

113TH CONGRESS
1ST SESSION

H. R. 531

To prevent identity theft and tax crimes.

IN THE HOUSE OF REPRESENTATIVES

FEBRUARY 6, 2013

Ms. CASTOR of Florida (for herself and Mr. NUGENT) introduced the following bill; which was referred to the Committee on Ways and Means, and in addition to the Committee on the Judiciary, for a period to be subsequently determined by the Speaker, in each case for consideration of such provisions as fall within the jurisdiction of the committee concerned

A BILL

To prevent identity theft and tax crimes.

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.**

4 This Act may be cited as the “Tax Crimes and Iden-
5 tity Theft Prevention Act”.

6 **SEC. 2. EXPEDITED RESOLUTION FROM INTERNAL REV-**
7 **ENUE SERVICE FOR IDENTITY THEFT VIC-**
8 **TIMS.**

9 Not later than 90 days after an individual notifies
10 the Secretary of the Treasury that such individual’s iden-

1 tity has been misused by another person in connection
 2 with the internal revenue laws, the Secretary shall, to the
 3 extent practicable, determine the extent to which the tax-
 4 payer's return and return information were affected by
 5 such misuse and shall take such actions as are necessary
 6 to correct such affected return or return information with
 7 respect to such misuse.

8 **SEC. 3. DISCLOSURE OF RETURN AND RETURN INFORMA-**
 9 **TION IN FEDERAL AND STATE PROSECUTION**
 10 **RELATING TO IDENTITY FRAUD.**

11 (a) IN GENERAL.—Subsection (k) of section 6103 of
 12 the Internal Revenue Code of 1986 is amended by adding
 13 at the end the following new paragraph:

14 “(11) DISCLOSURE OF CERTAIN RETURN IN-
 15 FORMATION IN CONNECTION WITH IDENTITY THEFT
 16 AND FRAUDULENT RETURNS.—

17 “(A) IN GENERAL.—In the case of an in-
 18 vestigation pertaining to the misuse of the iden-
 19 tity of another person for purposes of filing a
 20 false or fraudulent return of tax, upon receipt
 21 of a written request which meets the require-
 22 ments of subparagraph (C), the Secretary may
 23 disclose return information to officers and em-
 24 ployees of any Federal law enforcement agency,
 25 or any officers and employees of any State or

1 local law enforcement agency, who are person-
2 ally and directly engaged in the investigation of
3 any crimes implicated in such misuse, but only
4 if any such law enforcement agency is part of
5 a team with the Internal Revenue Service in
6 such investigation.

7 “(B) LIMITATION ON USE OF INFORMA-
8 TION.—Information disclosed under this sub-
9 paragraph shall be solely for the use of such of-
10 ficers and employees to whom such information
11 is disclosed in such investigation.

12 “(C) REQUIREMENTS.—A request meets
13 the requirements of this clause if—

14 “(i) the request is made by the head
15 of the agency (or his delegate) involved in
16 such investigation, and

17 “(ii) the request sets forth the specific
18 reason why such disclosure may be rel-
19 evant to the investigation.”.

20 (b) CONFORMING AMENDMENTS.—

21 (1) Paragraph (2) of section 6103(a) of such
22 Code is amended by inserting “or (k)(11)” after
23 “subsection (i)(7)(A)”.

1 (2) Paragraph (4) of section 6103(p) of such
 2 Code is amended in the matter preceding subpara-
 3 graph (A) by inserting “or (11)” after “(k)(10)”.

4 (3) Paragraph (2) of section 7213(a) of such
 5 Code is amended by inserting “(k)(11),” after
 6 “(7)(A)(i),”.

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

10 **SEC. 4. CRIMINAL PENALTY FOR USING A FALSE IDENTITY**
 11 **IN CONNECTION WITH TAX FRAUD.**

12 (a) IN GENERAL.—Section 7207 of the Internal Rev-
 13 enue Code of 1986 is amended—

14 (1) by striking “Any person who willfully” and
 15 inserting the following:

16 “(a) IN GENERAL.—Any person who willfully”,

17 (2) by striking “Any person required” and in-
 18 serting the following:

19 “(b) INFORMATION IN CONNECTION WITH CERTAIN
 20 EXEMPT ORGANIZATIONS.—Any person required”, and

21 (3) by adding at the end the following:

22 “(c) MISAPPROPRIATION OF IDENTITY.—Any person
 23 who knowingly or willfully misappropriates another per-
 24 son’s tax identification number in connection with any list,
 25 return, account, statement, or other document submitted

1 to the Secretary shall be fined not less than \$25,000
2 (\$200,000 in the case of a corporation), or imprisoned not
3 more than 5 years, or both, together with the costs of
4 prosecution.”.

