

114TH CONGRESS
1ST SESSION

H. R. 3981

To amend the Internal Revenue Code of 1986 to prevent tax-related identity theft and tax fraud, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

NOVEMBER 5, 2015

Mr. PASCRELL (for himself, Mr. BLUMENAUER, Mr. THOMPSON of California, and Mr. LARSON of Connecticut) introduced the following bill; which was referred to the Committee on Ways and Means, and in addition to the Committees on Energy and Commerce, the Judiciary, Financial Services, and Appropriations, 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 amend the Internal Revenue Code of 1986 to prevent tax-related identity theft and tax fraud, 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) IN GENERAL.—This Act may be cited as the
5 “Identity Theft and Tax Fraud Prevention Act of 2015”.

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

Sec. 1. Short title; etc.

TITLE I—PROTECTING VICTIMS OF TAX-RELATED IDENTITY THEFT

- Sec. 101. Expedited refunds for identity theft victims.
- Sec. 102. Single point of contact for identity theft victims.
- Sec. 103. Enhancements to IRS PIN Program.
- Sec. 104. Electronic filing opt out.
- Sec. 105. Taxpayer notification of suspected identity theft.

TITLE II—SHUTTING DOWN ABUSIVE IDENTITY THEFT AND TAX FRAUD SCHEMES

- Sec. 201. Restrictions on ability to use prepaid cards for tax fraud.
- Sec. 202. Limitation on multiple tax refunds to the same account.

TITLE III—ADDING CRITICAL NEW PROTECTIONS TO SAFEGUARD SOCIAL SECURITY NUMBERS

- Sec. 301. Reducing medical identity theft.
- Sec. 302. Prohibition of the display, sale, or purchase of Social Security numbers.
- Sec. 303. Criminal penalties for the misuse of a Social Security number.
- Sec. 304. Civil actions and civil penalties.

TITLE IV—STRENGTHENING LAWS AND IMPROVING ENFORCEMENT AGAINST TAX-RELATED IDENTITY THEFT

- Sec. 401. Criminal penalty for using a false identity in connection with tax fraud.
- Sec. 402. Increased penalty for improper disclosure or use of information by preparers of returns.
- Sec. 403. Authority to transfer Internal Revenue Service appropriations to combat tax fraud.
- Sec. 404. Local law enforcement liaison.
- Sec. 405. Extend Internal Revenue Service authority to require truncated social security numbers on Form W-2.
- Sec. 406. Clarification with respect to regulation of Federal tax return preparers.
- Sec. 407. Authentication of users of electronic services accounts.
- Sec. 408. Identity verification by tax return preparers required.

TITLE V—ACCELERATING TRANSITION TO A REAL-TIME TAX SYSTEM THAT PROTECTS TAXPAYERS AND REDUCES FRAUD

- Sec. 501. Improvement in access to information in the National Directory of New Hires for tax administration purposes.
- Sec. 502. Plan of action for transitioning to a real-time tax system.

1 **TITLE I—PROTECTING VICTIMS**
2 **OF TAX-RELATED IDENTITY**
3 **THEFT**

4 **SEC. 101. EXPEDITED REFUNDS FOR IDENTITY THEFT VIC-**
5 **TIMS.**

6 Not later than 180 days after the date of the enact-
7 ment of this Act, the Secretary of the Treasury, or the
8 Secretary's delegate, shall establish a plan of action to re-
9 duce the administrative time required to process and re-
10 solve cases of identity theft in connection with tax returns,
11 including the issuance of refunds to legitimate taxpayers,
12 to no more than 90 days, on average.

13 **SEC. 102. SINGLE POINT OF CONTACT FOR IDENTITY THEFT**
14 **VICTIMS.**

15 Not later than 180 days after the date of the enact-
16 ment of this Act, the Secretary of the Treasury, or the
17 Secretary's delegate, shall establish new procedures to en-
18 sure that any taxpayer whose return has been delayed or
19 otherwise adversely affected due to identity theft has a
20 single point of contact at the Internal Revenue Service
21 throughout the processing of his or her case. The single
22 point of contact shall track the case of the taxpayer from
23 start to finish and coordinate with other specialized units
24 to resolve case issues as quickly as possible.

