

114TH CONGRESS
1ST SESSION

S. 949

To provide a taxpayer bill of rights for small businesses.

IN THE SENATE OF THE UNITED STATES

APRIL 15, 2015

Mr. CORNYN (for himself, Mr. HELLER, and Mr. ROBERTS) introduced the following bill; which was read twice and referred to the Committee on Finance

A BILL

To provide a taxpayer bill of rights for small businesses.

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 “Small Business Taxpayer Bill of Rights Act of 2015”.

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

Sec. 1. Short title; table of contents.

Sec. 2. Modification of standards for awarding of costs and certain fees.

Sec. 3. Civil damages allowed for reckless or intentional disregard of internal revenue laws.

Sec. 4. Modifications relating to certain offenses by officers and employees in connection with revenue laws.

Sec. 5. Modifications relating to civil damages for unauthorized inspection or disclosure of returns and return information.

Sec. 6. Interest abatement reviews.

Sec. 7. Ban on ex parte discussions.

- Sec. 8. Alternative dispute resolution procedures.
- Sec. 9. Extension of time for contesting IRS levy.
- Sec. 10. Waiver of installment agreement fee.
- Sec. 11. Suspension of running of period for filing petition of spousal relief and collection cases.
- Sec. 12. Venue for appeal of spousal relief and collection cases.
- Sec. 13. Increase in monetary penalties for certain unauthorized disclosures of information.
- Sec. 14. De novo tax court review of claims for equitable innocent spouse relief.
- Sec. 15. Ban on raising new issues on appeal.
- Sec. 16. Limitation on enforcement of liens against principal residences.
- Sec. 17. Additional provisions relating to mandatory termination for misconduct.
- Sec. 18. Extension of declaratory judgment procedures to social welfare organizations.
- Sec. 19. Review by the Treasury Inspector General for Tax Administration.

1 SEC. 2. MODIFICATION OF STANDARDS FOR AWARDING OF
2 COSTS AND CERTAIN FEES.

3 (a) SMALL BUSINESSES ELIGIBLE WITHOUT RE-
4 GARD TO NET WORTH.—Subparagraph (D) of section
5 7430(c)(4) of the Internal Revenue Code of 1986 is
6 amended by striking “and” at the end of clause (i)(II),
7 by striking the period at the end of clause (ii) and insert-
8 ing “, and”, and by adding at the end the following new
9 clause:

10 “(iii) in the case of an eligible small
11 business, the net worth limitation in clause
12 (ii) of such section shall not apply.”.

13 (b) ELIGIBLE SMALL BUSINESS.—Paragraph (4) of
14 section 7430(c) of the Internal Revenue Code of 1986 is
15 amended by adding at the end the following new subpara-
16 graph:

17 “(F) ELIGIBLE SMALL BUSINESS.—For
18 purposes of subparagraph (D)(iii), the term ‘eli-

1 gible small business’ means, with respect to any
2 proceeding commenced in a taxable year—

3 “(i) a corporation the stock of which
4 is not publicly traded,

5 “(ii) a partnership, or

6 “(iii) a sole proprietorship,
7 if the average annual gross receipts of such cor-
8 poration, partnership, or sole proprietorship for
9 the 3-taxable-year period preceding such taxable
10 year does not exceed \$50,000,000. For pur-
11 poses of applying the test under the preceding
12 sentence, rules similar to the rules of para-
13 graphs (2) and (3) of section 448(c) shall
14 apply.”.

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

18 **SEC. 3. CIVIL DAMAGES ALLOWED FOR RECKLESS OR IN-**
19 **TENTIONAL DISREGARD OF INTERNAL REV-**
20 **ENUE LAWS.**

21 (a) INCREASE IN AMOUNT OF DAMAGES.—Section
22 7433(b) of the Internal Revenue Code of 1986 is amended
23 by striking “\$1,000,000 (\$100,000, in the case of neg-
24 ligence)” and inserting “\$3,000,000 (\$300,000, in the
25 case of negligence)”.

