

113TH CONGRESS
2D SESSION

S. 2215

To protect taxpayers from improper audits by the Internal Revenue Service.

IN THE SENATE OF THE UNITED STATES

APRIL 7, 2014

Mr. CORNYN introduced the following bill; which was read twice and referred
to the Committee on Finance

A BILL

To protect taxpayers from improper audits by the Internal
Revenue Service.

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; TABLE OF CONTENTS.**

4 (a) SHORT TITLE.—This Act may be cited as the
5 “Eliminating Improper and Abusive IRS Audits Act of
6 2014”.

7 (b) TABLE OF CONTENTS.—The table of contents of
8 this Act is as follows:

Sec. 1. Short title; table of contents.

Sec. 2. Civil damages allowed for reckless or intentional disregard of internal
revenue laws.

Sec. 3. Modifications relating to certain offenses by officers and employees in
connection with revenue laws.

Sec. 4. Modifications relating to civil damages for unauthorized inspection or disclosure of returns and return information.

Sec. 5. Extension of time for contesting IRS levy.

Sec. 6. Increase in monetary penalties for certain unauthorized disclosures of information.

Sec. 7. Ban on raising new issues on appeal.

Sec. 8. Limitation on enforcement of liens against principal residences.

Sec. 9. Additional provisions relating to mandatory termination for misconduct.

Sec. 10. Extension of declaratory judgment procedures to social welfare organizations.

Sec. 11. Review by the Treasury Inspector General for Tax Administration.

1 **SEC. 2. CIVIL DAMAGES ALLOWED FOR RECKLESS OR IN-**
 2 **TENTIONAL DISREGARD OF INTERNAL REV-**
 3 **ENUE LAWS.**

4 (a) INCREASE IN AMOUNT OF DAMAGES.—Section
 5 7433(b) of the Internal Revenue Code of 1986 is amended
 6 by striking “\$1,000,000 (\$100,000, in the case of neg-
 7 ligence)” and inserting “\$3,000,000 (\$300,000, in the
 8 case of negligence)”.

9 (b) EXTENSION OF TIME TO BRING ACTION.—Sec-
 10 tion 7433(d)(3) of the Internal Revenue Code of 1986 is
 11 amended by striking “2 years” and inserting “5 years”.

12 (c) EFFECTIVE DATE.—The amendments made by
 13 this section shall apply to actions of employees of the In-
 14 ternal Revenue Service after the date of the enactment
 15 of this Act.

16 **SEC. 3. MODIFICATIONS RELATING TO CERTAIN OFFENSES**
 17 **BY OFFICERS AND EMPLOYEES IN CONNEC-**
 18 **TION WITH REVENUE LAWS.**

19 (a) INCREASE IN PENALTY.—Section 7214 of the In-
 20 ternal Revenue Code of 1986 is amended—

1 (1) by striking “\$10,000” in subsection (a) and
 2 inserting “\$25,000”, and

3 (2) by striking “\$5,000” in subsection (b) and
 4 inserting “\$10,000”.

5 (b) EFFECTIVE DATE.—The amendments made by
 6 this section shall take effect on the date of the enactment
 7 of this Act.

8 **SEC. 4. MODIFICATIONS RELATING TO CIVIL DAMAGES FOR**
 9 **UNAUTHORIZED INSPECTION OR DISCLO-**
 10 **SURE OF RETURNS AND RETURN INFORMA-**
 11 **TION.**

12 (a) INCREASE IN AMOUNT OF DAMAGES.—Subpara-
 13 graph (A) of section 7431(c)(1) of the Internal Revenue
 14 Code of 1986 is amended by striking “\$1,000” and insert-
 15 ing “\$10,000”.

16 (b) EFFECTIVE DATE.—The amendment made by
 17 this section shall apply to inspections and disclosure occur-
 18 ring on and after the date of the enactment of this Act.

19 **SEC. 5. EXTENSION OF TIME FOR CONTESTING IRS LEVY.**

20 (a) EXTENSION OF TIME FOR RETURN OF PROPERTY
 21 SUBJECT TO LEVY.—Subsection (b) of section 6343 of the
 22 Internal Revenue Code of 1986 is amended by striking “9
 23 months” and inserting “3 years”.

1 (b) PERIOD OF LIMITATION ON SUITS.—Subsection
 2 (c) of section 6532 of the Internal Revenue Code of 1986
 3 is amended—

4 (1) in paragraph (1) by striking “9 months”
 5 and inserting “3 years”, and

6 (2) in paragraph (2) by striking “9-month” and
 7 inserting “3-year”.