1 **SEC. 103. ENHANCEMENTS TO IRS PIN PROGRAM.**

2 (a) IN GENERAL.—The Secretary of the Treasury, or
3 the Secretary’s delegate, shall issue a personal identifica-
4 tion number to any individual requesting protection from
5 identity theft-related tax fraud after the individual’s true
6 identity has been established and verified.

7 (b) REPORT.—Not later than 360 days after the date
8 of the enactment of this Act, the Secretary of the Treasury
9 shall submit to Congress a report analyzing the effective-
10 ness of the program described in subsection (a) in reduc-
11 ing tax fraud.

12 **SEC. 104. ELECTRONIC FILING OPT OUT.**

13 Not later than 180 days after the date of the enact-
14 ment of this Act, the Secretary of the Treasury, or the
15 Secretary’s delegate, shall implement a program under
16 which a person who has filed an identity theft affidavit
17 with the Secretary may elect to prevent the processing of
18 any Federal tax return submitted in an electronic format
19 by a person purporting to be such a person.

20 **SEC. 105. TAXPAYER NOTIFICATION OF SUSPECTED IDEN-**
21 **TITY THEFT.**

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

1 **“SEC. 7529. NOTIFICATION OF SUSPECTED IDENTITY**
 2 **THEFT.**

3 “If the Secretary determines that there was an unau-
 4 thorized use of the identity of any taxpayer, the Secretary
 5 shall—

6 “(1) as soon as practicable and without jeop-
 7 ardizing an investigation relating to tax administra-
 8 tion, notify the taxpayer, and

9 “(2) if any person is criminally charged by in-
 10 dictment or information relating to such unauthor-
 11 ized use, notify such taxpayer as soon as practicable
 12 of such charge.”.

13 (b) CLERICAL AMENDMENT.—The table of sections
 14 for chapter 77 of the Internal Revenue Code of 1986 is
 15 amended by adding at the end the following new item:

“Sec. 7529. Notification of suspected identity theft.”.

16 (c) EFFECTIVE DATE.—The amendments made by
 17 this section shall apply to determinations made after the
 18 date of the enactment of this Act.

19 **TITLE II—SHUTTING DOWN ABU-**
 20 **SIVE IDENTITY THEFT AND**
 21 **TAX FRAUD SCHEMES**

22 **SEC. 201. RESTRICTIONS ON ABILITY TO USE PREPAID**
 23 **CARDS FOR TAX FRAUD.**

24 (a) ACCOUNTS WITH ELEVATED RISK OF IDENTITY
 25 THEFT.—

1 (1) IN GENERAL.—Not later than 360 days
2 after the date of the enactment of this Act, the Fed-
3 eral primary financial regulatory agencies, in con-
4 sultation with the Secretary of the Treasury, shall
5 jointly prescribe regulations requiring newly issued
6 deposit or transaction account numbers, as the case
7 may be, to be distinguishable between verified ac-
8 counts and at-risk accounts.

9 (2) DEFINITIONS.—As used in this section—

10 (A) the term “at-risk account” means any
11 deposit account or transaction account, includ-
12 ing accounts associated with a prepaid access
13 arrangement, that is not a verified account;

14 (B) the term “primary financial regulatory
15 agency” has the same meaning as in section
16 2(12) of the Dodd-Frank Wall Street Reform
17 and Consumer Protection Act (12 U.S.C.
18 5301(12)); and

19 (C) the term “verified account” means any
20 deposit account or transaction account in which
21 the identity of the account holder and any pre-
22 paid access customer associated with the ac-
23 count is verified by—

1 (i) customer identification procedures
2 that comply with section 5318(l) of title
3 31, United States Code; and

4 (ii) direct review of an original, unex-
5 pired government-issued form of identifica-
6 tion bearing a photograph or similar safe-
7 guard, such as a driver's license or pass-
8 port.

9 (b) GAO AUDIT OF DEBIT CARD ISSUERS TO EN-
10 SURE COMPLIANCE WITH CUSTOMER IDENTIFICATION
11 REQUIREMENTS.—

12 (1) REVIEW AND EVALUATION.—The Comp-
13 troller General of the United States shall review and
14 evaluate the effectiveness of the current Customer
15 Identification Program rules implementing the cus-
16 tomer identification program requirements under
17 section 5318(l) of title 31, United States Code, as
18 such rules apply to the prepaid card industry.