5 (b) EFFECTIVE DATE.—The amendments made by
6 this section shall apply to returns and information sub-
7 mitted after the date of the enactment of this Act.

8 **SEC. 5. INCREASED PENALTY FOR IMPROPER DISCLOSURE**
9 **OR USE OF INFORMATION BY PREPARERS OF**
10 **RETURNS.**

11 (a) IN GENERAL.—Section 6713(a) of the Internal
12 Revenue Code of 1986 is amended—

13 (1) by striking “\$250” and inserting “\$1,000”,
14 and

15 (2) by striking “\$10,000” and inserting
16 “\$50,000”.

17 (b) CRIMINAL PENALTY.—Section 7216(a) of the In-
18 ternal Revenue Code of 1986 is amended by striking
19 “\$1,000” and inserting “\$100,000”.

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

1 **SEC. 6. PIN SYSTEM FOR PREVENTION OF IDENTITY THEFT**
2 **TAX FRAUD.**

3 Not later than 1 year after the date of the enactment
4 of this Act, the Secretary of the Treasury (or the Sec-
5 retary's delegate) shall implement an identify theft tax
6 fraud prevention program under which—

7 (1) a person who has filed an identity theft affi-
8 davit with the Secretary may elect—

9 (A) to be provided with a unique personal
10 identification number to be included on any
11 Federal tax return filed by such person, or

12 (B) to prevent the processing of any Fed-
13 eral tax return submitted in an electronic for-
14 mat by a person purporting to be such person,
15 and

16 (2) the Secretary will provide additional identity
17 verification safeguards for the processing of any
18 Federal tax return filed by a person described in
19 paragraph (1) in cases where a unique personal
20 identification number is not included on the return.

21 **SEC. 7. PREVENTION OF FRAUDULENT REFUNDS.**

22 (a) IN GENERAL.—The Secretary of the Treasury (or
23 the Secretary's delegate) shall establish a fraudulent tax
24 refund prevention program under which—

1 (1) additional triggers are added to the refund
 2 database to identify potentially fraudulent tax re-
 3 funds, and

4 (2) the legitimacy of the refund claim can be
 5 promptly determined before the distribution of the
 6 refund.

7 (b) **MULTIPLE REFUNDS TO SAME DEBIT CARD.—**

8 The additional triggers added under subsection (a)(1)
 9 shall include identification of requests for multiple refunds
 10 to be paid to the same debit card.

11 **SEC. 8. AUTHORITY TO TRANSFER INTERNAL REVENUE**

12 **SERVICE APPROPRIATIONS TO USE FOR TAX**

13 **FRAUD ENFORCEMENT.**

14 For any fiscal year, the Commissioner of Internal
 15 Revenue may transfer not more than \$10,000,000 to the
 16 “Enforcement” account of the Internal Revenue Service
 17 from amounts appropriated to other Internal Revenue
 18 Service accounts. Any amounts so transferred shall be
 19 used solely for the purposes of preventing and resolving
 20 potential cases of tax fraud.

21 **SEC. 9. LOCAL LAW ENFORCEMENT LIAISON.**

22 (a) **ESTABLISHMENT.**—The Commissioner of Inter-
 23 nal Revenue shall establish within the Criminal Investiga-
 24 tion Division of the Internal Revenue Service the position
 25 of Local Law Enforcement Liaison.

1 (b) DUTIES.—The Local Law Enforcement Liaison
2 shall—

3 (1) coordinate the investigation of tax fraud
4 with State and local law enforcement agencies;

5 (2) communicate the status of tax fraud cases
6 involving identity theft, and

7 (3) carry out such other duties as delegated by
8 the Commissioner of Internal Revenue.

9 **SEC. 10. REPORT ON TAX FRAUD.**

10 Subsection (a) of section 7803 of the Internal Rev-
11 enue Code of 1986 is amended by adding at the end the
12 following new paragraph:

13 “(4) ANNUAL REPORT ON TAX FRAUD.—The
14 Commissioner shall submit to the Committee on Fi-
15 nance of the Senate and the Committee on Ways
16 and Means of the House of Representatives an an-
17 nual report detailing—

18 “(A) the number of reports of tax fraud
19 and suspected tax fraud received from State
20 and local law enforcement agencies in the pre-
21 ceding year, and

22 “(B) the actions taken in response to such
23 reports.”.

