

111TH CONGRESS
2D SESSION

S. 3795

To amend the Internal Revenue Code of 1986 to reduce the tax gap, and
for other purposes.

IN THE SENATE OF THE UNITED STATES

SEPTEMBER 16, 2010

Mr. CARPER (for himself, Mr. BAYH, and Mrs. BOXER) introduced the
following bill; which was read twice and referred to the Committee on Finance

A BILL

To amend the Internal Revenue Code of 1986 to reduce
the tax gap, 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, ETC.**

4 (a) SHORT TITLE.—This Act may be cited as the
5 “Taxpayer Advocacy and Government Accountability Pro-
6 motion Act of 2010” or the “TAX GAP Act of 2010”.

7 (b) AMENDMENT OF 1986 CODE.—Except as other-
8 wise expressly provided, whenever in this Act an amend-
9 ment or repeal is expressed in terms of an amendment
10 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 (c) TABLE OF CONTENTS.—The table of contents for
 4 this Act is as follows:

Sec. 1. Short title, etc.

TITLE I—IMPROVED INFORMATION REPORTING

Sec. 101. Automatic reporting on certain government payments for property and services.

Sec. 102. Improved reporting by sole proprietors.

Sec. 103. Information reporting for rental property expense payments.

Sec. 104. Additional information on returns relating to mortgage interest.

Sec. 105. Requirements for withholding with respect to payments to contractors.

Sec. 106. Information reporting on bank accounts.

Sec. 107. Electronic filing requirements and clarification of role of paid preparers.

Sec. 108. Impact assessment of Internal Revenue Service capabilities to utilize information reporting.

TITLE II—TAX PAYMENTS BY GOVERNMENT CONTRACTORS

Sec. 201. Application of continuous levy to tax liabilities of certain Federal contractors.

Sec. 202. Continuous levy on payments to Medicaid providers and suppliers.

Sec. 203. Application of levy to payments to Federal vendors relating to property.

Sec. 204. Authorization for Financial Management Service retention of transaction fees from levied amounts.

TITLE III—TAXPAYER FAIRNESS AND PROTECTION

Sec. 301. Taxpayer assistance and tax simplification report.

Sec. 302. De minimis apology payments pilot program.

TITLE IV—CLARIFICATION OF PENALTIES AND LIABILITIES

Sec. 401. Increase in information return penalties.

Sec. 402. Elimination of restriction on offsetting refunds from former residents.

Sec. 403. Study and report on tax penalties.

TITLE V—UNDERSTANDING THE TAX GAP

Sec. 501. Tax gap strategy and reports.

Sec. 502. Studies on the impact of tax gap legislation.

Sec. 503. Reports on worker misclassification.

TITLE I—IMPROVED
INFORMATION REPORTING

SEC. 101. AUTOMATIC REPORTING ON CERTAIN GOVERN-
MENT PAYMENTS FOR PROPERTY AND SERV-
ICES.

(a) IN GENERAL.—Section 6041, as amended by section 9006 of the Patient Protection and Affordable Care Act, is amended by redesignating subsection (i) as subsection (j) and by inserting after subsection (h) the following new subsection:

“(i) APPLICATIONS TO GOVERNMENTAL UNITS.—For purposes of this section—

“(1) TREATED AS PERSONS.—The term ‘person’ includes any governmental unit (and any agency or instrumentality thereof).

“(2) SPECIAL RULES.—In the case of any payment by a governmental entity or any agency or instrumentality thereof—

“(A) subsection (a) shall be applied without regard to the trade or business requirement contained therein, and

“(B) any return under this section shall be made by the officer or employee having control of the payment or appropriately designated for the purpose of making such return.

1 “(3) EXCEPTIONS.—This subsection shall not
 2 apply to such payments as the Secretary may specify
 3 in regulations prescribed after the date of the enact-
 4 ment of this subsection. Such regulations may in-
 5 clude—

6 “(A) payments of interest,

7 “(B) payments for real property,

8 “(C) payments to entities exempt from tax
 9 or foreign governments,

10 “(D) intergovernmental payments,

11 “(E) payments made pursuant to classified
 12 or confidential contracts, including contracts
 13 described in section 6050M(e)(3) with respect
 14 to which the requirements of section
 15 6050M(e)(2) are met, and

16 “(F) any other payment with respect to
 17 which reporting is required under another pro-
 18 vision of this title.”.

19 (b) CONFORMING AMENDMENTS TO RETURNS BY
 20 GOVERNMENTS REGARDING PAYMENTS OF REMUNERA-
 21 TION FOR SERVICES AND DIRECT SALES TO CORPORA-
 22 TIONS.—Paragraph (3) of section 6041A(d) is amended—

23 (1) by striking “BY FEDERAL EXECUTIVE
 24 AGENCIES” in the heading,

1 (2) by striking “by any Federal executive agen-
 2 cy (as defined in section 6050M(b))” in subpara-
 3 graph (A) and inserting “by any governmental entity
 4 or any agency or instrumentality thereof”, and

5 (3) by inserting “classified or confidential con-
 6 tracts, including” after “services under” in subpara-
 7 graph (B)(i).

8 (c) EFFECTIVE DATE.—The amendments made by
 9 this section shall apply to payments made after December
 10 31, 2011.

11 **SEC. 102. IMPROVED REPORTING BY SOLE PROPRIETORS.**

12 (a) REVISION OF SCHEDULE C.—Not later than De-
 13 cember 31, 2011, the Secretary of the Treasury shall re-
 14 vise Schedule C to require that taxpayers engaged in a
 15 trade or business provide the information required under
 16 this subsection.

17 (1) ADDITIONAL GROSS RECEIPTS INFORMA-
 18 TION.—With respect to the gross receipts of the tax-
 19 payer from any trade or business, Schedule C shall
 20 require the taxpayer to provide the following:

21 (A) The total of amount of gross receipts
 22 or sales reported to the taxpayer through payee
 23 statements (as defined in section 6724(d)(2) of
 24 the Internal Revenue Code of 1986) and the

1 number of such payee statements received by
2 the taxpayer.

3 (B) The total of amount of gross receipts
4 or sales not included under subparagraph (A).

5 (2) ADDITIONAL EXPENSE INFORMATION.—

6 With respect to payments made by the taxpayer in
7 connection with any trade or business, Schedule C
8 shall require the taxpayer to provide the following:

9 (A) The total of amounts reported by the
10 taxpayer through payee statements (as so de-
11 fined).

12 (B) The number of payee statements (as
13 so defined) furnished by the taxpayer.

14 (C) Such other information as required by
15 the Secretary with respect to payments in con-
16 nection with—

17 (i) goods, and

18 (ii) services.

19 (3) PERJURY.—Schedule C shall require the
20 taxpayer to declare, under penalties of perjury, that
21 the taxpayer filed all information returns required
22 under section 6041 of the Internal Revenue Code of
23 1986 with respect to payments in the course of a
24 trade or business made during the taxable year.