8 (c) EFFECTIVE DATE.—The amendments made by
 9 this section shall apply to—

10 (1) levies made after the date of the enactment
 11 of this Act, and

12 (2) levies made on or before such date if the 9-
 13 month period has not expired under section 6343(b)
 14 of the Internal Revenue Code of 1986 (without re-
 15 gard to this section) as of such date.

16 **SEC. 6. INCREASE IN MONETARY PENALTIES FOR CERTAIN**
 17 **UNAUTHORIZED DISCLOSURES OF INFORMA-**
 18 **TION.**

19 (a) IN GENERAL.—Paragraphs (1), (2), (3), and (4)
 20 of section 7213(a) of the Internal Revenue Code of 1986
 21 are each amended by striking “\$5,000” and inserting
 22 “\$10,000”.

23 (b) EFFECTIVE DATE.—The amendments made by
 24 this section shall apply to disclosures made after the date
 25 of the enactment of this Act.

1 **SEC. 7. BAN ON RAISING NEW ISSUES ON APPEAL.**

2 (a) IN GENERAL.—Chapter 77 of the Internal Rev-
 3 enue Code of 1986 is amended by adding at the end the
 4 following new section:

5 **“SEC. 7529. PROHIBITION ON INTERNAL REVENUE SERVICE**
 6 **RAISING NEW ISSUES IN AN INTERNAL AP-**
 7 **PEAL.**

8 “(a) IN GENERAL.—In reviewing an appeal of any
 9 determination initially made by the Internal Revenue
 10 Service, the Internal Revenue Service Office of Appeals
 11 may not consider or decide any issue that is not within
 12 the scope of the initial determination.

13 “(b) CERTAIN ISSUES DEEMED OUTSIDE OF SCOPE
 14 OF DETERMINATION.—For purposes of subsection (a), the
 15 following matters shall be considered to be not within the
 16 scope of a determination:

17 “(1) Any issue that was not raised in a notice
 18 of deficiency or an examiner’s report which is the
 19 subject of the appeal.

20 “(2) Any deficiency in tax which was not in-
 21 cluded in the initial determination.

22 “(3) Any theory or justification for a tax defi-
 23 ciency which was not considered in the initial deter-
 24 mination.

25 “(c) NO INFERENCE WITH RESPECT TO ISSUES
 26 RAISED BY TAXPAYERS.—Nothing in this section shall be

1 construed to provide any limitation in addition to any limi-
 2 tations in effect on the date of the enactment of this sec-
 3 tion on the right of a taxpayer to raise an issue, theory,
 4 or justification on an appeal from a determination initially
 5 made by the Internal Revenue Service that was not within
 6 the scope of the initial determination.”.

7 (b) CLERICAL AMENDMENT.—The table of sections
 8 for chapter 77 of such Code is amended by adding at the
 9 end the following new item:

“Sec. 7529. Prohibition on Internal Revenue Service raising new issues in an
 internal appeal.”.

10 (c) EFFECTIVE DATE.—The amendments made by
 11 this section shall apply to matters filed or pending with
 12 the Internal Revenue Service Office of Appeals on or after
 13 the date of the enactment of this Act.

14 **SEC. 8. LIMITATION ON ENFORCEMENT OF LIENS AGAINST**
 15 **PRINCIPAL RESIDENCES.**

16 (a) IN GENERAL.—Section 7403(a) of the Internal
 17 Revenue Code of 1986 is amended—

18 (1) by striking “In any case” and inserting the
 19 following:

20 “(1) IN GENERAL.—In any case”, and

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

23 “(2) LIMITATION WITH RESPECT TO PRINCIPAL
 24 RESIDENCE.—

1 “(A) IN GENERAL.—Paragraph (1) shall
 2 not apply to any property used as the principal
 3 residence of the taxpayer (within the meaning
 4 of section 121) unless the Secretary of the
 5 Treasury makes a written determination that—

6 “(i) all other property of the taxpayer,
 7 if sold, is insufficient to pay the tax or dis-
 8 charge the liability, and

9 “(ii) such action will not create an
 10 economic hardship for the taxpayer.

11 “(B) DELEGATION.—For purposes of this
 12 paragraph, the Secretary of the Treasury may
 13 not delegate any responsibilities under subpara-
 14 graph (A) to any person other than—

15 “(i) the Commissioner of Internal
 16 Revenue, or

17 “(ii) a district director or assistant
 18 district director of the Internal Revenue
 19 Service.”.