19 (2) REQUIRED CONSIDERATIONS.—The review
20 and evaluation required under paragraph (1) shall—

21 (A) consider whether weaknesses in cur-
22 rent customer identification programs are con-
23 tributing to identity theft and financial loss,
24 particularly with respect to tax fraud; and

25 (B) review whether—

1 (i) current risk-based standards for
2 customer identification are the best means
3 to prevent criminal use of prepaid cards
4 and provide sufficient guidance and cer-
5 tainty to the sellers and providers of pre-
6 paid access;

7 (ii) current exclusions from customer
8 identification requirements, such as exclu-
9 sions for government benefit programs, are
10 appropriate; and

11 (iii) Federal regulatory agencies exer-
12 cise adequate oversight and supervision of
13 customer identification practices of the
14 prepaid card industry.

15 (3) REPORT TO CONGRESS.—Not later than
16 360 days after the date of the enactment of this Act,
17 the Comptroller General of the United States shall
18 submit to Congress a report—

19 (A) on the findings of the review and eval-
20 uation required under paragraph (1); and

21 (B) containing any recommendations or
22 proposals for legislative or administrative action
23 to improve the customer identification practices
24 of the prepaid card industry.

1 **SEC. 202. LIMITATION ON MULTIPLE TAX REFUNDS TO THE**
 2 **SAME ACCOUNT.**

3 (a) IN GENERAL.—Not later than 180 days after the
 4 date of the enactment of this Act, the Secretary of the
 5 Treasury, or the Secretary’s delegate, shall issue regula-
 6 tions that restrict the delivery or deposit of multiple tax
 7 refunds from the same tax year to the same individual
 8 account or mailing address.

9 (b) EXCEPTION.—The regulation promulgated under
 10 subsection (a) shall provide that the restrictions shall not
 11 apply in cases and situations where the Secretary deter-
 12 mines there is not a likelihood of tax fraud.

13 **TITLE III—ADDING CRITICAL**
 14 **NEW PROTECTIONS TO SAFE-**
 15 **GUARD SOCIAL SECURITY**
 16 **NUMBERS**

17 **SEC. 301. REDUCING MEDICAL IDENTITY THEFT.**

18 (a) REDUCTION IN RELIANCE ON SOCIAL SECURITY
 19 ACCOUNT NUMBERS IN ELECTRONIC HEALTH
 20 RECORDS.—Section 3002 of the Public Health Service Act
 21 (42 U.S.C. 300jj–12) is amended by adding at the end
 22 the following:

23 “(f) AUTHORIZATION TO DEVELOP CERTIFICATION
 24 STANDARDS.—

25 “(1) PLAN.—

1 “(A) DEVELOPMENT.—The HIT Policy
2 Committee shall develop a plan to provide for a
3 reliable nationwide health information tech-
4 nology infrastructure that precludes the use of
5 an individual’s social security account number
6 for data matching, coordination of benefits, bill-
7 ing, and research purposes.

8 “(B) REPORT TO CONGRESS.—Not later
9 than 1 year after the date of the enactment of
10 this subsection, the HIT Policy Committee shall
11 submit to Congress a report detailing the plan
12 developed under paragraph (1), together with
13 recommendations for such legislation and ad-
14 ministrative action as the HIT Policy Com-
15 mittee determines appropriate.

16 “(2) INCORPORATION.—Not later than 5 years
17 after the date of the enactment of this subsection,
18 the Secretary, in consultation with the HIT Stand-
19 ards Committee and following notice and comment
20 rulemaking, shall incorporate the plan developed
21 under paragraph (1)(A) in certification criteria and
22 use all means available to impose the plan on non-
23 certified health information systems.”.

24 (b) IMPROVED SECURITY STANDARDS.—

1 (1) IN GENERAL.—Section 1173(d)(1) of the
2 Social Security Act (42 U.S.C. 1320d–2(d)(1)) is
3 amended—

4 (A) in subparagraph (A)(v), by striking
5 “and” at the end;

6 (B) in subparagraph (B), by striking the
7 period at the end and inserting “; and”; and

8 (C) by adding at the end the following new
9 subparagraph:

10 “(C) require a health care provider to dis-
11 continue, over an established period of time, the
12 storage of an individual’s social security ac-
13 count number after the individual’s eligibility
14 and financial responsibility for specific services
15 has been determined, except when—

16 “(i) the individual’s ability to pay for
17 such services is in doubt;

18 “(ii) the individual’s social security
19 account number is needed for the coordina-
20 tion of benefits for services rendered prior
21 to the effective date of this subparagraph;
22 or

23 “(iii) the health insurance claim num-
24 ber of the individual contains the individ-
25 ual’s full social security account number.”.