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

4 (c) EFFECTIVE DATE.—The amendments made by
 5 this section shall apply to actions of employees of the In-
 6 ternal Revenue Service after the date of the enactment
 7 of this Act.

8 **SEC. 4. MODIFICATIONS RELATING TO CERTAIN OFFENSES**
 9 **BY OFFICERS AND EMPLOYEES IN CONNEC-**
 10 **TION WITH REVENUE LAWS.**

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

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

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

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

20 **SEC. 5. MODIFICATIONS RELATING TO CIVIL DAMAGES FOR**
 21 **UNAUTHORIZED INSPECTION OR DISCLO-**
 22 **SURE OF RETURNS AND RETURN INFORMA-**
 23 **TION.**

24 (a) INCREASE IN AMOUNT OF DAMAGES.—Subpara-
 25 graph (A) of section 7431(c)(1) of the Internal Revenue

1 Code of 1986 is amended by striking “\$1,000” and insert-
 2 ing “\$10,000”.

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

6 **SEC. 6. INTEREST ABATEMENT REVIEWS.**

7 (a) FILING PERIOD FOR INTEREST ABATEMENT
 8 CASES.—

9 (1) IN GENERAL.—Subsection (h) of section
 10 6404 of the Internal Revenue Code of 1986 is
 11 amended—

12 (A) by striking “REVIEW OF DENIAL” in
 13 the heading and inserting “JUDICIAL REVIEW”,
 14 and

15 (B) by striking “if such action is brought”
 16 and all that follows in paragraph (1) and in-
 17 serting “if such action is brought—

18 “(A) at any time after the earlier of—

19 “(i) the date of the mailing of the
 20 Secretary’s final determination not to
 21 abate such interest, or

22 “(ii) the date which is 180 days after
 23 the date of the filing with the Secretary (in
 24 such form as the Secretary may prescribe)

1 of a claim for abatement under this sec-
 2 tion, and

3 “(B) not later than the date which is 180
 4 days after the date described in subparagraph
 5 (A)(i).”.

6 (2) EFFECTIVE DATE.—The amendments made
 7 by this subsection shall apply to claims for abate-
 8 ment of interest filed with the Secretary after the
 9 date of the enactment of this Act.

10 (b) SMALL TAX CASE ELECTION FOR INTEREST
 11 ABATEMENT CASES.—

12 (1) IN GENERAL.—Subsection (f) of section
 13 7463 of the Internal Revenue Code of 1986 is
 14 amended—

15 (A) by striking “and” at the end of para-
 16 graph (1),

17 (B) by striking the period at the end of
 18 paragraph (2) and inserting “, and”, and

19 (C) by adding at the end the following new
 20 paragraph:

21 “(3) a petition to the Tax court under section
 22 6404(h) in which the amount of interest abatement
 23 sought does not exceed \$50,000.”.

24 (2) EFFECTIVE DATE.—The amendments made
 25 by this subsection shall apply to—

1 (A) cases pending as of the day after the
 2 date of the enactment of this Act, and

3 (B) cases commenced after such date of
 4 enactment.

5 **SEC. 7. BAN ON EX PARTE DISCUSSIONS.**

6 (a) IN GENERAL.—Notwithstanding section
 7 1001(a)(4) of the Internal Revenue Service Restructuring
 8 and Reform Act of 1998, the Internal Revenue Service
 9 shall prohibit any ex parte communications between offi-
 10 cers in the Internal Revenue Service Office of Appeals and
 11 other Internal Revenue Service employees with respect to
 12 any matter pending before such officers.

13 (b) TERMINATION OF EMPLOYMENT FOR MIS-
 14 CONDUCT.—Subject to subsection (c), the Commissioner
 15 of Internal Revenue shall terminate the employment of
 16 any employee of the Internal Revenue Service if there is
 17 a final administrative or judicial determination that such
 18 employee committed any act or omission prohibited under
 19 subsection (a) in the performance of the employee’s official
 20 duties. Such termination shall be a removal for cause on
 21 charges of misconduct.

