

114TH CONGRESS
1ST SESSION

S. 676

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

IN THE SENATE OF THE UNITED STATES

MARCH 9, 2015

Mr. NELSON (for himself, Mr. BROWN, Mr. CARDIN, Mrs. FEINSTEIN, Mrs. GILLIBRAND, Ms. KLOBUCHAR, and Mr. SCHUMER) 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 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. Prohibiting the display of Social Security account numbers on newly issued Medicare identification cards and communications provided to Medicare beneficiaries.
- Sec. 303. Prohibition of the display, sale, or purchase of Social Security numbers.
- Sec. 304. Criminal penalties for the misuse of a Social Security number.
- Sec. 305. 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) IN GENERAL.—Not later than 360 days after the date of the enactment of this Act, the Federal primary financial regulatory agencies, in consultation with the Secretary of the Treasury, shall jointly prescribe regulations requiring newly issued deposit or transaction account numbers, as the case may be, to be distinguishable between verified accounts and at-risk accounts.

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

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

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

(C) the term “verified account” means any deposit account or transaction account in which the identity of the account holder and any prepaid access customer associated with the account 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 subparagraph (1), together
13 with recommendations for such legislation and
14 administrative 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 earlier of—

4 (A) the date the Secretary of Health and
5 Human Services implements section 302(b); or

6 (B) the date that is 4 years after the date
7 of the enactment of this Act.

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

15 **SEC. 302. PROHIBITING THE DISPLAY OF SOCIAL SECURITY**
16 **ACCOUNT NUMBERS ON NEWLY ISSUED**
17 **MEDICARE IDENTIFICATION CARDS AND**
18 **COMMUNICATIONS PROVIDED TO MEDICARE**
19 **BENEFICIARIES.**

20 (a) IN GENERAL.—Not later than 2 years after the
21 date of the enactment of this Act, the Secretary of Health
22 and Human Services, in consultation with the Commis-
23 sioner of Social Security, shall establish and begin to im-
24 plement procedures to eliminate the unnecessary collec-

1 tion, use, and display of Social Security account numbers
2 of Medicare beneficiaries.

3 (b) NEWLY ISSUED MEDICARE CARDS AND COMMU-
4 NICATIONS PROVIDED TO BENEFICIARIES.—

5 (1) NEWLY ISSUED CARDS.—

6 (A) IN GENERAL.—Not later than 4 years
7 after the date of enactment of this Act, the Sec-
8 retary of Health and Human Services, in con-
9 sultation with the Commissioner of Social Secu-
10 rity, shall ensure that each newly issued Medi-
11 care identification card meets the requirements
12 described in subparagraph (B).

13 (B) REQUIREMENTS.—

14 (i) IN GENERAL.—Subject to clause
15 (ii), the requirements described in this sub-
16 paragraph are, with respect to a Medicare
17 identification card, that the card does not
18 display or electronically store (in an
19 unencrypted format) a Medicare bene-
20 ficiary's Social Security account number.

21 (ii) USE OF PARTIAL ACCOUNT NUM-
22 BER.—The Secretary of Health and
23 Human Services, in consultation with the
24 Commissioner of Social Security, may pro-
25 vide for the use of a partial Social Security

1 account number on a Medicare identifica-
2 tion card if the Secretary determines that
3 such use does not allow an unacceptable
4 risk of fraudulent use.

5 (2) COMMUNICATIONS PROVIDED TO BENE-
6 FICIARIES.—Not later than 4 years after the date of
7 enactment of this Act, the Secretary of Health and
8 Human Services shall prohibit the display of a Medi-
9 care beneficiary’s Social Security account number on
10 written or electronic communication provided to the
11 beneficiary unless the Secretary, in consultation with
12 the Commissioner of Social Security, determines
13 that inclusion of Social Security account numbers on
14 such communications is essential for the operation of
15 the Medicare program.

16 (c) MEDICARE BENEFICIARY DEFINED.—In this sec-
17 tion, the term “Medicare beneficiary” means an individual
18 entitled to, or enrolled for, benefits under part A of title
19 XVIII of the Social Security Act (42 U.S.C. 1395c et seq.)
20 or enrolled for benefits under part B of such title (42
21 U.S.C. 1395j et seq.).