1 (2) EFFECTIVE DATE.—The amendments made
 2 by paragraph (1) shall take effect 90 days after the
 3 date that is 4 years after the date of the enactment
 4 of this Act.

5 (c) REPORT.—Not later than 1 year after the date
 6 of the enactment of this Act, the Secretary of Health and
 7 Human Services shall submit to Congress a report on the
 8 state of information security at medical offices and facili-
 9 ties. Such report shall include recommendations for such
 10 legislative actions as the Secretary determines appropriate
 11 to help prevent identity theft at such offices and facilities.

12 **SEC. 302. PROHIBITION OF THE DISPLAY, SALE, OR PUR-**
 13 **CHASE OF SOCIAL SECURITY NUMBERS.**

14 (a) PROHIBITION.—

15 (1) IN GENERAL.—Chapter 47 of title 18,
 16 United States Code, is amended by inserting after
 17 section 1028A the following:

18 **“§ 1028B. Prohibition of the display, sale, or purchase**
 19 **of Social Security numbers**

20 “(a) DEFINITIONS.—In this section:

21 “(1) DISPLAY.—The term ‘display’ means to in-
 22 tentionally communicate or otherwise make available
 23 (on the Internet or in any other manner) to the gen-
 24 eral public an individual’s Social Security number.

1 “(2) PERSON.—The term ‘person’ means any
2 individual, partnership, corporation, trust, estate, co-
3 operative, association, or any other entity.

4 “(3) PURCHASE.—The term ‘purchase’ means
5 providing directly or indirectly, anything of value in
6 exchange for a Social Security number.

7 “(4) SALE.—The term ‘sale’ means obtaining,
8 directly or indirectly, anything of value in exchange
9 for a Social Security number.

10 “(5) STATE.—The term ‘State’ means any
11 State of the United States, the District of Columbia,
12 Puerto Rico, the Northern Mariana Islands, the
13 United States Virgin Islands, Guam, American
14 Samoa, and any territory or possession of the
15 United States.

16 “(b) LIMITATION ON DISPLAY.—No person may dis-
17 play any individual’s Social Security number to the gen-
18 eral public without the affirmatively expressed consent of
19 the individual.

20 “(c) LIMITATION ON SALE OR PURCHASE.—Except
21 as otherwise provided in this section, no person may sell
22 or purchase any individual’s Social Security number with-
23 out the affirmatively expressed consent of the individual.

24 “(d) PREREQUISITES FOR CONSENT.—In order for
25 consent to exist under subsection (b) or (c), the person

1 displaying or seeking to display, selling or attempting to
2 sell, or purchasing or attempting to purchase, an individ-
3 ual's Social Security number shall—

4 “(1) inform the individual of the general pur-
5 pose for which the number will be used, the types of
6 persons to whom the number may be available, and
7 the scope of transactions permitted by the consent;
8 and

9 “(2) obtain the affirmatively expressed consent
10 (electronically or in writing) of the individual.

11 “(e) EXCEPTIONS.—

12 “(1) IN GENERAL.—Nothing in this section
13 shall be construed to prohibit or limit the display,
14 sale, or purchase of a Social Security number—

15 “(A) required, authorized, or excepted
16 under any Federal law;

17 “(B) for a public health purpose, including
18 the protection of the health or safety of an indi-
19 vidual in an emergency situation;

20 “(C) for a national security purpose;

21 “(D) for a law enforcement purpose, in-
22 cluding the investigation of fraud and the en-
23 forcement of a child support obligation;

24 “(E) if the display, sale, or purchase of the
25 number is for a use occurring as a result of an

1 interaction between businesses, governments, or
2 business and government (regardless of which
3 entity initiates the interaction), including—

4 “(i) the prevention of fraud (including
5 fraud in protecting an employee’s right to
6 employment benefits);

7 “(ii) the facilitation of credit checks
8 or the facilitation of background checks of
9 employees, prospective employees, or volun-
10 teers;

11 “(iii) the retrieval of other informa-
12 tion from other businesses, commercial en-
13 terprises, government entities, or private
14 nonprofit organizations; or

15 “(iv) when the transmission of the
16 number is incidental to, and in the course
17 of, the sale, lease, franchising, or merger
18 of all, or a portion of, a business;

19 “(F) if the transfer of such a number is
20 part of a data matching program involving a
21 Federal, State, or local agency; or

22 “(G) if such number is required to be sub-
23 mitted as part of the process for applying for
24 any type of Federal, State, or local government
25 benefit or program.

