the deter-  
 8 mination of whether such person is described in such para-  
 9 graph shall be made without regard to paragraph (3) of  
 10 section 7623(b) of such Code.

11 **SEC. 3. INCREASE IN CRIMINAL MONETARY PENALTY LIMI-**  
 12 **TATION FOR THE UNDERPAYMENT OR OVER-**  
 13 **PAYMENT OF TAX DUE TO FRAUD.**

14 (a) IN GENERAL.—

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

16 Section 7201 of the Internal Revenue Code of 1986  
 17 (relating to attempt to evade or defeat tax) is  
 18 amended—

19 (A) by striking “Any person” and inserting  
 20 the following:

21 “(a) IN GENERAL.—Any person”, and

22 (B) by adding at the end the following new  
 23 subsection:

1       “(b) ATTEMPT TO EVADE OR DEFEAT TAX ATTRIB-  
 2 UTABLE TO HUMAN TRAFFICKING AND COMMERCIAL SEX  
 3 ACTS.—

4               “(1) IN GENERAL.—In the case of any attempt  
 5 to evade or defeat any tax attributable to income de-  
 6 rived from an act described in paragraph (2), sub-  
 7 section (a) shall be applied—

8                       “(A)       by       substituting       ‘\$500,000  
 9       (\$1,000,000’ for ‘\$100,000 (\$500,000’, and

10                      “(B) by substituting ‘10 years’ for ‘5  
 11 years’.

12               “(2) HUMAN TRAFFICKING AND COMMERCIAL  
 13 SEX ACTS.—For purposes of paragraph (1), an act  
 14 described in this paragraph is any act which is a vio-  
 15 lation of section 1591(a), section 2421, section  
 16 2422, subsection (a), (d), or (e) of section 2423, sec-  
 17 tion 1952, section 1589, section 1590, or section  
 18 1351 of title 18, United States Code, or section  
 19 1328 of title 8, United States Code, or the laws of  
 20 any State or territory that prohibit the promotion of  
 21 prostitution or of any commercial sex act (as such  
 22 term is defined in section 1591(e)(3) of title 18,  
 23 United States Code).”.

24               (2) WILLFUL FAILURE TO FILE RETURN, SUP-  
 25 PLY INFORMATION, OR PAY TAX.—Section 7203 of

1 such Code (relating to willful failure to file return,  
2 supply information, or pay tax) is amended—

3 (A) in the first sentence—

4 (i) by striking “Any person” and in-  
5 serting the following:

6 “(a) IN GENERAL.—Any person”, and

7 (ii) by striking “\$25,000” and insert-  
8 ing “\$50,000”,

9 (B) in the third sentence, by striking “sec-  
10 tion” and inserting “subsection”, and

11 (C) by adding at the end the following new  
12 subsection:

13 “(b) FAILURE TO FILE WITH RESPECT TO TAX AT-  
14 TRIBUTABLE TO HUMAN TRAFFICKING AND COMMERCIAL  
15 SEX ACTS.—In the case of any failure with respect to any  
16 tax attributable to income derived from an act described  
17 in paragraph (2) of section 7201(b), the first sentence of  
18 subsection (a) shall be applied by substituting—

19 “(1) ‘felony’ for ‘misdemeanor’,

20 “(2) ‘\$500,000 (\$1,000,000’ for ‘\$50,000  
21 (\$100,000’, and

22 “(3) ‘10 years’ for ‘1 year’.”.

23 (3) FRAUD AND FALSE STATEMENTS.—Section  
24 7206 of such Code (relating to fraud and false state-  
25 ments) is amended—

1 (A) by striking “Any person” and inserting  
 2 the following:

3 “(a) IN GENERAL.—Any person”, and

4 (B) by adding at the end the following new  
 5 subsection:

6 “(b) FRAUD AND FALSE STATEMENTS WITH RE-  
 7 SPECT TO TAX ATTRIBUTABLE TO HUMAN TRAFFICKING  
 8 AND COMMERCIAL SEX ACTS.—In the case of any viola-  
 9 tion of subsection (a) relating to any tax attributable to  
 10 income derived from an act described in paragraph (2) of  
 11 section 7201(b), subsection (a) shall be applied—

12 “(1) by substituting ‘\$500,000 (\$1,000,000’ for  
 13 ‘\$100,000 (\$500,000’, and

14 “(2) by substituting ‘5 years’ for ‘3 years’.”.

15 (4) PENALTIES MAY BE APPLIED IN ADDITION  
 16 TO OTHER PENALTIES.—Section 7204 of such Code  
 17 (relating to fraudulent statement or failure to make  
 18 statement to employees) is amended by striking “the  
 19 penalty provided in section 6674” and inserting “the  
 20 penalties provided in sections 6674, 7201, and  
 21 7203”.

22 (b) INCREASE IN MONETARY LIMITATION FOR UN-  
 23 DERPAYMENT OR OVERPAYMENT OF TAX DUE TO  
 24 FRAUD.—Section 7206 of such Code (relating to fraud  
 25 and false statements), as amended by subsection (a)(3),

1 is amended by adding at the end the following new sub-  
2 section:

3       “(c) INCREASE IN MONETARY LIMITATION FOR UN-  
4 DERPAYMENT OR OVERPAYMENT OF TAX DUE TO  
5 FRAUD.—If any portion of any underpayment (as defined  
6 in section 6664(a)) or overpayment (as defined in section  
7 6401(a)) of tax required to be shown on a return is attrib-  
8 utable to fraudulent action described in subsection (a), the  
9 applicable dollar amount under subsection (a) shall in no  
10 event be less than an amount equal to such portion. A  
11 rule similar to the rule under section 6663(b) shall apply  
12 for purposes of determining the portion so attributable.”.

13       (c) EFFECTIVE DATE.—The amendments made by  
14 this section shall apply to actions, and failures to act, oc-  
15 ccurring after the date of the enactment of this Act.

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