1 (b) REPORT ON IMPROVING VOLUNTARY COMPLI-
2 ANCE BY SOLE PROPRIETORS.—

3 (1) IN GENERAL.—Not later than 3 years after
4 the date of the enactment of this Act, the Secretary
5 of the Treasury shall submit to Congress a report
6 setting forth recommendations on—

7 (A) whether the Internal Revenue Service
8 should provide additional assistance to first-
9 time Schedule C filers by means of regular com-
10 munications, a small business hotline, a pub-
11 lished resource guide, or automatic or com-
12 puter-generated “soft” notices,

13 (B) ways in which the Internal Revenue
14 Service can work with small businesses, trade
15 representatives, tax preparation software firms,
16 and paid preparer representatives to determine
17 whether and how specific changes to existing
18 education and guidance would help those filing
19 the Schedule C,

20 (C) ways to clarify the instructions for
21 Schedule C to indicate that information returns
22 may be required to be filed by sole proprietors
23 who deduct expenses for wages, fees, and com-
24 missions,

1 (D) suggested changes to the Internal Rev-
2 enue Service's electronic and computer-based
3 system for filing information returns to accom-
4 modate those filing information returns on pay-
5 ments made to sole proprietors, including
6 whether the Internal Revenue Service should
7 develop an Internet-based system for filing in-
8 formation returns,

9 (E) identification and analysis of the best
10 practices that are utilized by States and by for-
11 eign governments with respect to encouraging
12 voluntary tax compliance by sole proprietors,
13 and ways these best practices may be adopted
14 by the Internal Revenue Service,

15 (F) methods to reduce the information gap
16 between sole proprietors and the Internal Rev-
17 enue Service,

18 (G) whether, in the case of tax returns
19 containing income from a trade or business, the
20 inclusion of a checkbox or other indicator indi-
21 cating whether the taxpayer had a 1099-MISC
22 filing requirement would affect voluntary com-
23 pliance by taxpayers, and

24 (H) such other improvements with respect
25 to improving voluntary compliance by sole pro-

1 proprietors as the Secretary determines is appro-
 2 priate.

3 (2) USE OF DATA.—The recommendations sub-
 4 mitted in the report under paragraph (1) shall,
 5 wherever possible, be based on empirical data, agen-
 6 cy-conducted tests, and quantitative evidence.

7 **SEC. 103. INFORMATION REPORTING FOR RENTAL PROP-**
 8 **ERTY EXPENSE PAYMENTS.**

9 (a) IN GENERAL.—Section 6041, as amended by sec-
 10 tion 101, is amended by redesignating subsections (h), (i),
 11 and (j) as subsections (i), (j), and (k), respectively, and
 12 by inserting after subsection (g) the following new sub-
 13 section:

14 “(h) TREATMENT OF RENTAL PROPERTY EXPENSE
 15 PAYMENTS.—

16 “(1) IN GENERAL.—Solely for purposes of sub-
 17 section (a) and except as provided in paragraph (2),
 18 a person receiving rental income from real estate
 19 shall be considered to be engaged in a trade or busi-
 20 ness of renting property.

21 “(2) EXCEPTIONS.—Paragraph (1) shall not
 22 apply to—

23 “(A) any individual, including any indi-
 24 vidual who is an active member of the uni-
 25 formed services, if substantially all rental in-

come is derived from renting the principal residence (within the meaning of section 121) of such individual on a temporary basis,

“(B) any individual who receives rental income of not more than the minimal amount, as determined under regulations prescribed by the Secretary, and

“(C) any other individual for whom the requirements of this section would cause hardship, as determined by the Secretary.”.

(b) **EFFECTIVE DATE.**—The amendment made by subsection (a) shall apply to payments made after December 31, 2011.

SEC. 104. ADDITIONAL INFORMATION ON RETURNS RELATING TO MORTGAGE INTEREST.

(a) **IN GENERAL.**—Paragraph (2) of section 6050H(b) is amended by striking “and” at the end of subparagraph (C), by redesignating subparagraph (D) as subparagraph (G), and by inserting after subparagraph (C) the following new subparagraphs:

“(D) the unpaid balance with respect to such mortgage,

“(E) the address of the property securing such mortgage, and

1 “(F) information with respect to whether
2 the mortgage is a refinancing that occurred in
3 such calendar year.”.

4 (b) PAYEE STATEMENTS.—Subsection (d) of section
5 6050H is amended by striking “and” at the end of para-
6 graph (1), by striking the period at the end of paragraph
7 (2) and inserting “, and”, and by inserting after para-
8 graph (2) the following new paragraph:

9 “(3) the information required to be included on
10 the return under subparagraphs (D), (E), and (F)
11 of subsection (b)(2).”.

12 (c) EFFECTIVE DATE.—The amendments made by
13 this section shall apply to returns and statements the due
14 date for which (determined without regard for extensions)
15 is after December 31, 2011.

16 **SEC. 105. REQUIREMENTS FOR WITHHOLDING WITH RE-**
17 **SPECT TO PAYMENTS TO CONTRACTORS.**

18 (a) IN GENERAL.—

19 (1) REQUIREMENT.—Paragraph (1) of section
20 3406(a) is amended by striking “or” at the end of
21 subparagraph (C), by inserting “or” at the end of
22 subparagraph (D), and by inserting after subpara-
23 graph (D) the following new subparagraph:

1 “(E) the Secretary has not provided
2 verification to the payor that the TIN furnished
3 by the payee is correct,”.

4 (2) APPLICATION ONLY TO CERTAIN TRANS-
5 ACTIONS.—Subsection (a) of section 3406 is amend-
6 ed by adding at the end the following new para-
7 graph:

8 “(3) SUBPARAGRAPH (E) OF PARAGRAPH (1)
9 APPLIES ONLY TO CERTAIN OTHER REPORTABLE
10 PAYMENTS.—Subparagraph (E) of paragraph (1)
11 shall only apply to other reportable payments de-
12 scribed in subparagraph (B) of subsection (b)(3).”.

13 (3) PERIOD OF WITHHOLDING.—

14 (A) IN GENERAL.—Section 3406(e) is
15 amended by redesignating paragraph (5) as
16 paragraph (6) and by inserting after paragraph
17 (4) the following new paragraph:

18 “(5) NO MATCHING TIN.—In any case in which
19 the Secretary has not provided verification to the
20 payor that the TIN furnished by the payee is correct
21 pursuant to subsection (a)(1)(E), subsection (a)
22 shall apply to such payment and any subsequent
23 such payment made by the payor after the date such
24 TIN was submitted to the Secretary for verification
25 until the payee furnishes another TIN in the manner

1 required and such TIN is verified by the Secretary
2 as correct.”.

3 (B) CONFORMING AMENDMENT.—Para-
4 graph (2) of section 3406(e) is amended by in-
5 serting “pursuant to subsection (a)(1)(B),”
6 after “is incorrect”.

7 (b) VOLUNTARY WITHHOLDING.—Section 3402(p) is
8 amended by redesignating paragraph (3) as paragraph (4)
9 and by inserting after paragraph (2) the following new
10 paragraph:

11 “(3) CERTAIN PAYMENTS TO CONTRACTORS.—

12 “(A) IN GENERAL.—If, at the time of any
13 specified payment to any person, a request by
14 such person is in effect that such payment be
15 subject to withholding under this chapter, the
16 person making such payment shall deduct and
17 withhold from such payment an amount equal
18 to the rate in effect under such request.