22 (c) DETERMINATION OF COMMISSIONER.—

23 (1) IN GENERAL.—The Commissioner of Inter-
 24 nal Revenue may take a personnel action other than

1 termination for an act prohibited under subsection
2 (a).

3 (2) DISCRETION.—The exercise of authority
4 under paragraph (1) shall be at the sole discretion
5 of the Commissioner of Internal Revenue and may
6 not be delegated to any other officer. At the sole dis-
7 cretion of the Commissioner of Internal Revenue,
8 such Commissioner may establish a procedure which
9 will be used to determine whether an individual
10 should be referred to the Commissioner of Internal
11 Revenue for a determination by the Commissioner
12 under paragraph (1).

13 (3) NO APPEAL.—Any determination of the
14 Commissioner of Internal Revenue under this sub-
15 section may not be appealed in any administrative or
16 judicial proceeding.

17 (d) TIGTA REPORTING OF TERMINATION OR MITI-
18 GATION.—Section 7803(d)(1)(E) of the Internal Revenue
19 Code of 1986 is amended by inserting “or section 7 of
20 the Small Business Taxpayer Bill of Rights Act of 2015”
21 after “1998”.

1 **SEC. 8. ALTERNATIVE DISPUTE RESOLUTION PROCE-**
 2 **DURES.**

3 (a) IN GENERAL.—Section 7123 of the Internal Rev-
 4 enue Code of 1986 is amended by adding at the end the
 5 following new subsection:

6 “(c) AVAILABILITY OF DISPUTE RESOLUTIONS.—

7 “(1) IN GENERAL.—The procedures prescribed
 8 under subsection (b)(1) and the pilot program estab-
 9 lished under subsection (b)(2) shall provide that a
 10 taxpayer may request mediation or arbitration in
 11 any case unless the Secretary has specifically ex-
 12 cluded the type of issue involved in such case or the
 13 class of cases to which such case belongs as not ap-
 14 propriate for resolution under such subsection. The
 15 Secretary shall make any determination that ex-
 16 cludes a type of issue or a class of cases public with-
 17 in 5 working days and provide an explanation for
 18 each determination.

19 “(2) INDEPENDENT MEDIATORS.—

20 “(A) IN GENERAL.—The procedures pre-
 21 scribed under subsection (b)(1) shall provide
 22 the taxpayer an opportunity to elect to have the
 23 mediation conducted by an independent, neutral
 24 individual not employed by the Internal Rev-
 25 enue Service Office of Appeals.

26 “(B) COST AND SELECTION.—

1 “(i) IN GENERAL.—Any taxpayer
2 making an election under subparagraph
3 (A) shall be required—

4 “(I) to share the costs of such
5 independent mediator equally with the
6 Internal Revenue Service Office of
7 Appeals, and

8 “(II) to limit the selection of the
9 mediator to a roster of recognized na-
10 tional or local neutral mediators.

11 “(ii) EXCEPTION.—Clause (i)(I) shall
12 not apply to any taxpayer who is an indi-
13 vidual or who was a small business in the
14 preceding calendar year if such taxpayer
15 had an adjusted gross income that did not
16 exceed 250 percent of the poverty level, as
17 determined in accordance with criteria es-
18 tablished by the Director of the Office of
19 Management and Budget, in the taxable
20 year preceding the request.

21 “(iii) SMALL BUSINESS.—For pur-
22 poses of clause (ii), the term ‘small busi-
23 ness’ has the meaning given such term
24 under section 41(b)(3)(D)(iii).

1 “(3) AVAILABILITY OF PROCESS.—The proce-
 2 dures prescribed under subsection (b)(1) and the
 3 pilot program established under subsection (b)(2)
 4 shall provide the opportunity to elect mediation or
 5 arbitration at the time when the case is first filed
 6 with the Office of Appeals and at any time before
 7 deliberations in the appeal commence.”.

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. 9. EXTENSION OF TIME FOR CONTESTING IRS LEVY.**

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

16 (b) PERIOD OF LIMITATION ON SUITS.—Subsection
 17 (c) of section 6532 of the Internal Revenue Code of 1986
 18 is amended—

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

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

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

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

3 (2) levies made on or before such date if the 9-
4 month period under section 6343(b) of the Internal
5 Revenue Code of 1986 (without regard to this sec-
6 tion) has not expired as of such date.