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

1 **SEC. 9. ADDITIONAL PROVISIONS RELATING TO MANDA-**
 2 **TORY TERMINATION FOR MISCONDUCT.**

3 (a) TERMINATION OF UNEMPLOYMENT FOR INAP-
 4 PROPRIATE REVIEW OF TAX-EXEMPT STATUS.—Section
 5 1203(b) of the Internal Revenue Service Restructuring
 6 and Reform Act of 1998 (26 U.S.C. 7804 note) is amend-
 7 ed by striking “and” at the end of paragraph (9), by strik-
 8 ing the period at the end of paragraph (10) and inserting
 9 “; and”, and by adding at the end the following new para-
 10 graph:

11 “(11) in the case of any review of an applica-
 12 tion for tax-exempt status by an organization de-
 13 scribed in section 501(c) of the Internal Revenue
 14 Code of 1986, developing or using any methodology
 15 that applies disproportionate scrutiny to any appli-
 16 cant based on the ideology expressed in the name or
 17 purpose of the organization.”.

18 (b) MANDATORY UNPAID ADMINISTRATIVE LEAVE
 19 FOR MISCONDUCT.—Paragraph (1) of Section 1203(c) of
 20 the Internal Revenue Service Restructuring and Reform
 21 Act of 1998 (26 U.S.C. 7804 note) is amended by adding
 22 at the end the following new sentence: “Notwithstanding
 23 the preceding sentence, if the Commissioner of Internal
 24 Revenue takes a personnel action other than termination
 25 for an act or omission described in subsection (b), the

1 Commissioner shall place the employee on unpaid adminis-
 2 trative leave for a period of not less than 30 days.”.

3 (c) LIMITATION ON ALTERNATIVE PUNISHMENT.—
 4 Paragraph (1) of section 1203(c) of the Internal Revenue
 5 Service Restructuring and Reform Act of 1998 (26 U.S.C.
 6 7804 note) is amended by striking “The Commissioner”
 7 and inserting “Except in the case of an act or omission
 8 described in subsection (b)(3)(A), the Commissioner”.

9 **SEC. 10. EXTENSION OF DECLARATORY JUDGMENT PROCE-**
 10 **DURES TO SOCIAL WELFARE ORGANIZA-**
 11 **TIONS.**

12 (a) IN GENERAL.—Section 7428(a)(1) of the Internal
 13 Revenue Code of 1986 is amended by striking “or” at the
 14 end of subparagraph (C) and by adding at the end the
 15 following new subparagraph:

16 “(E) with respect to the initial classifica-
 17 tion or continuing classification of an organiza-
 18 tion described in section 501(c)(4) which is ex-
 19 empt from tax under section 501(a), or”.

20 (b) EFFECTIVE DATE.—The amendments made by
 21 this section shall apply with respect to pleading filed after
 22 the date of the enactment of this Act.

1 **SEC. 11. REVIEW BY THE TREASURY INSPECTOR GENERAL**
2 **FOR TAX ADMINISTRATION.**

3 (a) REVIEW.—Subsection (k)(1) of section 8D of the
4 Inspector General Act of 1978 (5 U.S.C. App.) is amend-
5 ed—

6 (1) in subparagraph (C), by striking “and” at
7 the end;

8 (2) by redesignating subparagraph (D) as sub-
9 paragraph (E);

10 (3) by inserting after subparagraph (C) the fol-
11 lowing new subparagraph:

12 “(D) shall—

13 “(i) review any criteria employed by
14 the Internal Revenue Service to select tax
15 returns (including applications for recogni-
16 tion of tax-exempt status) for examination
17 or audit, assessment or collection of defi-
18 ciencies, criminal investigation or referral,
19 refunds for amounts paid, or any height-
20 ened scrutiny or review in order to deter-
21 mine whether the criteria discriminates
22 against taxpayers on the basis of race, reli-
23 gion, or political ideology; and

24 “(ii) consult with the Internal Rev-
25 enue Service on recommended amendments
26 to such criteria in order to eliminate any

1 discrimination identified pursuant to the
2 review described in clause (i); and”; and
3 (4) in subparagraph (E), as so redesignated, by
4 striking “and (C)” and inserting “(C), and (D)”.

5 (b) SEMIANNUAL REPORT.—Subsection (g) of such
6 section is amended by adding at the end the following new
7 paragraph:

8 “(3) Any semiannual report made by the Treas-
9 ury Inspector General for Tax Administration that is
10 required pursuant to section 5(a) shall include—

11 “(A) a statement affirming that the Treas-
12 ury Inspector General for Tax Administration
13 has reviewed the criteria described in subsection
14 (k)(1)(D) and consulted with the Internal Rev-
15 enue Service regarding such criteria; and

16 “(B) a description and explanation of any
17 such criteria that was identified as discrimina-
18 tory by the Treasury Inspector General for Tax
19 Administration.”.

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