1 “(2) RULE OF CONSTRUCTION.—Nothing in
 2 this subsection shall be construed as permitting a
 3 professional or commercial user to display or sell a
 4 Social Security number to the general public.

5 “(f) LIMITATION.—Nothing in this section shall pro-
 6 hibit or limit the display, sale, or purchase of Social Secu-
 7 rity numbers as permitted under title V of the Gramm-
 8 Leach-Bliley Act (15 U.S.C. 6801 et seq.), or for the pur-
 9 pose of affiliate sharing as permitted under the Fair Cred-
 10 it Reporting Act (15 U.S.C. 1681 et seq.), except that no
 11 entity regulated under such Acts may make Social Secu-
 12 rity numbers available to the general public, as may be
 13 determined by the appropriate regulators under such Acts.
 14 For purposes of this subsection, the general public shall
 15 not include affiliates or unaffiliated third-party business
 16 entities as may be defined by the appropriate regulators.”.

17 (2) CONFORMING AMENDMENT.—The chapter
 18 analysis for chapter 47 of title 18, United States
 19 Code, is amended by inserting after the item relating
 20 to section 1028 the following:

“1028B. Prohibition of the display, sale, or purchase of Social Security num-
 bers.”.

21 (b) STUDY; REPORT.—

22 (1) IN GENERAL.—The Attorney General shall
 23 conduct a study and prepare a report on all of the
 24 uses of Social Security numbers permitted, required,

1 authorized, or excepted under any Federal law. The
2 report shall include a detailed description of the uses
3 allowed as of the date of enactment of this Act, the
4 impact of such uses on privacy and data security,
5 and shall evaluate whether such uses should be con-
6 tinued or discontinued by appropriate legislative ac-
7 tion.

8 (2) REPORT.—Not later than 1 year after the
9 date of the enactment of this Act, the Attorney Gen-
10 eral shall report to Congress findings under this
11 subsection. The report shall include such rec-
12 ommendations for legislation based on criteria the
13 Attorney General determines to be appropriate.

14 (c) EFFECTIVE DATE.—The amendments made by
15 this section shall take effect on the date that is 30 days
16 after the date on which the final regulations promulgated
17 under section 1028B of title 18, United States Code, are
18 published in the Federal Register.

19 **SEC. 303. CRIMINAL PENALTIES FOR THE MISUSE OF A SO-**
20 **CIAL SECURITY NUMBER.**

21 (a) PROHIBITION OF WRONGFUL USE AS PERSONAL
22 IDENTIFICATION NUMBER.—No person may obtain any
23 individual's Social Security number for purposes of locat-
24 ing or identifying an individual with the intent to phys-

1 ically injure, harm, or use the identity of the individual
2 for any illegal purpose.

3 (b) CRIMINAL SANCTIONS.—Section 208(a) of the
4 Social Security Act (42 U.S.C. 408(a)) is amended—

5 (1) in paragraph (8), by inserting “or” after
6 the semicolon; and

7 (2) by inserting after paragraph (8) the fol-
8 lowing:

9 “(9) except as provided in subsections (e) and
10 (f) of section 1028B of title 18, United States Code,
11 knowingly and willfully displays, sells, or purchases
12 (as those terms are defined in section 1028B(a) of
13 title 18, United States Code) any individual’s Social
14 Security account number without having met the
15 prerequisites for consent under section 1028B(d) of
16 title 18, United States Code; or

17 “(10) obtains any individual’s Social Security
18 number for the purpose of locating or identifying the
19 individual with the intent to injure or to harm that
20 individual, or to use the identity of that individual
21 for an illegal purpose;”.