19 “(B) SPECIFIED PAYMENT.—For purposes
20 of this paragraph, the term ‘specified payment’
21 means any payment described in subparagraph
22 (A) or (B) of section 3406(b)(3).

23 “(C) REQUEST.—A request to subject a
24 specified payment to withholding shall be made
25 at such time and in such manner as the Sec-

1 retary may by regulations prescribe, and shall
 2 specify a uniform percentage of withholding
 3 which is equal to any rate at which tax is im-
 4 posed under subsection (a), (b), (c), or (d) of
 5 section 1, as appropriate.”.

6 (c) EFFECTIVE DATE.—

7 (1) IN GENERAL.—Except as provided in para-
 8 graph (2), the amendments made by this section
 9 shall apply to payments made after December 31,
 10 2011.

11 (2) CERTIFICATION.—The amendments made
 12 by subsection (a) shall not take effect before the
 13 date on which the Secretary of the Treasury has cer-
 14 tified that there is a system in place to provide noti-
 15 fications in an accurate and timely manner regard-
 16 ing the verification of taxpayer identification num-
 17 bers submitted pursuant to section 3406(a)(1)(E) of
 18 the Internal Revenue Code of 1986 (as added by
 19 subsection (a)).

20 **SEC. 106. INFORMATION REPORTING ON BANK ACCOUNTS.**

21 (a) ELIMINATION OF MINIMUM INTEREST REQUIRE-
 22 MENT.—

23 (1) IN GENERAL.—Section 6049(a) is amended
 24 by striking “aggregating \$10 or more” each place it
 25 appears.

1 (2) CONFORMING AMENDMENTS.—Subpara-
2 graph (C) of section 6049(d)(5) is amended—

3 (A) by striking “which involves the pay-
4 ment of \$10 or more of interest”, and

5 (B) by striking “IN THE CASE OF TRANS-
6 ACTIONS INVOLVING \$10 OR MORE” in the head-
7 ing.

8 (3) EFFECTIVE DATE.—The amendments made
9 by this subsection shall apply to returns filed after
10 December 31, 2011.

11 (b) REPORTING OF NON-INTEREST BEARING DEPOS-
12 ITS.—

13 (1) IN GENERAL.—Subpart B of part III of
14 subchapter A of chapter 61 is amended by inserting
15 after section 6049 the following new section:

16 **“SEC. 6049A. RETURNS REGARDING NON-INTEREST BEAR-**
17 **ING DEPOSITS.**

18 “(a) REQUIREMENT OF REPORTING.—Every person
19 who holds a reportable deposit during any calendar year
20 shall make a return according to the forms or regulations
21 prescribed by the Secretary, setting forth the name and
22 address of the person for whom such deposit was held.

23 “(b) REPORTABLE DEPOSIT.—For purposes of this
24 section—

1 “(1) IN GENERAL.—The term ‘reportable de-
2 posit’ means—

3 “(A) any amount on deposit with—

4 “(i) a person carrying on the banking
5 business,

6 “(ii) a mutual savings bank, a savings
7 and loan association, a building and loan
8 association, a cooperative bank, a home-
9 stead association, a credit union, an indus-
10 trial loan association or bank, or any simi-
11 lar organization,

12 “(iii) a broker (as defined in section
13 6045(c)), or

14 “(iv) any other person provided in
15 regulations prescribed by the Secretary, or

16 “(B) to the extent provided by the Sec-
17 retary in regulations, any amount held by an
18 insurance company, an investment company (as
19 defined in section 3 of the Investment Company
20 Act of 1940), or held in other pooled funds or
21 trusts.

22 “(2) EXCEPTIONS.—Such term shall not in-
23 clude—

24 “(A) any amount with respect to which a
25 report is made under section 6049,

1 “(B) any amount on deposit with or held
2 by a natural person,

3 “(C) except to the extent provided in regu-
4 lations, any amount—

5 “(i) held with respect to a person de-
6 scribed in section 6049(b)(4),

7 “(ii) with respect to which section
8 6049(b)(5) would apply if a payment were
9 made with respect to such amount, or

10 “(iii) on deposit with or held by a per-
11 son described in section 6049(b)(2)(C), or

12 “(D) any amount for which the Secretary
13 determines there is already sufficient reporting.

14 “(c) STATEMENTS TO BE FURNISHED TO PERSONS
15 WITH RESPECT TO WHOM INFORMATION IS REQUIRED.—

16 “(1) IN GENERAL.—Every person required to
17 make a return under subsection (a) shall furnish to
18 each person whose name is required to be set forth
19 in such return a written statement showing—

20 “(A) the name, address, and phone num-
21 ber of the information contact of the person re-
22 quired to make such return, and

23 “(B) the reportable account with respect to
24 which such return was made.

1 “(2) TIME AND FORM OF STATEMENT.—The
2 written statement under paragraph (1)—

3 “(A) shall be furnished at a time and in a
4 manner similar to the time and manner that
5 statements are required to be filed under sec-
6 tion 6049(c)(2), and

7 “(B) shall be in such form as the Sec-
8 retary may prescribe by regulations.

9 “(d) PERSON.—For purposes of this section, the term
10 ‘person’ includes any governmental unit and any agency
11 or instrumentality thereof and any international organiza-
12 tion and any agency or instrumentality thereof.”.

13 (2) ASSESSABLE PENALTIES.—

14 (A) FAILURE TO FILE RETURN.—Subpara-
15 graph (B) of section 6724(d)(1) is amended by
16 striking “or” at the end of clause (xxii), by
17 striking “and” at the end of clause (xxiv) and
18 inserting “or”, and by inserting after clause
19 (xxiv) the following new clause:

20 “(xxvi) section 6049A, and”.

21 (B) FAILURE TO FILE PAYEE STATE-
22 MENT.—Paragraph (2) of section 6724(d) is
23 amended by striking “or” at the end of sub-
24 paragraph (FF), by striking the period at the
25 end of subparagraph (GG) and inserting “, or”

1 and by inserting after subparagraph (GG) the
 2 following new subparagraph:

3 “(HH) section 6055(c).”.

4 (3) CLERICAL AMENDMENT.—The table of sec-
 5 tion for subpart B of part III of subchapter A of
 6 chapter 61 is amended by inserting after the item
 7 relating to section 6049 the following new item:

“Sec. 6049A. Returns regarding non-interest bearing deposits.”.

8 (4) EFFECTIVE DATE.—The amendments made
 9 by this subsection shall apply to returns filed after
 10 December 31, 2011.

11 **SEC. 107. ELECTRONIC FILING REQUIREMENTS AND CLARI-**
 12 **FICATION OF ROLE OF PAID PREPARERS.**

13 (a) LOWER THRESHOLD FOR REQUIRED ELEC-
 14 TRONIC FILING BY PAID PREPARERS.—

15 (1) IN GENERAL.—Section 6011(e)(3)(B) is
 16 amended by striking “10” and inserting “5”.