22 (d) CONFORMING AMENDMENTS.—

23 (1) REFERENCE IN THE SOCIAL SECURITY
24 ACT.—Section 205(c)(2)(C) of the Social Security
25 Act (42 U.S.C. 405(c)(2)(C)) is amended—

1 (A) by moving clause (x), as added by sec-
 2 tion 1414(a)(2) of the Patient Protection and
 3 Affordable Care Act (Public Law 111–148), 6
 4 ems to the left;

5 (B) by redesignating clause (x), as added
 6 by section 2(a)(1) of the Social Security Num-
 7 ber Protection Act of 2010 (42 U.S.C. 1305
 8 note), as clause (xi);

9 (C) by redesignating clause (xi), as added
 10 by section 2(b)(1) of the Social Security Num-
 11 ber Protection Act of 2010 (42 U.S.C. 1305
 12 note), as clause (xii); and

13 (D) by adding after clause (xii), as redesign-
 14 ated by subparagraph (C), the following new
 15 clause:

16 “(xiii) Subject to the Identity Theft and Tax Fraud
 17 Prevention Act of 2015, social security account numbers
 18 shall not be displayed on Medicare identification cards or
 19 on communications provided to Medicare beneficiaries.”.

20 (2) ACCESS TO INFORMATION.—Section 205(r)
 21 of the Social Security Act (42 U.S.C. 405(r)) is
 22 amended—

23 (A) by moving paragraph (9) 2 ems to the
 24 left; and

1 (B) by adding at the end the following new
 2 paragraph:

3 “(10) To prevent and identify fraudulent activity, the
 4 Commissioner shall upon the request of the Attorney Gen-
 5 eral or upon the request of the Secretary of Health and
 6 Human Services enter into a reimbursable agreement with
 7 the Attorney General or the Secretary to provide informa-
 8 tion collected under paragraph (1) if—

9 “(A) the requirements of subparagraphs (A)
 10 and (B) of paragraph (3) are met; and

11 “(B) such agreement includes appropriate pro-
 12 visions to protect the confidentiality of information
 13 provided by the Commissioner under such agree-
 14 ment.”.

15 (e) PILOT PROGRAM.—

16 (1) ESTABLISHMENT.—The Secretary shall es-
 17 tablish a pilot program utilizing smart card tech-
 18 nology to evaluate—

19 (A) the applicability of smart card tech-
 20 nology to the Medicare program under title
 21 XVIII of the Social Security Act (42 U.S.C.
 22 1395 et seq.), including the applicability of such
 23 technology to Medicare beneficiaries or Medi-
 24 care providers; and

1 (B) whether such cards would be effective
2 in preventing fraud under the Medicare pro-
3 gram.

4 (2) IMPLEMENTATION.—

5 (A) INITIAL IMPLEMENTATION.—The Sec-
6 retary shall implement the pilot program under
7 this subsection not later than 1 year after the
8 date of enactment of this Act.

9 (B) SCOPE AND DURATION.—The Sec-
10 retary shall conduct the pilot program—

11 (i) in not less than 2 States; and

12 (ii) for a period of not less than 180
13 days or more than 2 years.

14 (3) REPORT.—Not later than 12 months after
15 the completion of the pilot program under this sub-
16 section, the Secretary shall submit to the appro-
17 priate committees of Congress and make available to
18 the public a report that includes the following:

19 (A) A summary of the pilot program and
20 findings, including—

21 (i) the costs or savings to the Medi-
22 care program as a result of the implemen-
23 tation of the pilot program;

24 (ii) whether the use of smart card
25 technology resulted in improvements in the

1 quality of care provided to Medicare bene-
2 ficiaries under the pilot program; and

3 (iii) whether such technology was use-
4 ful in preventing or detecting fraud, waste,
5 and abuse in the Medicare program.

6 (B) Recommendations regarding whether
7 the use of smart card technology should be ex-
8 panded under the Medicare program.

9 (4) DEFINITIONS.—In this subsection:

10 (A) MEDICARE PROVIDER.—The term
11 “Medicare provider” includes a provider of serv-
12 ices (as defined in section 1861(u) of the Social
13 Security Act (42 U.S.C. 1395x(u))) and a sup-
14 plier (as defined in section 1861(d) of such Act
15 (42 U.S.C. 1395x(d))).

16 (B) SECRETARY.—The term “Secretary”
17 means the Secretary of Health and Human
18 Services.