7 **SEC. 10. WAIVER OF INSTALLMENT AGREEMENT FEE.**

8 (a) IN GENERAL.—Section 6159 of the Internal Rev-
9 enue Code of 1986 is amended by redesignating subsection
10 (f) as subsection (g) and by inserting after subsection (e)
11 the following new subsection:

12 “(f) WAIVER OF INSTALLMENT AGREEMENT FEE.—
13 The Secretary shall waive the fees imposed on installment
14 agreements under this section for any taxpayer with an
15 adjusted gross income that does not exceed 250 percent
16 of the poverty level, as determined in accordance with cri-
17 teria established by the Director of the Office of Manage-
18 ment and Budget, and who has agreed to make payments
19 under the installment agreement by electronic payment
20 through a debit instrument.”.

21 (b) EFFECTIVE DATE.—The amendment made by
22 this section shall take effect on the date of the enactment
23 of this Act.

1 **SEC. 11. SUSPENSION OF RUNNING OF PERIOD FOR FILING**
 2 **PETITION OF SPOUSAL RELIEF AND COLLEC-**
 3 **TION CASES.**

4 (a) PETITIONS FOR SPOUSAL RELIEF.—

5 (1) IN GENERAL.—Subsection (e) of section
 6 6015 of the Internal Revenue Code of 1986 is
 7 amended by adding at the end the following new
 8 paragraph:

9 “(6) SUSPENSION OF RUNNING OF PERIOD FOR
 10 FILING PETITION IN TITLE 11 CASES.—In the case
 11 of a person who is prohibited by reason of a case
 12 under title 11, United States Code, from filing a pe-
 13 tition under paragraph (1)(A) with respect to a final
 14 determination of relief under this section, the run-
 15 ning of the period prescribed by such paragraph for
 16 filing such a petition with respect to such final de-
 17 termination shall be suspended for the period during
 18 which the person is so prohibited from filing such a
 19 petition, and for 60 days thereafter.”.

20 (2) EFFECTIVE DATE.—The amendment made
 21 by this subsection shall apply to petitions filed under
 22 section 6015(e) of the Internal Revenue Code of
 23 1986 after the date of the enactment of this Act.

24 (b) COLLECTION PROCEEDINGS.—

1 (1) IN GENERAL.—Subsection (d) of section
2 6330 of the Internal Revenue Code of 1986 is
3 amended—

4 (A) by striking “appeal such determination
5 to the Tax Court” in paragraph (1) and insert-
6 ing “petition the Tax Court for review of such
7 determination”,

8 (B) by striking “JUDICIAL REVIEW OF DE-
9 TERMINATION” in the heading of paragraph (1)
10 and inserting “PETITION FOR REVIEW BY TAX
11 COURT”,

12 (C) by redesignating paragraph (2) as
13 paragraph (3), and

14 (D) by inserting after paragraph (1) the
15 following new paragraph:

16 “(2) SUSPENSION OF RUNNING OF PERIOD FOR
17 FILING PETITION IN TITLE 11 CASES.—In the case
18 of a person who is prohibited by reason of a case
19 under title 11, United States Code, from filing a pe-
20 tition under paragraph (1) with respect to a deter-
21 mination under this section, the running of the pe-
22 riod prescribed by such subsection for filing such a
23 petition with respect to such determination shall be
24 suspended for the period during which the person is

1 so prohibited from filing such a petition, and for 30
2 days thereafter.”.

3 (2) CONFORMING AMENDMENT.—Subsection (c)
4 of section 6320 of such Code is amended by striking
5 “(2)(B)” and inserting “(3)(B)”.

6 (3) EFFECTIVE DATE.—The amendments made
7 by this subsection shall apply to petitions filed under
8 section 6330 of the Internal Revenue Code of 1986
9 after the date of the enactment of this Act.