17 (2) PENALTY.—Section 6695 is amended by
 18 adding at the end the following new subsection:

19 “(h) FAILURE TO FILE RETURN ON MAGNETIC
 20 MEDIA.—Any person who is a tax return preparer with
 21 respect to any individual income tax return and who must
 22 file such return on magnetic media pursuant to the re-
 23 quirement of section 6011(e)(3) and fails to comply with
 24 the requirements of section 6011(e)(3) shall pay a penalty
 25 of \$50 for such failure unless it is shown that such failure

1 is due to reasonable cause and not due to willful neglect.
 2 The maximum penalty imposed under this subsection on
 3 any person with respect to individual income tax returns
 4 filed during any calendar year shall not exceed \$25,000.”.

5 (3) EFFECTIVE DATE.—The amendments made
 6 by this subsection shall apply to returns filed for
 7 taxable years beginning after December 31, 2010.

8 (b) PROPOSAL ON AUTOMATED BAR CODING.—The
 9 Secretary of the Treasury, in consultation with the Com-
 10 missioner of the Internal Revenue Service, shall develop
 11 a proposal to require unique identifying numbers and bar
 12 codes, or such other unique identifying system as the Sec-
 13 retary determines appropriate, with respect to each
 14 version of software used for the purpose of preparing tax
 15 returns.

16 **SEC. 108. IMPACT ASSESSMENT OF INTERNAL REVENUE**
 17 **SERVICE CAPABILITIES TO UTILIZE INFOR-**
 18 **MATION REPORTING.**

19 (a) INITIAL ASSESSMENT.—

20 (1) IN GENERAL.—The Secretary of the Treas-
 21 ury shall conduct an impact assessment to determine
 22 whether the Internal Revenue Service has the suffi-
 23 cient resources, personnel, infrastructure, tech-
 24 nology, and computer hardware and software capac-
 25 ity to incorporate expanded information reporting.

1 (2) EXPANDED INFORMATION REPORTING.—

2 For purposes of this section, the term “expanded in-
3 formation reporting” includes—

4 (A) all information reporting required
5 under this Act and the amendments made by
6 this Act, and

7 (B) any information reporting required
8 under the Internal Revenue Code of 1986 that
9 was not required under such Code before Janu-
10 ary 1, 2001.

11 (3) MATTERS INCLUDED.—

12 (A) COMPUTER SYSTEMS.—The impact as-
13 sessment required under paragraph (1) shall in-
14 clude an assessment of the computer program
15 capabilities of the Internal Revenue Service to
16 match the information on tax returns with
17 other information reported to the Internal Rev-
18 enue Service and to modify tax schedules to
19 capture the information to be matched. Such
20 assessment shall address—

21 (i) how effectively the Internal Rev-
22 enue Service has followed through and im-
23 plemented data matching systems for ex-
24 panded information reporting,

1 (ii) whether the Internal Revenue
2 Service needs to modify its computer sys-
3 tems so that discrepancies between infor-
4 mation collected through expanded infor-
5 mation reporting and information reported
6 on tax returns can be identified, and

7 (iii) whether information on tax re-
8 turns (and accompanying schedules) should
9 be modified.

10 (B) RECOMMENDATIONS.—The initial as-
11 sessment shall include specific recommendations
12 on—

13 (i) how any current efforts with re-
14 spect to the matters assessed may be im-
15 proved or expanded upon, and

16 (ii) any new, additional efforts that
17 should be made to improve, upgrade, or ac-
18 celerate the processing of the matters as-
19 sessed.

20 (4) REPORT.—Not later than December 31,
21 2013, the Secretary of the Treasury shall submit to
22 Congress a report on the assessment required under
23 paragraph (1).

24 (5) USE OF DATA.—The assessment under
25 paragraph (1) and the report under paragraph (4)

1 shall, wherever possible, be based on empirical data,
2 agency-conducted tests, and quantitative evidence.

3 (6) ADOPTION OF RECOMMENDATIONS.—Not
4 later than 1 year after the report under paragraph
5 (4) is submitted, the Commissioner of Internal Rev-
6 enue shall implement any recommendations con-
7 tained in such report which do not require Congres-
8 sional action and which can be implemented admin-
9 istratively.

10 (b) FOLLOW-UP REPORT.—

11 (1) IN GENERAL.—Not later than 3 years after
12 the report under subsection (a) is submitted, the
13 Secretary of the Treasury shall submit to Congress
14 a follow-up report on the implementation of any rec-
15 ommendations included in the report submitted
16 under subsection (a)(4).

17 (2) MATTERS INCLUDED.—The report sub-
18 mitted under paragraph (1) shall include rec-
19 ommendations for new, additional proposals which
20 were not included in the report under subsection
21 (a)(4) but which should be made to improve or up-
22 grade the resources, personnel, infrastructure, tech-
23 nology, and computer hardware and software capac-
24 ities of the Internal Revenue Service with respect to
25 expanded information reporting.

1 **TITLE II—TAX PAYMENTS BY** 2 **GOVERNMENT CONTRACTORS**

3 **SEC. 201. APPLICATION OF CONTINUOUS LEVY TO TAX LI-** 4 **ABILITIES OF CERTAIN FEDERAL CONTRAC-** 5 **TORS.**

6 (a) IN GENERAL.—Section 6330(f) (relating to jeop-
7 ardy and State refund collection) is amended—

8 (1) by striking “or” at the end of paragraph

9 (2),

10 (2) by striking the comma at the end of para-
11 graph (3) and inserting “; or”,

12 (3) by inserting after paragraph (3) the fol-
13 lowing new paragraph:

14 “(4) the Secretary has approved a levy, includ-
15 ing a continuing levy under section 6331(h)(1), on
16 any specified payment described in section
17 6331(h)(3),”, and

18 (4) by striking the heading and inserting
19 “JEOPARDY, STATE REFUND, AND COLLECTION
20 FROM FEDERAL VENDOR PAYMENTS”.

21 (b) EFFECTIVE DATE.—The amendments made by
22 this section shall apply to levies issued after the date of
23 the enactment of this Act.

1 **SEC. 202. CONTINUOUS LEVY ON PAYMENTS TO MEDICAID**
 2 **PROVIDERS AND SUPPLIERS.**

3 (a) IN GENERAL.—Section 6331(h)(2) (defining
 4 specified payment) is amended by striking “and” at the
 5 end of subparagraph (B), by striking the period at the
 6 end of subparagraph (C) and inserting “, and”, and by
 7 adding at the end the following new subparagraph:

8 “(D) any payment to any Medicaid pro-
 9 vider or supplier under a State plan under title
 10 XIX of the Social Security Act.”.

11 (b) EFFECTIVE DATE.—The amendments made by
 12 this section shall apply to levies issued after December 31,
 13 2011.

14 **SEC. 203. APPLICATION OF LEVY TO PAYMENTS TO FED-**
 15 **ERAL VENDORS RELATING TO PROPERTY.**

16 (a) IN GENERAL.—Section 6331(h)(3) is amended by
 17 striking “goods or services” and inserting “property,
 18 goods, or services”.