19 (C) SMART CARD.—The term “smart
20 card” means identification used by a Medicare
21 beneficiary or a Medicare provider that includes
22 anti-fraud attributes. Such a card—

23 (i) may rely on existing commercial
24 data transfer networks or on a network of
25 proprietary card readers or databases; and

1 (ii) may include—

2 (I) cards using technology adapt-
3 ed from the financial services indus-
4 try;

5 (II) cards containing individual
6 biometric identification, provided that
7 such identification is encrypted and
8 not contained in any central database;

9 (III) cards adapting technology
10 and processes utilized in the
11 TRICARE program under chapter 55
12 of title 10, United States Code, or by
13 the Veterans' Administration; or

14 (IV) such other technology as the
15 Secretary determines appropriate.

16 **SEC. 303. PROHIBITION OF THE DISPLAY, SALE, OR PUR-**
17 **CHASE OF SOCIAL SECURITY NUMBERS.**

18 (a) PROHIBITION.—

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

22 **“§ 1028B. Prohibition of the display, sale, or purchase**
23 **of Social Security numbers**

24 **“(a) DEFINITIONS.—In this section:**

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

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

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

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

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

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

24 “(c) LIMITATION ON SALE OR PURCHASE.—Except
25 as otherwise provided in this section, no person may sell

1 or purchase any individual's Social Security number with-
 2 out the affirmatively expressed consent of the individual.

3 “(d) PREREQUISITES FOR CONSENT.—In order for
 4 consent to exist under subsection (b) or (c), the person
 5 displaying or seeking to display, selling or attempting to
 6 sell, or purchasing or attempting to purchase, an individ-
 7 ual's Social Security number shall—

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

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

15 “(e) EXCEPTIONS.—

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

19 “(A) required, authorized, or excepted
 20 under any Federal law;

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

24 “(C) for a national security purpose;

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

4 “(E) if the display, sale, or purchase of the
5 number is for a use occurring as a result of an
6 interaction between businesses, governments, or
7 business and government (regardless of which
8 entity initiates the interaction), including—

9 “(i) the prevention of fraud (including
10 fraud in protecting an employee’s right to
11 employment benefits);

12 “(ii) the facilitation of credit checks
13 or the facilitation of background checks of
14 employees, prospective employees, or volun-
15 teers;

16 “(iii) the retrieval of other informa-
17 tion from other businesses, commercial en-
18 terprises, government entities, or private
19 nonprofit organizations; or

20 “(iv) when the transmission of the
21 number is incidental to, and in the course
22 of, the sale, lease, franchising, or merger
23 of all, or a portion of, a business;

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

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

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

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

24 (2) CONFORMING AMENDMENT.—The chapter
 25 analysis for chapter 47 of title 18, United States

1 Code, is amended by inserting after the item relating
2 to section 1028 the following:

“1028B. Prohibition of the display, sale, or purchase of Social Security numbers.”.

3 (b) STUDY; REPORT.—

4 (1) IN GENERAL.—The Attorney General shall
5 conduct a study and prepare a report on all of the
6 uses of Social Security numbers permitted, required,
7 authorized, or excepted under any Federal law. The
8 report shall include a detailed description of the uses
9 allowed as of the date of enactment of this Act, the
10 impact of such uses on privacy and data security,
11 and shall evaluate whether such uses should be con-
12 tinued or discontinued by appropriate legislative ac-
13 tion.

14 (2) REPORT.—Not later than 1 year after the
15 date of the enactment of this Act, the Attorney Gen-
16 eral shall report to Congress findings under this
17 subsection. The report shall include such rec-
18 ommendations for legislation based on criteria the
19 Attorney General determines to be appropriate.

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

1 **SEC. 304. CRIMINAL PENALTIES FOR THE MISUSE OF A SO-**
2 **CIAL SECURITY NUMBER.**

3 (a) PROHIBITION OF WRONGFUL USE AS PERSONAL
4 IDENTIFICATION NUMBER.—No person may obtain any
5 individual’s Social Security number for purposes of locat-
6 ing or identifying an individual with the intent to phys-
7 ically injure, harm, or use the identity of the individual
8 for any illegal purpose.

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

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

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

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

23 “(10) obtains any individual’s Social Security
24 number for the purpose of locating or identifying the
25 individual with the intent to injure or to harm that

1 individual, or to use the identity of that individual
 2 for an illegal purpose;”.

3 **SEC. 305. CIVIL ACTIONS AND CIVIL PENALTIES.**

4 (a) CIVIL ACTION IN STATE COURTS.—

5 (1) IN GENERAL.—Any individual aggrieved by
 6 an act of any person in violation of this Act or any
 7 amendments made by this Act may, if otherwise per-
 8 mitted by the laws or rules of the court of a State,
 9 bring in an appropriate court of that State—

10 (A) an action to enjoin such violation;

11 (B) an action to recover for actual mone-
 12 tary loss from such a violation, or to receive up
 13 to \$500 in damages for each such violation,
 14 whichever is greater; or

15 (C) both such actions.