22 **SEC. 304. CIVIL ACTIONS AND CIVIL PENALTIES.**

23 (a) CIVIL ACTION IN STATE COURTS.—

24 (1) IN GENERAL.—Any individual aggrieved by
25 an act of any person in violation of this Act or any

1 amendments made by this Act may, if otherwise per-
2 mitted by the laws or rules of the court of a State,
3 bring in an appropriate court of that State—

4 (A) an action to enjoin such violation;

5 (B) an action to recover for actual mone-
6 tary loss from such a violation, or to receive up
7 to \$500 in damages for each such violation,
8 whichever is greater; or

9 (C) both such actions.

10 It shall be an affirmative defense in any action
11 brought under this paragraph that the defendant
12 has established and implemented, with due care, rea-
13 sonable practices and procedures to effectively pre-
14 vent violations of the regulations prescribed under
15 this Act. If the court finds that the defendant will-
16 fully or knowingly violated the regulations prescribed
17 under this subsection, the court may, in its discre-
18 tion, increase the amount of the award to an amount
19 equal to not more than 3 times the amount available
20 under subparagraph (B).

21 (2) STATUTE OF LIMITATIONS.—An action may
22 be commenced under this subsection not later than
23 the earlier of—

24 (A) 5 years after the date on which the al-
25 leged violation occurred; or

1 (B) 3 years after the date on which the al-
2 leged violation was or should have been reason-
3 ably discovered by the aggrieved individual.

4 (3) NONEXCLUSIVE REMEDY.—The remedy pro-
5 vided under this subsection shall be in addition to
6 any other remedies available to the individual.

7 (b) CIVIL PENALTIES.—

8 (1) IN GENERAL.—Any person who the Attor-
9 ney General determines has violated any section of
10 this Act or any of the amendments made by this Act
11 shall be subject, in addition to any other penalties
12 that may be prescribed by law—

13 (A) to a civil penalty of not more than
14 \$5,000 for each such violation; and

15 (B) to a civil penalty of not more than
16 \$50,000, if the violations have occurred with
17 such frequency as to constitute a general busi-
18 ness practice.

19 (2) DETERMINATION OF VIOLATIONS.—Any
20 willful violation committed contemporaneously with
21 respect to the Social Security numbers of 2 or more
22 individuals by means of mail, telecommunication, or
23 otherwise, shall be treated as a separate violation
24 with respect to each such individual.

1 (3) ENFORCEMENT PROCEDURES.—The provi-
2 sions of section 1128A of the Social Security Act
3 (42 U.S.C. 1320a–7a), other than subsections (a),
4 (b), (f), (h), (i), (j), (m), and (n) and the first sen-
5 tence of subsection (c) of such section, and the pro-
6 visions of subsections (d) and (e) of section 205 of
7 such Act (42 U.S.C. 405) shall apply to a civil pen-
8 alty action under this subsection in the same man-
9 ner as such provisions apply to a penalty or pro-
10 ceeding under section 1128A(a) of such Act (42
11 U.S.C. 1320a–7a(a)), except that, for purposes of
12 this paragraph, any reference in section 1128A of
13 such Act (42 U.S.C. 1320a–7a) to the Secretary
14 shall be deemed to be a reference to the Attorney
15 General.

16 **TITLE IV—STRENGTHENING**
17 **LAWS AND IMPROVING EN-**
18 **FORCEMENT AGAINST TAX-**
19 **RELATED IDENTITY THEFT**

20 **SEC. 401. CRIMINAL PENALTY FOR USING A FALSE IDEN-**
21 **TITY IN CONNECTION WITH TAX FRAUD.**

22 (a) IN GENERAL.—Section 7206 of the Internal Rev-
23 enue Code of 1986 is amended—

24 (1) by striking “Any person” and inserting the
25 following:

1 “(a) IN GENERAL.—Any person”, and

2 (2) by adding at the end the following new sub-
3 section:

4 “(b) USE OF FALSE IDENTITY.—Any person who
5 willfully misappropriates another person’s taxpayer iden-
6 tity (as defined in section 6103(b)(6)) for the purpose of
7 making any list, return, account, statement, or other docu-
8 ment submitted to the Secretary under the provisions of
9 this title shall be guilty of a felony and, upon conviction
10 thereof, shall be fined not more than \$250,000 (\$500,000
11 in the case of a corporation) or imprisoned not more than
12 5 years, or both, together with the costs of prosecution.”.