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

22 **SEC. 204. AUTHORIZATION FOR FINANCIAL MANAGEMENT**
 23 **SERVICE RETENTION OF TRANSACTION FEES**
 24 **FROM LEVIED AMOUNTS.**

25 Notwithstanding any other provision of law, the Fi-
 26 nancial Management Service may charge the Internal Rev-

1 enue Service, and the Internal Revenue Service may pay
 2 the Financial Management Service, a fee sufficient to
 3 cover the full cost of implementing a continuous levy pro-
 4 gram under subsection (h) of section 6331 of the Internal
 5 Revenue Code of 1986. Any such fee shall be based on
 6 actual levies made and shall be collected by the Financial
 7 Management Service by the retention of a portion of
 8 amounts collected by levy pursuant to that subsection.
 9 Amounts received by the Financial Management Service
 10 as fees under that subsection shall be deposited into the
 11 account of the Department of the Treasury under section
 12 3711(g)(7) of title 31, United States Code, and shall be
 13 collected and accounted for in accordance with the provi-
 14 sions of that section.

15 **TITLE III—TAXPAYER FAIRNESS** 16 **AND PROTECTION**

17 **SEC. 301. TAXPAYER ASSISTANCE AND TAX SIMPLIFICA-** 18 **TION REPORT.**

19 (a) IN GENERAL.—Not later than 2 years after the
 20 date of the enactment of this Act, the Secretary of the
 21 Treasury, in consultation with the Commissioner of the
 22 Internal Revenue Service, shall submit to Congress a re-
 23 port on taxpayer assistance and tax simplification.

24 (b) MATTERS INCLUDED.—The report required
 25 under subsection (a) shall be based on examinations of tax

1 policy and of tax compliance enforcement and shall include
2 the following:

3 (1) An assessment of the current and proposed
4 efforts of the Internal Revenue Service with respect
5 to the simplification of tax forms, publications, and
6 filing requirements for individual taxpayers and for
7 sole proprietor taxpayers, including additional, plain-
8 language guidance for taxpayers. Such assessment
9 shall include specific recommendations on—

10 (A) how these or additional efforts may be
11 improved or expanded upon, including through
12 paid preparers and tax preparation software,
13 and

14 (B) requiring or encouraging the Internal
15 Revenue Service, to the maximum extent pos-
16 sible, to test its forms and publications on ac-
17 tual taxpayers prior to publication.

18 (2) An assessment of the current efforts of the
19 Internal Revenue Service—

20 (A) to reduce the time between receipt of
21 an electronically filed tax return and the
22 issuance of a refund, and

23 (B) to reduce the time between receipt of
24 a manually filed tax return and the issuance of
25 a refund.

1 (3) An assessment of the efforts of the Internal
2 Revenue Service to induce voluntary compliance by
3 individual taxpayers and sole proprietor taxpayers,
4 with a particular focus on current efforts to reduce
5 administrative and compliance burdens. Such assess-
6 ment shall include specific recommendations on how
7 voluntary compliance may be improved or expanded
8 upon, particularly in an environment where most
9 taxpayers use paid preparers or tax preparation soft-
10 ware.

11 (4) An assessment of the current efforts of the
12 Internal Revenue Service to improve taxpayer serv-
13 ice, including through outreach programs, taxpayer
14 education, preparer education, tax software industry
15 coordination, and expanded availability of online,
16 Internet-based tax information and filing services of-
17 fered by the Internal Revenue Service. Such assess-
18 ment shall include specific recommendations on how
19 these or additional efforts may be improved or ex-
20 panded upon.

21 (5) An assessment of the efficacy of previous
22 Internal Revenue Service efforts with respect to set-
23 tlement initiatives, including the effect of such initia-
24 tives on improving compliance and reducing current
25 and future revenues lost due to tax evasion. Such as-

9 (c) USE OF DATA.—The report under subsection (a)
10 shall, wherever possible, be based on empirical data, agen-
11 cy-conducted tests, and quantitative evidence.

(a) IN GENERAL.—Section 7811(b) is amended by striking “or” at the end of paragraph (1), by striking the period and inserting “, or” at the end of paragraph (2)(D), and adding at the end the following new paragraph:

(b) APOLOGY PAYMENT.—Section 7811 is amended
by adding at the end the following new subsection:

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1 “(1) IN GENERAL.—A taxpayer assistance order
 2 may require the Secretary to provide an apology
 3 payment on behalf of the Internal Revenue Service
 4 to the taxpayer under this subsection in any case in
 5 which the National Taxpayer Advocate determines
 6 that any action or inaction by the Internal Revenue
 7 Service has caused excess expense or undue burden
 8 on a taxpayer.

9 “(2) TAXPAYER LIMITATIONS.—In the case of
 10 any apology payment required under this subsection
 11 to any taxpayer with respect to any taxable year—

12 “(A) such payment shall not be less than
 13 \$100, and

14 “(B) such payment shall not exceed
 15 \$1,000.

16 “(3) AGGREGATE YEARLY LIMITATION.—The
 17 amount of apology payments which the National
 18 Taxpayer Advocate may require to be paid for any
 19 fiscal year shall not exceed \$250,000.”.

20 (c) REPORTS.—Clause (ii) of section 7803(c)(2)(A)
 21 is amended by striking “and” at the end of subclause (X),
 22 by redesignating subclause (XI) as subclause (XII), and
 23 by inserting after subclause (X) the following new sub-
 24 clause:

1 “(XI) contain a summary of all
 2 Taxpayer Assistance Orders which re-
 3 quire an apology payment under sec-
 4 tion 7811(h), and”.

5 (d) EXCLUSION OF APOLOGY PAYMENTS FROM
 6 GROSS INCOME.—

7 (1) IN GENERAL.—Part III of subchapter B of
 8 chapter 1 is amended by inserting before section 140
 9 the following new section:

10 **“SEC. 139F. INTERNAL REVENUE SERVICE APOLOGY PAY-**
 11 **MENTS.**

12 “Gross income shall not include any apology payment
 13 received by a taxpayer as a result of a Taxpayer Assist-
 14 ance Order described in section 7811(h).”.

15 (2) CLERICAL AMENDMENT.—The table of sec-
 16 tions for part III of subchapter B of chapter 1 is
 17 amended by inserting before the item relating to sec-
 18 tion 140 the following new item:

“Sec. 139F. Internal Revenue Service apology payments.”.

19 (e) EFFECTIVE DATES.—

20 (1) IN GENERAL.—The amendments made by
 21 subsections (a) and (b) shall apply to orders issued
 22 after December 31, 2010.

23 (2) REPORTS.—The amendments made by sub-
 24 section (c) shall apply to reports required to be sub-
 25 mitted after December 31, 2010.

1 (3) EXCLUSION.—The amendments made by
 2 subsection (d) shall apply to taxable years beginning
 3 after December 31, 2010.