16 It shall be an affirmative defense in any action
 17 brought under this paragraph that the defendant
 18 has established and implemented, with due care, rea-
 19 sonable practices and procedures to effectively pre-
 20 vent violations of the regulations prescribed under
 21 this Act. If the court finds that the defendant will-
 22 fully or knowingly violated the regulations prescribed
 23 under this subsection, the court may, in its discre-
 24 tion, increase the amount of the award to an amount

1 equal to not more than 3 times the amount available
 2 under subparagraph (B).

3 (2) STATUTE OF LIMITATIONS.—An action may
 4 be commenced under this subsection not later than
 5 the earlier of—

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

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

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

14 (b) CIVIL PENALTIES.—

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

20 (A) to a civil penalty of not more than
 21 \$5,000 for each such violation; and

22 (B) to a civil penalty of not more than
 23 \$50,000, if the violations have occurred with
 24 such frequency as to constitute a general busi-
 25 ness practice.

1 (2) DETERMINATION OF VIOLATIONS.—Any
2 willful violation committed contemporaneously with
3 respect to the Social Security numbers of 2 or more
4 individuals by means of mail, telecommunication, or
5 otherwise, shall be treated as a separate violation
6 with respect to each such individual.

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

1 **TITLE IV—STRENGTHENING**
 2 **LAWS AND IMPROVING EN-**
 3 **FORCEMENT AGAINST TAX-**
 4 **RELATED IDENTITY THEFT**

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

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

9 (1) by striking “Any person” and inserting the
 10 following:

11 “(a) IN GENERAL.—Any person”, and

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

14 “(b) USE OF FALSE IDENTITY.—Any person who
 15 willfully misappropriates another person’s taxpayer iden-
 16 tity (as defined in section 6103(b)(6)) for the purpose of
 17 making any list, return, account, statement, or other docu-
 18 ment submitted to the Secretary under the provisions of
 19 this title shall be guilty of a felony and, upon conviction
 20 thereof, shall be fined not more than \$250,000 (\$500,000
 21 in the case of a corporation) or imprisoned not more than
 22 5 years, or both, together with the costs of prosecution.”.

23 (b) AGGRAVATED IDENTITY THEFT.—Section
 24 1028A(c) of title 18, United States Code, is amended by
 25 striking “or” at the end of paragraph (10), by striking

1 the period at the end of paragraph (11) and inserting “;
 2 or”, and by adding at the end the following new para-
 3 graph:

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

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

10 **SEC. 402. INCREASED PENALTY FOR IMPROPER DISCLO-**
 11 **SURE OR USE OF INFORMATION BY PRE-**
 12 **PARERS OF RETURNS.**

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

15 (1) by striking “\$250” and inserting “\$1,000”,
 16 and

17 (2) by striking “\$10,000” and inserting
 18 “\$50,000”.

19 (b) CRIMINAL PENALTY.—Section 7216(a) of the In-
 20 ternal Revenue Code of 1986 is amended by striking
 21 “\$1,000” and inserting “\$100,000”.

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

1 **SEC. 403. AUTHORITY TO TRANSFER INTERNAL REVENUE**
2 **SERVICE APPROPRIATIONS TO COMBAT TAX**
3 **FRAUD.**

4 For any fiscal year, the Commissioner of Internal
5 Revenue may transfer not more than \$10,000,000 to any
6 account of the Internal Revenue Service from amounts ap-
7 propriated to other Internal Revenue Service accounts.
8 Any amounts so transferred shall be used solely for the
9 purposes of preventing, detecting, and resolving potential
10 cases of tax fraud.

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

12 (a) ESTABLISHMENT.—The Commissioner of Inter-
13 nal Revenue shall establish within the Criminal Investiga-
14 tion Division of the Internal Revenue Service the position
15 of Local Law Enforcement Liaison.

16 (b) DUTIES.—The Local Law Enforcement Liaison
17 shall serve as the primary source of contact for State and
18 local law enforcement authorities with respect to tax-re-
19 lated identity theft and other tax fraud matters, having
20 duties that shall include—

- 21 (1) receiving information from State and local
22 law enforcement authorities;
23 (2) responding to inquiries from State and local
24 law enforcement authorities;
25 (3) administering authorized information-shar-
26 ing initiatives with State or local law enforcement

1 authorities and reviewing the performance of such
 2 initiatives;

3 (4) ensuring any information provided through
 4 authorized information-sharing initiatives with State
 5 or local law enforcement authorities is used only for
 6 the prosecution of identity theft-related crimes and
 7 not re-disclosed to third parties; and

8 (5) any other duties as delegated by the Com-
 9 missioner of Internal Revenue.