10 **SEC. 12. VENUE FOR APPEAL OF SPOUSAL RELIEF AND**
11 **COLLECTION CASES.**

12 (a) IN GENERAL.—Paragraph (1) of section 7482(b)
13 of the Internal Revenue Code of 1986 is amended—

14 (1) by striking “or” at the end of subparagraph
15 (E),

16 (2) by striking the period at the end of sub-
17 paragraph (F)(ii) and inserting a comma, and

18 (3) by inserting after subparagraph (F) the fol-
19 lowing new subparagraphs:

20 “(G) in the case of a petition under section
21 6015(e), the legal residence of the petitioner, or

22 “(H) in the case of a petition under sec-
23 tion 6320 or 6330—

24 “(i) the legal residence of the peti-
25 tioner if the petitioner is an individual, and

1 “(ii) the principal place of business or
2 principal office or agency if the petitioner
3 is an entity other than an individual.”.

4 (b) EFFECTIVE DATE.—The amendments made by
5 this section shall apply to petitions filed after the date of
6 enactment of this Act.

7 **SEC. 13. INCREASE IN MONETARY PENALTIES FOR CER-**
8 **TAIN UNAUTHORIZED DISCLOSURES OF IN-**
9 **FORMATION.**

10 (a) IN GENERAL.—Paragraphs (1), (2), (3), and (4)
11 of section 7213(a) of the Internal Revenue Code of 1986
12 are each amended by striking “\$5,000” and inserting
13 “\$10,000”.

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

17 **SEC. 14. DE NOVO TAX COURT REVIEW OF CLAIMS FOR EQ-**
18 **UITABLE INNOCENT SPOUSE RELIEF.**

19 (a) IN GENERAL.—Subparagraph (A) of section
20 6015(e)(1) of the Internal Revenue Code of 1986 is
21 amended by adding at the end the following new flush sen-
22 tence:

23 “Any review of a determination by the Sec-
24 retary with respect to a claim for equitable re-

1 lief under subsection (f) shall be reviewed de
2 novo by the Tax Court.”.

3 (b) **EFFECTIVE DATE.**—The amendment made by
4 this section shall apply to petitions filed or pending before
5 the Tax Court on and after the date of the enactment of
6 this Act.

7 **SEC. 15. BAN ON RAISING NEW ISSUES ON APPEAL.**

8 (a) **IN GENERAL.**—Chapter 77 of the Internal Rev-
9 enue Code of 1986 is amended by adding at the end the
10 following new section:

11 **“SEC. 7529. PROHIBITION ON INTERNAL REVENUE SERVICE**
12 **RAISING NEW ISSUES IN AN INTERNAL AP-**
13 **PEAL.**

14 “(a) **IN GENERAL.**—In reviewing an appeal of any
15 determination initially made by the Internal Revenue
16 Service, the Internal Revenue Service Office of Appeals
17 may not consider or decide any issue that is not within
18 the scope of the initial determination.

19 “(b) **CERTAIN ISSUES DEEMED OUTSIDE OF SCOPE**
20 **OF DETERMINATION.**—For purposes of subsection (a), the
21 following matters shall be considered to be not within the
22 scope of a determination:

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

“(c) NO INFERENCE WITH RESPECT TO ISSUES
RAISED BY TAXPAYERS.—Nothing in this section shall be
construed to provide any limitation in addition to any limi-
tations in effect on the date of the enactment of this sec-
tion on the right of a taxpayer to raise an issue, theory,
or justification on an appeal from a determination initially
made by the Internal Revenue Service that was not within
the scope of the initial determination.”.

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

21 SEC. 16. LIMITATION ON ENFORCEMENT OF LIENS AGAINST
22 PRINCIPAL RESIDENCES.

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

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

3 “(1) IN GENERAL.—In any case”, and

4 (2) by adding at the end the following new
5 paragraph:

6 “(2) LIMITATION WITH RESPECT TO PRINCIPAL
7 RESIDENCE.—

8 “(A) IN GENERAL.—Paragraph (1) shall
9 not apply to any property used as the principal
10 residence of the taxpayer (within the meaning
11 of section 121) unless the Secretary of the
12 Treasury makes a written determination that—

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

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

18 “(B) DELEGATION.—For purposes of this
19 paragraph, the Secretary of the Treasury may
20 not delegate any responsibilities under subpara-
21 graph (A) to any person other than—

22 “(i) the Commissioner of Internal
23 Revenue, or

1 “(ii) a district director or assistant
 2 district director of the Internal Revenue
 3 Service.”.