13 (b) AGGRAVATED IDENTITY THEFT.—Section
14 1028A(c) of title 18, United States Code, is amended by
15 striking “or” at the end of paragraph (10), by striking
16 the period at the end of paragraph (11) and inserting “;
17 or”, and by adding at the end the following new para-
18 graph:

19 “(12) section 7206(b) of the Internal Revenue
20 Code of 1986 (relating to use of false identity in
21 connection with tax fraud).”.

22 (c) EFFECTIVE DATE.—The amendments made by
23 this section shall apply to offenses committed after the
24 date of the enactment of this Act.

1 **SEC. 402. INCREASED PENALTY FOR IMPROPER DISCLO-**
2 **SURE OR USE OF INFORMATION BY PRE-**
3 **PARERS OF RETURNS.**

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

6 (1) by striking “\$250” and inserting “\$1,000”,
7 and

8 (2) by striking “\$10,000” and inserting
9 “\$50,000”.

10 (b) CRIMINAL PENALTY.—Section 7216(a) of the In-
11 ternal Revenue Code of 1986 is amended by striking
12 “\$1,000” and inserting “\$100,000”.

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

16 **SEC. 403. AUTHORITY TO TRANSFER INTERNAL REVENUE**
17 **SERVICE APPROPRIATIONS TO COMBAT TAX**
18 **FRAUD.**

19 For any fiscal year, the Commissioner of Internal
20 Revenue may transfer not more than \$10,000,000 to any
21 account of the Internal Revenue Service from amounts ap-
22 propriated to other Internal Revenue Service accounts.
23 Any amounts so transferred shall be used solely for the
24 purposes of preventing, detecting, and resolving potential
25 cases of tax fraud.

1 **SEC. 404. LOCAL LAW ENFORCEMENT LIAISON.**

2 (a) ESTABLISHMENT.—The Commissioner of Internal Revenue shall establish within the Criminal Investigation Division of the Internal Revenue Service the position
3 of Local Law Enforcement Liaison.
4

5 (b) DUTIES.—The Local Law Enforcement Liaison
6 shall serve as the primary source of contact for State and
7 local law enforcement authorities with respect to tax-related identity theft and other tax fraud matters, having
8 duties that shall include—
9

10 (1) receiving information from State and local
11 law enforcement authorities;
12

13 (2) responding to inquiries from State and local
14 law enforcement authorities;
15

16 (3) administering authorized information-sharing initiatives with State or local law enforcement
17 authorities and reviewing the performance of such
18 initiatives;
19

20 (4) ensuring any information provided through
21 authorized information-sharing initiatives with State
22 or local law enforcement authorities is used only for
23 the prosecution of identity theft-related crimes and
24 not re-disclosed to third parties; and
25

(5) any other duties as delegated by the Commissioner of Internal Revenue.

1 **SEC. 405. EXTEND INTERNAL REVENUE SERVICE AUTHOR-**
2 **ITY TO REQUIRE TRUNCATED SOCIAL SECU-**
3 **RITY NUMBERS ON FORM W-2.**

4 (a) IN GENERAL.—Paragraph (2) of section 6051(a)
5 of the Internal Revenue Code of 1986 is amended by strik-
6 ing “his social security number” and inserting “an identi-
7 fying number for the employee”.

8 (b) EFFECTIVE DATE.—The amendment made by
9 this section shall take effect on the date of the enactment
10 of this Act.

11 **SEC. 406. CLARIFICATION WITH RESPECT TO REGULATION**
12 **OF FEDERAL TAX RETURN PREPARERS.**

13 (a) IN GENERAL.—Subsection (a) of section 330 of
14 title 31, United States Code, is amended—

15 (1) by striking paragraph (1) and inserting the
16 following:

17 “(1) regulate—

18 “(A) the practice of representatives of per-
19 sons before the Department of the Treasury;
20 and

21 “(B) the practice of tax return preparers;
22 and”, and

23 (2) in paragraph (2)—

24 (A) by inserting “or tax return preparer”
25 after “representative” each place it appears,
26 and

1 (B) by inserting “or in preparing their tax
2 returns, claims for refund, or documents in con-
3 nection with tax returns or claims for refund”
4 after “cases” in subparagraph (D).