4 (f) STUDY AND REPORT ON APOLOGY PAYMENTS
 5 PROGRAM.—Not later than December 31, 2013, the Sec-
 6 retary of the Treasury shall submit to Congress a report
 7 on the apology payments program under the amendments
 8 made by this section. Such report shall contain—

9 (1) an evaluation of—

10 (A) the merits and effects of such program
 11 on—

12 (i) taxpayers who received payments
 13 under section 7811(h), and

14 (ii) the Internal Revenue Service, and

15 (B) the impact of the program on all tax-
 16 payers and the public, and

17 (2) recommendations whether the program
 18 should be extended, and, if so, whether and how it
 19 should be improved.

20 **TITLE IV—CLARIFICATION OF** 21 **PENALTIES AND LIABILITIES**

22 **SEC. 401. INCREASE IN INFORMATION RETURN PENALTIES.**

23 (a) FAILURE TO FILE CORRECT INFORMATION RE-
 24 TURNS.—

1 (1) IN GENERAL.—Subsections (a)(1),
 2 (b)(1)(A), and (b)(2)(A) of section 6721 are each
 3 amended by striking “\$50” and inserting “\$150”.

4 (2) AGGREGATE ANNUAL LIMITATION.—Sub-
 5 sections (a)(1), (d)(1)(A), and (e)(3)(A) of section
 6 6721 are each amended by striking “\$250,000” and
 7 inserting “\$2,000,000”.

8 (b) REDUCTION WHERE CORRECTION WITHIN 30
 9 DAYS.—

10 (1) IN GENERAL.—Subparagraph (A) of section
 11 6721(b)(1) is amended by striking “\$15” and insert-
 12 ing “\$45”.

13 (2) AGGREGATE ANNUAL LIMITATION.—Sub-
 14 sections (b)(1)(B) and (d)(1)(B) of section 6721 are
 15 each amended by striking “\$75,000” and inserting
 16 “\$350,000”.

17 (c) REDUCTION WHERE CORRECTION ON OR BEFORE
 18 AUGUST 1.—

19 (1) IN GENERAL.—Subparagraph (A) of section
 20 6721(b)(2) is amended by striking “\$30” and insert-
 21 ing “\$90”.

22 (2) AGGREGATE ANNUAL LIMITATION.—Sub-
 23 sections (b)(2)(B) and (d)(1)(C) of section 6721 are
 24 each amended by striking “\$150,000” and inserting
 25 “\$750,000”.

1 (d) AGGREGATE ANNUAL LIMITATIONS FOR PER-
 2 SONS WITH GROSS RECEIPTS OF NOT MORE THAN
 3 \$5,000,000.—

4 (1) IN GENERAL.—Paragraph (1) of section
 5 6721(d) is amended—

6 (A) by striking “\$100,000” in subpara-
 7 graph (A) and inserting “\$750,000”,

8 (B) by striking “\$25,000” in subpara-
 9 graph (B) and inserting “\$100,000”, and

10 (C) by striking “\$50,000” in subparagraph
 11 (C) and inserting “\$300,000”.

12 (2) TECHNICAL AMENDMENT.—Paragraph (1)
 13 of section 6721(d) is amended by striking “such tax-
 14 able year” and inserting “such calendar year”.

15 (e) PENALTY IN CASE OF INTENTIONAL DIS-
 16 REGARD.—Paragraph (2) of section 6721(e) is amended
 17 by striking “\$100” and inserting “\$400”.

18 (f) ADJUSTMENT FOR INFLATION.—Section 6721 is
 19 amended by adding at the end the following new sub-
 20 section:

21 “(f) ADJUSTMENT FOR INFLATION.—

22 “(1) IN GENERAL.—In the case of any calendar
 23 year beginning after 2012, each of the dollar
 24 amounts under subsections (a), (b), (d) (other than
 25 paragraph (2)(A) thereof), and (e) shall be increased

1 by such dollar amount multiplied by the cost-of-liv-
 2 ing adjustment determined under section 1(f)(3) de-
 3 termined by substituting ‘calendar year 2011’ for
 4 ‘calendar year 1992’ in subparagraph (B) thereof.

5 “(2) ROUNDING.—If any amount adjusted
 6 under paragraph (1)—

7 “(A) is not less than \$75,000 and is not
 8 a multiple of \$500, such amount shall be
 9 rounded to the next lowest multiple of \$500,
 10 and

11 “(B) is not described in subparagraph (A)
 12 and is not a multiple of \$10, such amount shall
 13 be rounded to the next lowest multiple of \$10.”.

14 (g) OTHER INFORMATION REPORTING REQUIRE-
 15 MENTS.—Section 6723 is amended—

16 (1) by striking “\$50” and inserting “\$150”,
 17 and

18 (2) by striking “\$100,000” and inserting
 19 “\$750,000”.

20 (h) FAILURE TO FURNISH CORRECT PAYEE STATE-
 21 MENTS.—Section 6722 of the Internal Revenue Code of
 22 1986 is amended to read as follows:

23 **“SEC. 6722. FAILURE TO FURNISH CORRECT PAYEE STATE-**
 24 **MENTS.**

25 “(a) IMPOSITION OF PENALTY.—

1 “(1) GENERAL RULE.—In the case of each fail-
 2 ure described in paragraph (2) by any person with
 3 respect to a payee statement, such person shall pay
 4 a penalty of \$150 for each statement with respect to
 5 which such a failure occurs, but the total amount
 6 imposed on such person for all such failures during
 7 any calendar year shall not exceed \$2,000,000.

8 “(2) FAILURES SUBJECT TO PENALTY.—For
 9 purposes of paragraph (1), the failures described in
 10 this paragraph are—

11 “(A) any failure to furnish a payee state-
 12 ment on or before the date prescribed therefor
 13 to the person to whom such statement is re-
 14 quired to be furnished, and

15 “(B) any failure to include all of the infor-
 16 mation required to be shown on a payee state-
 17 ment or the inclusion of incorrect information.

18 “(b) REDUCTION WHERE CORRECTION IN SPECIFIED
 19 PERIOD.—

20 “(1) CORRECTION WITHIN 30 DAYS.—If any
 21 failure described in subsection (a)(2) is corrected on
 22 or before the day 30 days after the required filing
 23 date—

24 “(A) the penalty imposed by subsection (a)
 25 shall be \$45 in lieu of \$150, and

1 “(B) the total amount imposed on the per-
 2 son for all such failures during any calendar
 3 year which are so corrected shall not exceed
 4 \$350,000.

5 “(2) FAILURES CORRECTED ON OR BEFORE AU-
 6 GUST 1.—If any failure described in subsection
 7 (a)(2) is corrected after the 30th day referred to in
 8 paragraph (1) but on or before August 1 of the cal-
 9 endar year in which the required filing date occurs—

10 “(A) the penalty imposed by subsection (a)
 11 shall be \$90 in lieu of \$150, and

12 “(B) the total amount imposed on the per-
 13 son for all such failures during the calendar
 14 year which are so corrected shall not exceed
 15 \$750,000.