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

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

17 (b) EFFECTIVE DATE.—The amendment made by
 18 this section shall take effect on the date of the enactment
 19 of this Act.

20 **SEC. 406. CLARIFICATION WITH RESPECT TO REGULATION**
 21 **OF FEDERAL TAX RETURN PREPARERS.**

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

24 (1) by striking paragraph (1) and inserting the
 25 following:

1 “(1) regulate—

2 “(A) the practice of representatives of per-
3 sons before the Department of the Treasury;
4 and

5 “(B) the practice of tax return preparers;
6 and”, and

7 (2) in paragraph (2)—

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

11 (B) by inserting “or in preparing their tax
12 returns, claims for refund, or documents in con-
13 nection with tax returns or claims for refund”
14 after “cases” in subparagraph (D).

15 (b) AUTHORITY TO SANCTION REGULATED TAX RE-
16 TURN PREPARERS.—Subsection (b) of section 330 of title
17 31, United States Code, is amended—

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

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

21 (3) in paragraph (4), by striking “misleads or
22 threatens” and all that follows and inserting “mis-
23 leads or threatens—

24 “(A) any person being represented or any
25 prospective person being represented; or

1 “(B) any person or prospective person
 2 whose tax return, claim for refund, or document
 3 in connection with a tax return or claim for re-
 4 fund, is being or may be prepared.”.

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

8 “(e) TAX RETURN PREPARER.—For purposes of this
 9 section—

10 “(1) IN GENERAL.—The term ‘tax return pre-
 11 parer’ has the meaning given such term under sec-
 12 tion 7701(a)(36) of the Internal Revenue Code of
 13 1986.

14 “(2) TAX RETURN.—The term ‘tax return’ has
 15 the meaning given to the term ‘return’ under section
 16 6696(e)(1) of the Internal Revenue Code of 1986.

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

20 **SEC. 407. AUTHENTICATION OF USERS OF ELECTRONIC**
 21 **SERVICES ACCOUNTS.**

22 (a) IN GENERAL.—The Commissioner of Internal
 23 Revenue shall establish a program to verify the identity
 24 of any individual opening an e-Services account with the

1 Internal Revenue Service before such individual is able to
 2 use the e-Services tools.

3 (b) REPORT.—The Commissioner of Internal Rev-
 4 enue shall report to the Committee on Finance of the Sen-
 5 ate and the Committee on Ways and Means of the House
 6 of Representatives, not later than 1 year after the date
 7 of the enactment of this Act, on any further legislative
 8 recommendations to prevent fraud relating to the Internal
 9 Revenue Service e-Services tools, including an authorized
 10 e-file provider program.

11 **SEC. 408. IDENTITY VERIFICATION BY TAX RETURN PRE-**
 12 **PARERS REQUIRED.**

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

16 “(i) FAILURE TO VERIFY TAXPAYER IDENTITY.—
 17 Any person who is a tax return preparer with respect to
 18 any return or claim for refund who fails to verify (in such
 19 manner and with such documentation as the Secretary
 20 shall provide) the identity of the taxpayer with respect to
 21 such return or claim for refund shall pay a penalty of
 22 \$500 for each such failure.”.

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

1 **TITLE V—ACCELERATING TRAN-**
 2 **SITION TO A REAL-TIME TAX**
 3 **SYSTEM THAT PROTECTS**
 4 **TAXPAYERS AND REDUCES**
 5 **FRAUD**

6 **SEC. 501. IMPROVEMENT IN ACCESS TO INFORMATION IN**
 7 **THE NATIONAL DIRECTORY OF NEW HIRES**
 8 **FOR TAX ADMINISTRATION PURPOSES.**

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

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

17 (b) EFFECTIVE DATE.—The amendment made by
 18 this section shall take effect on the date of the enactment
 19 of this Act.

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

22 Not later than 270 days after the date of the enact-
 23 ment of this Act, the Secretary of the Treasury, or the
 24 Secretary’s delegate, shall submit to Congress a report
 25 analyzing and outlining options and potential timelines for

- 1 moving toward a tax system that reduces burdens on tax-
- 2 payers and decreases tax fraud through real-time informa-
- 3 tion matching.