5 (b) AUTHORITY TO SANCTION REGULATED TAX RE-
6 TURN PREPARERS.—Subsection (b) of section 330 of title
7 31, United States Code, is amended—

8 (1) by striking “before the Department”,

9 (2) by inserting “or tax return preparer” after
10 “representative” each place it appears, and

11 (3) in paragraph (4), by striking “misleads or
12 threatens” and all that follows and inserting “mis-
13 leads or threatens—

14 “(A) any person being represented or any
15 prospective person being represented; or

16 “(B) any person or prospective person
17 whose tax return, claim for refund, or document
18 in connection with a tax return or claim for re-
19 fund, is being or may be prepared.”.

20 (c) TAX RETURN PREPARER DEFINED.—Section 330
21 of title 31, United States Code, is amended by adding at
22 the end the following new subsection:

23 “(e) TAX RETURN PREPARER.—For purposes of this
24 section—

1 “(1) IN GENERAL.—The term ‘tax return pre-
2 parer’ has the meaning given such term under sec-
3 tion 7701(a)(36) of the Internal Revenue Code of
4 1986.

5 “(2) TAX RETURN.—The term ‘tax return’ has
6 the meaning given to the term ‘return’ under section
7 6696(e)(1) of the Internal Revenue Code of 1986.

8 “(3) CLAIM FOR REFUND.—The term ‘claim for
9 refund’ has the meaning given such term under sec-
10 tion 6696(e)(2) of such Code.”.

11 **SEC. 407. AUTHENTICATION OF USERS OF ELECTRONIC**
12 **SERVICES ACCOUNTS.**

13 (a) IN GENERAL.—The Commissioner of Internal
14 Revenue shall establish a program to verify the identity
15 of any individual opening an e-Services account with the
16 Internal Revenue Service before such individual is able to
17 use the e-Services tools.

18 (b) REPORT.—The Commissioner of Internal Rev-
19 enue shall report to the Committee on Finance of the Sen-
20 ate and the Committee on Ways and Means of the House
21 of Representatives, not later than 1 year after the date
22 of the enactment of this Act, on any further legislative
23 recommendations to prevent fraud relating to the Internal
24 Revenue Service e-Services tools, including an authorized
25 e-file provider program.

1 **SEC. 408. IDENTITY VERIFICATION BY TAX RETURN PRE-**
 2 **PARERS REQUIRED.**

3 (a) IN GENERAL.—Section 6695 of the Internal Rev-
 4 enue Code of 1986 is amended by adding at the end the
 5 following new subsection:

6 “(i) FAILURE TO VERIFY TAXPAYER IDENTITY.—
 7 Any person who is a tax return preparer with respect to
 8 any return or claim for refund who fails to verify (in such
 9 manner and with such documentation as the Secretary
 10 shall provide) the identity of the taxpayer with respect to
 11 such return or claim for refund shall pay a penalty of
 12 \$500 for each such failure.”.

13 (b) EFFECTIVE DATE.—The amendment made by
 14 this section shall apply to returns or claims for refund
 15 filed after December 31, 2014.

16 **TITLE V—ACCELERATING TRAN-**
 17 **SITION TO A REAL-TIME TAX**
 18 **SYSTEM THAT PROTECTS**
 19 **TAXPAYERS AND REDUCES**
 20 **FRAUD**

21 **SEC. 501. IMPROVEMENT IN ACCESS TO INFORMATION IN**
 22 **THE NATIONAL DIRECTORY OF NEW HIRES**
 23 **FOR TAX ADMINISTRATION PURPOSES.**

24 (a) IN GENERAL.—Paragraph (3) of section 453(i)
 25 of the Social Security Act (42 U.S.C. 653(i)) is amended
 26 to read as follows:

1 “(3) ADMINISTRATION OF FEDERAL TAX
2 LAWS.—The Secretary of the Treasury shall have
3 access to the information in the National Directory
4 of New Hires for purposes of administering the In-
5 ternal Revenue Code of 1986.”.

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

9 **SEC. 502. PLAN OF ACTION FOR TRANSITIONING TO A**
10 **REAL-TIME TAX SYSTEM.**

11 Not later than 270 days after the date of the enact-
12 ment of this Act, the Secretary of the Treasury, or the
13 Secretary’s delegate, shall submit to Congress a report
14 analyzing and outlining options and potential timelines for
15 moving toward a tax system that reduces burdens on tax-
16 payers and decreases tax fraud through real-time informa-
17 tion matching.

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