16 “(c) EXCEPTION FOR DE MINIMIS FAILURES.—

17 “(1) IN GENERAL.—If—

18 “(A) a payee statement is furnished to the
 19 person to whom such statement is required to
 20 be furnished,

21 “(B) there is a failure described in sub-
 22 section (a)(2)(B) (determined after the applica-
 23 tion of section 6724(a)) with respect to such
 24 statement, and

1 “(C) such failure is corrected on or before
 2 August 1 of the calendar year in which the re-
 3 quired filing date occurs,
 4 for purposes of this section, such statement shall be
 5 treated as having been furnished with all of the cor-
 6 rect required information.

7 “(2) LIMITATION.—The number of payee state-
 8 ments to which paragraph (1) applies for any cal-
 9 endar year shall not exceed the greater of—

10 “(A) 10, or

11 “(B) one-half of 1 percent of the total
 12 number of payee statements required to be filed
 13 by the person during the calendar year.

14 “(d) LOWER LIMITATIONS FOR PERSONS WITH
 15 GROSS RECEIPTS OF NOT MORE THAN \$5,000,000.—

16 “(1) IN GENERAL.—If any person meets the
 17 gross receipts test of paragraph (2) with respect to
 18 any calendar year, with respect to failures during
 19 such calendar year—

20 “(A) subsection (a)(1) shall be applied by
 21 substituting ‘\$750,000’ for ‘\$2,000,000’,

22 “(B) subsection (b)(1)(B) shall be applied
 23 by substituting ‘\$100,000’ for ‘\$350,000’, and

24 “(C) subsection (b)(2)(B) shall be applied
 25 by substituting ‘\$300,000’ for ‘\$750,000’.

1 “(2) GROSS RECEIPTS TEST.—A person meets
 2 the gross receipts test of this paragraph if such per-
 3 son meets the gross receipts test of section
 4 6721(d)(2).

5 “(e) PENALTY IN CASE OF INTENTIONAL DIS-
 6 REGARD.—If 1 or more failures to which subsection (a)
 7 applies are due to intentional disregard of the requirement
 8 to furnish a payee statement (or the correct information
 9 reporting requirement), then, with respect to each such
 10 failure—

11 “(1) subsections (b), (c), and (d) shall not
 12 apply,

13 “(2) the penalty imposed under subsection
 14 (a)(1) shall be \$400, or, if greater—

15 “(A) in the case of a payee statement
 16 other than a statement required under section
 17 6045(b), 6041A(e) (in respect of a return re-
 18 quired under section 6041A(b)), 6050H(d),
 19 6050J(e), 6050K(b), or 6050L(c), 10 percent
 20 of the aggregate amount of the items required
 21 to be reported correctly, or

22 “(B) in the case of a payee statement re-
 23 quired under section 6045(b), 6050K(b), or
 24 6050L(c), 5 percent of the aggregate amount of
 25 the items required to be reported correctly, and

1 “(3) in the case of any penalty determined
2 under paragraph (2)—

3 “(A) the \$1,500,000 limitation under sub-
4 section (a) shall not apply, and

5 “(B) such penalty shall not be taken into
6 account in applying such limitation to penalties
7 not determined under paragraph (2).

8 “(f) ADJUSTMENT FOR INFLATION.—

9 “(1) IN GENERAL.—For each fifth calendar
10 year beginning after 2012, each of the dollar
11 amounts under subsections (a), (b), (d)(1), and (e)
12 shall be increased by such dollar amount multiplied
13 by the cost-of-living adjustment determined under
14 section 1(f)(3) determined by substituting ‘calendar
15 year 2011’ for ‘calendar year 1992’ in subparagraph
16 (B) thereof.

17 “(2) ROUNDING.—If any amount adjusted
18 under paragraph (1)—

19 “(A) is not less than \$75,000 and is not
20 a multiple of \$500, such amount shall be
21 rounded to the next lowest multiple of \$500,
22 and

23 “(B) is not described in subparagraph (A)
24 and is not a multiple of \$10, such amount shall
25 be rounded to the next lowest multiple of \$10.”.

1 (i) EFFECTIVE DATE.—The amendments made by
 2 this section shall apply with respect to information returns
 3 required to be filed on or after January 1, 2011.

4 **SEC. 402. ELIMINATION OF RESTRICTION ON OFFSETTING**
 5 **REFUNDS FROM FORMER RESIDENTS.**

6 (a) IN GENERAL.—Section 6402(e) (relating to col-
 7 lection of past-due, legally enforceable State income tax
 8 obligations) is amended by striking paragraph (2) and by
 9 redesignating paragraphs (3), (4), (5), (6), and (7) as
 10 paragraphs (2), (3), (4), (5), and (6), respectively.

11 (b) EFFECTIVE DATE.—The amendments made by
 12 this section shall apply to refunds payable for taxable
 13 years ending after the date of the enactment of this Act.

14 **SEC. 403. STUDY AND REPORT ON TAX PENALTIES.**

15 (a) STUDY.—

16 (1) IN GENERAL.—The Secretary of the Treas-
 17 ury, in consultation with the Commissioner of the
 18 Internal Revenue Service, shall conduct an empirical
 19 study to quantify the effect of penalties imposed
 20 under the Internal Revenue Code of 1986.

21 (2) MATTERS INCLUDED.—The matters studied
 22 under paragraph (1) shall include the following:

23 (A) The deterrent effect of providing addi-
 24 tional, clearer, and advanced notice regarding

1 the potential penalties under the Internal Rev-
2 enue Code of 1986 to—

- 3 (i) taxpayers in general, and
4 (ii) taxpayers in categories with high-
5 er noncompliance rates specifically.

6 (B) The fairness of such penalties with re-
7 spect to horizontal equity, proportionality, and
8 procedure.

9 (C) The comprehension and understand-
10 ability of such penalties among taxpayers.

11 (D) The effectiveness of such penalties, in-
12 cluding the effect of such penalties on encour-
13 aging voluntary compliance.

14 (E) The ease of administration of such
15 penalties and the amount of discretion involved
16 in applying such penalties.

17 (F) The authority to abate such penalties
18 if a taxpayer can demonstrate a reasonable
19 cause.

20 (b) REPORT.—Not later than 2 years after the date
21 of the enactment of this Act, the Secretary of the Treasury
22 shall submit to Congress a report on the results of the
23 study conducted under subsection (a), together with any
24 recommendations for reforming the penalties imposed

1 under the Internal Revenue Code of 1986 based on such
2 study.

3 (c) USE OF DATA.—The report and recommendations
4 under subsection (b) shall, wherever possible, be based on
5 empirical data, agency-conducted tests, and quantitative
6 evidence.

7 **TITLE V—UNDERSTANDING THE** 8 **TAX GAP**

9 **SEC. 501. TAX GAP STRATEGY AND REPORTS.**

10 (a) COMPREHENSIVE STRATEGY FOR REDUCING THE
11 TAX GAP.—

12 (1) IN GENERAL.—The Secretary of the Treas-
13 ury shall submit to Congress comprehensive and de-
14 tailed reports on a strategy for reducing the tax gap.
15 Such reports shall include—

16 (A) a detailed assessment of the major
17 sources and causes of the tax gap, and

18 (B) a goal for reducing the tax gap and
19 components of the tax gap.