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

7 **SEC. 17. ADDITIONAL PROVISIONS RELATING TO MANDA-**
 8 **TORY TERMINATION FOR MISCONDUCT.**

9 (a) TERMINATION OF UNEMPLOYMENT FOR INAP-
 10 PROPRIATE REVIEW OF TAX-EXEMPT STATUS.—Section
 11 1203(b) of the Internal Revenue Service Restructuring
 12 and Reform Act of 1998 (26 U.S.C. 7804 note) is amend-
 13 ed by striking “and” at the end of paragraph (9), by strik-
 14 ing the period at the end of paragraph (10) and inserting
 15 “; and”, and by adding at the end the following new para-
 16 graph:

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

24 (b) MANDATORY UNPAID ADMINISTRATIVE LEAVE
 25 FOR MISCONDUCT.—Paragraph (1) of Section 1203(c) of

1 the Internal Revenue Service Restructuring and Reform
 2 Act of 1998 (26 U.S.C. 7804 note) is amended by adding
 3 at the end the following new sentence: “Notwithstanding
 4 the preceding sentence, if the Commissioner of Internal
 5 Revenue takes a personnel action other than termination
 6 for an act or omission described in subsection (b), the
 7 Commissioner shall place the employee on unpaid adminis-
 8 trative leave for a period of not less than 30 days.”.

9 (c) LIMITATION ON ALTERNATIVE PUNISHMENT.—
 10 Paragraph (1) of section 1203(c) of the Internal Revenue
 11 Service Restructuring and Reform Act of 1998 (26 U.S.C.
 12 7804 note) is amended by striking “The Commissioner”
 13 and inserting “Except in the case of an act or omission
 14 described in subsection (b)(3)(A), the Commissioner”.

15 **SEC. 18. EXTENSION OF DECLARATORY JUDGMENT PROCE-**
 16 **DURES TO SOCIAL WELFARE ORGANIZA-**
 17 **TIONS.**

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

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

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

4 **SEC. 19. REVIEW BY THE TREASURY INSPECTOR GENERAL**
 5 **FOR TAX ADMINISTRATION.**

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

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

11 (2) by redesignating subparagraph (D) as sub-
 12 paragraph (E);

13 (3) by inserting after subparagraph (C) the fol-
 14 lowing new subparagraph:

15 “(D) shall—

16 “(i) review any criteria employed by
 17 the Internal Revenue Service to select tax
 18 returns (including applications for recogni-
 19 tion of tax-exempt status) for examination
 20 or audit, assessment or collection of defi-
 21 ciencies, criminal investigation or referral,
 22 refunds for amounts paid, or any height-
 23 ened scrutiny or review in order to deter-
 24 mine whether the criteria discriminates

1 against taxpayers on the basis of race, reli-
2 gion, or political ideology; and

3 “(ii) consult with the Internal Rev-
4 enue Service on recommended amendments
5 to such criteria in order to eliminate any
6 discrimination identified pursuant to the
7 review described in clause (i); and”; and

8 (4) in subparagraph (E), as so redesignated, by
9 striking “and (C)” and inserting “(C), and (D)”.

10 (b) SEMIANNUAL REPORT.—Subsection (g) of such
11 section is amended by adding at the end the following new
12 paragraph:

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

16 “(A) a statement affirming that the Treas-
17 ury Inspector General for Tax Administration
18 has reviewed the criteria described in subsection
19 (k)(1)(D) and consulted with the Internal Rev-
20 enue Service regarding such criteria; and

21 “(B) a description and explanation of any
22 such criteria that was identified as discrimina-
23 tory by the Treasury Inspector General for Tax
24 Administration.”.

○