1 **SEC. 11. STUDY ON THE USE OF PREPAID DEBIT CARDS**
2 **AND COMMERCIAL TAX PREPARATION SOFT-**
3 **WARE IN TAX FRAUD.**

4 (a) IN GENERAL.—The Comptroller General shall
5 conduct a study to examine the role of prepaid debit cards
6 and commercial tax preparation software in facilitating
7 fraudulent tax returns through identity theft.

8 (b) REPORT.—Not later than 1 year after the date
9 of the enactment of this Act, the Comptroller General shall
10 submit to the Committee on Finance of the Senate and
11 the Committee on Ways and Means of the House of Rep-
12 resentatives a report with the results of the study con-
13 ducted under subsection (a), together with any rec-
14 ommendations.

15 **SEC. 12. RESTRICTION ON ACCESS TO THE DEATH MASTER**
16 **FILE.**

17 (a) IN GENERAL.—The Secretary of Commerce shall
18 not disclose information contained on the Death Master
19 File to any person with respect to any individual who has
20 died at any time during the calendar year in which the
21 request for disclosure is made or the succeeding calendar
22 year unless such person is certified under the program es-
23 tablished under subsection (b).

24 (b) CERTIFICATION PROGRAM.—

25 (1) IN GENERAL.—The Secretary of Commerce
26 shall establish a program to certify persons who are

1 eligible to access the information described in sub-
2 section (a) contained on the Death Master File.

3 (2) CERTIFICATION.—A person shall not be cer-
4 tified under the program established under para-
5 graph (1) unless the Secretary determines that such
6 person has a legitimate fraud prevention interest in
7 accessing the information described in subsection
8 (a).

9 (c) IMPOSITION OF PENALTY.—Any person who is
10 certified under the program established under subsection
11 (b), who receives information described in subsection (a),
12 and who during the period of time described in subsection
13 (a)—

14 (1) discloses such information to any other per-
15 son, or

16 (2) uses any such information for any purpose
17 other than to detect or prevent fraud,

18 shall pay a penalty of \$1,000 for each such disclosure or
19 use, but the total amount imposed under this subsection
20 on such a person for any calendar year shall not exceed
21 \$50,000.

22 (d) EXEMPTION FROM FREEDOM OF INFORMATION
23 ACT REQUIREMENT WITH RESPECT TO CERTAIN
24 RECORDS OF DECEASED INDIVIDUALS.—

1 (1) IN GENERAL.—The Social Security Admin-
2 istration shall not be compelled to disclose to any
3 person who is not certified under the program estab-
4 lished under section 9(b) the information described
5 in section 9(a).

6 (2) TREATMENT OF INFORMATION.—For pur-
7 poses of section 552 of title 5, United States Code,
8 this section shall be considered a statute described
9 in subsection (b)(3)(B) of such section 552.

10 **SEC. 13. TREASURY REPORT ON INFORMATION SHARING**

11 **BARRIERS WITH RESPECT TO IDENTITY**

12 **THEFT.**

13 (a) REVIEW.—

14 (1) IN GENERAL.—The Secretary of the Treas-
15 ury (or the Secretary’s delegate) shall review wheth-
16 er current Federal tax laws and regulations related
17 to the confidentiality and disclosure of return infor-
18 mation prevent the effective enforcement of local,
19 State, and Federal identity theft statutes. The re-
20 view shall consider whether greater information
21 sharing between the Internal Revenue Service and
22 State and local law enforcement authorities would
23 improve the enforcement of criminal laws at all lev-
24 els of government.

1 (2) CONSULTATION.—In conducting the review
2 under paragraph (1), the Secretary shall solicit the
3 views of, and consult with, State and local law en-
4 forcement officials.

5 (b) REPORT.—Not later than 180 days after the date
6 of enactment of this Act, the Secretary shall submit a re-
7 port with the results of the review conducted under sub-
8 section (a), along with any legislative recommendations,
9 to the Committee on Finance of the Senate and the Com-
10 mittee on Ways and Means of the House of Representa-
11 tives.

12 **SEC. 14. GRANTS TO INVESTIGATE AND PROSECUTE STATE**
13 **AND LOCAL TAX CRIMES.**

14 (a) GRANT PROGRAM AUTHORIZED.—The Attorney
15 General is authorized to award grants to State and local
16 law enforcement agencies to assist such agencies in the
17 investigation and prosecution of tax crimes.

18 (b) AUTHORIZATION OF APPROPRIATIONS.—For each
19 fiscal year, there are authorized to be appropriated to
20 carry out this section, from amounts made available in
21 each such fiscal year to carry out the Edward Byrne Me-
22 morial Justice Assistance Grants program under part E
23 of title I of the Omnibus Crime Control and Safe Streets
24 Act of 1968 (42 U.S.C. 3750 et seq.), \$50,000,000.

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