20 (2) TIME FOR SUBMITTING REPORTS.—

21 (A) INITIAL REPORT.—The first report re-
22 quired under paragraph (1) shall be submitted
23 not later than December 31, 2011.

24 (B) SUBSEQUENT REPORTS.—The Sec-
25 retary of the Treasury shall submit additional

1 reports under paragraph (1) not later than 5
2 years after the date on which the most recent
3 preceding report was submitted under para-
4 graph (1).

5 (3) USE OF DATA.—Any report submitted
6 under this subsection shall, wherever possible, be
7 based on empirical data, agency-conducted tests, and
8 quantitative evidence.

9 (b) ANNUAL TAX GAP REPORT.—

10 (1) IN GENERAL.—Not later than December 31
11 of each year beginning after 2011, the Secretary of
12 the Treasury shall submit to Congress a report on
13 the most recent estimates of the tax gap.

14 (2) MATTERS INCLUDED.—The report sub-
15 mitted under paragraph (1) shall include—

16 (A) an update on any studies and pilot
17 projects of the Internal Revenue Service associ-
18 ated with specific areas of the tax gap,

19 (B) an assessment of how the Internal
20 Revenue Service has aligned its enforcement
21 and compliance efforts with the goals and rec-
22 ommendations set forth in the most recent re-
23 port submitted under subsection (a),

24 (C) a detailed assessment of how effec-
25 tively the Internal Revenue Service is making

1 full use of the collected information to deter-
 2 mine the causes of, and potential solutions for,
 3 the tax gap,

4 (D) a detailed assessment of the benefits
 5 gained from the tax gap estimation and analysis
 6 efforts, including service and enforcement im-
 7 provements, regulatory changes, and statutory
 8 changes resulting from those efforts, and

9 (E) an update and detailed assessment of
 10 examination initiatives of the Internal Revenue
 11 Service, including information sharing between
 12 the Internal Revenue Service and State revenue
 13 agencies.

14 (c) TAX GAP.—For purposes of this section, the term
 15 “tax gap” means, with respect to any tax year, the dif-
 16 ference between—

17 (1) the amount of taxes owed by taxpayers
 18 under the Internal Revenue Code of 1986 for such
 19 tax year, and

20 (2) the amount of revenue paid voluntarily and
 21 timely by taxpayers under such Code for such tax
 22 year.

23 **SEC. 502. STUDIES ON THE IMPACT OF TAX GAP LEGISLA-**
 24 **TION.**

25 (a) STUDY OF RETURN ON INVESTMENT.—

1 (1) MATTERS STUDIED.—

2 (A) IN GENERAL.—The Secretary of the
3 Treasury shall conduct a study on—

4 (i) the revenue increases, and

5 (ii) the costs,

6 with respect to tax gap legislation.

7 (B) TAX GAP LEGISLATION.—For purposes
8 of this section, the term “tax gap legislation”
9 means the provisions of, and amendments made
10 by—

11 (i) this Act,

12 (ii) section 403 of the Energy Im-
13 provement and Extension Act of 2008 (re-
14 lating to broker reporting of customer’s
15 basis in securities transactions),

16 (iii) section 3091 of the housing As-
17 sistance Tax Act of 2008 (relating to re-
18 turns relating to payments made in settle-
19 ment of payment card and third party net-
20 work transactions), and

21 (iv) such other Acts, as determined
22 appropriate by the Secretary of the Treas-
23 ury.

1 (2) REVENUE INCREASES.—The revenue in-
 2 creases considered in the study conducted under
 3 paragraph (1) shall include—

4 (A) revenue collected from enforcement ef-
 5 forts,

6 (B) revenue increases from voluntary com-
 7 pliance by taxpayers in response to tax gap leg-
 8 islation (including cases in which the Internal
 9 Revenue Service has not yet effectively or fully
 10 implemented a data matching system), and

11 (C) any other revenue savings, including
 12 administrative and other cost savings to the
 13 government and to taxpayers.

14 (3) COSTS.—The costs considered in this study
 15 conducted under paragraph (1) shall include—

16 (A) administrative and other costs of the
 17 Internal Revenue Service,

18 (B) compliance costs to taxpayers, and

19 (C) compliance costs to any affected third
 20 parties, such as persons required to file infor-
 21 mation returns.

22 (b) REPORTS.—

23 (1) INITIAL REPORT.—

24 (A) IN GENERAL.—Not later than 4 years
 25 after the date of the enactment of this Act, the

1 Secretary of the Treasury shall submit to Con-
2 gress a report on the matters studied under
3 subsection (a).

4 (B) ASSESSMENT WITH RESPECT TO DATA
5 LIMITATIONS.—The report under subparagraph
6 (A) shall include—

7 (i) an assessment of the limitations of
8 the Internal Revenue Service with respect
9 to the collection of data used to assess the
10 matters studied under subsection (a), and

11 (ii) recommendations regarding steps
12 to overcome any such limitations.

13 (2) FOLLOW-UP REPORT.—

14 (A) IN GENERAL.—Not later than 3 years
15 after the date on which the report under para-
16 graph (1) is submitted, the Secretary of the
17 Treasury shall submit to Congress a follow-up
18 report on the matters studied under subsection
19 (a).

20 (B) ASSESSMENT WITH RESPECT TO IM-
21 PLEMENTATION OF RECOMMENDATIONS.—The
22 report under subparagraph (A) shall include an
23 assessment on the implementation of the rec-
24 ommendations included in the report submitted
25 under paragraph (1).

1 **SEC. 503. REPORTS ON WORKER MISCLASSIFICATION.**

2 (a) IN GENERAL.—The Secretary of the Treasury
3 shall submit to Congress reports on worker
4 misclassification.

5 (b) MATTERS INCLUDED.—Such reports shall include
6 the following:

7 (1) Information on the number and type of en-
8 forcement actions against, and examinations of, em-
9 ployers who have misclassified workers.

10 (2) Relief obtained as a result of such actions
11 against, and examinations of, employers who have
12 misclassified workers.

13 (3) An assessment of—

14 (A) the level of awareness of firms and
15 workers about the ability to file for a deter-
16 mination of worker classification made by the
17 Internal Revenue Service, and

18 (B) any deterrent to filing for such a de-
19 termination, including the fear of potential ad-
20 verse responses or retaliation from a firm.

21 (4) An overall estimate of the number of em-
22 ployers misclassifying workers, the number of work-
23 ers affected, and the industries involved.

24 (5) The estimated impact of such
25 misclassification on the Federal tax system.

1 (6) Information for improving compliance with
2 worker classification laws and guidelines, reducing
3 the portion of the tax gap allocable to this type of
4 misreporting, and other relevant recommendations.

5 (c) TIME FOR SUBMITTING REPORTS.—

6 (1) INITIAL REPORT.—The first report required
7 under subsection (a) shall be submitted not later
8 than 3 years after the date of the enactment of this
9 Act.

10 (2) SUBSEQUENT REPORTS.—The Secretary of
11 the Treasury shall submit additional reports under
12 paragraph (1) not later than 5 years after the date
13 on which the most recent preceding report was sub-
14 mitted under paragraph (1).

○