Let me give some examples. The law which says the Federal Government will monitor the presence of arsenic in drinking water, the Republicans say that is unnecessary.

Another law which said that one industry, a special interest group, the cement kiln industry, would have a waiver of air pollution standards, the Republicans said, that is a good idea. Well, that amendment passed with the Gingrich Republicans' support, and after 3 separate efforts, 35 moderate Republicans finally took all the heat they could at home and decided to join the Democrats and repeal it.

Since then, the gentleman from Georgia [Mr. GINGRICH] has tried to get an awful lot greener. Every time he has come to the floor, he has talked about saving the environment, but the American people know better. You have to put money in the Environmental Protection Agency to protect the purity of the water we drink and the safety of the air that we breathe.

ENVIRONMENTAL PROTECTION

(Mr. PALLONE asked and was given permission to address the House for 1 minute.)

Mr. PALLONE. Mr. Speaker, I just wanted to comment on some of the comments that were being made on the other side of the aisle by Republicans about Earth Day and progress on the environment.

It is certainly true that a lot more needs to be done on environmental protection, whether it is cleaner air or cleaning up more of the hazardous wastesites under the Superfund Program. But to suggest that the answer to that or the way to do that is to cut back on the number of people who work for the EPA, or to cut back on the investigators and those who go out and enforce the existing environmental laws, or to weaken those laws so that they do not provide as much environmental protection, well, that makes no sense at all.

If you are concerned about the environment, you do not turn the clock back 25 years on a bipartisan basis in this House and the Senate and in the Presidency to try and improve environmental quality and to increase enforcement. That is what Speaker GINGRICH and the Republican leadership are trying to do here in this House. They are trying to turn back the clock.

They are saying we do not need the people to do the investigation, we do not need the enforcers. We are going to let industry do its own thing. The bottom line is that you are not going to improve the quality of this Nation's environment unless you do more to protect the environment, have stronger laws, and have better enforcement. That is what we need.

That is not what is happening here. Unfortunately, we are leading up to Earth Day this year with this Republican leadership working in the opposite direction.

NEW REPUBLICAN AGENDA IS SAME OLD GAME PLAN

(Ms. DELAURO asked and was given permission to address the House for 1 minute and to revise and extend her remarks.)

Ms. DELAURO. Mr. Speaker, recently the gentleman from Texas [Mr. ARMEY], the Republican leader, unveiled what he calls a, quote, new agenda for this Congress. But in fact what we really have in this new agenda is the same old Republican game plan of hurting working families and the health and safety of working families while bailing out the special interests.

At a minimum, the hardworking families of this country should be able to count on the Congress to protect the public health, but this Congress has been a polluter's dream come true. During the 104th Congress, Republicans invited polluters to rewrite the Clean Water Act. They also proposed letting big companies off the hook for cleaning up hazardous waste that they dumped.

The House Republican leadership has insisted on deep cuts in environmental protection, halting cleanups in many areas. They have also encouraged their folks to let people know that they are environmentally conscious, and then they say, ''go plant a tree, go hug a tree, go to a zoo, that will make people think you are environmentally conscious.''

Do not be fooled by the phony agenda the Republicans have unveiled. It is a sad attempt to mask the truth. After almost a year and a half of failure, the Gingrich Congress continues to pursue an agenda that puts the needs and the health of Americans at risk.

REPUBLICAN TURNAROUND ON ENVIRONMENT COMES TOO LATE

(Mr. MILLER of California asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. MILLER of California. Mr. Speaker, after a year of the most comprehensive and concentrated attack on the basic environmental laws of this country, the Speaker of this House and the majority leader of the Republican Party believe that they can turn around a record and con the American people into believing that all of a sudden the Republican caucus in the House is in favor of environmental protection. It simply will not wash.

After a year of voting against clean air and clean water, voting against Superfund liability, voting against the Endangered Species Act, voting to eviscerate wilderness areas of this country, you will not turn around America's image of the Republican caucus in this House by recycling batteries or reauthorizing the Coastal Zone Management Act. It takes more than that to protect the environment, and it takes more than that to turn around the image the American public have of the Republicans and the environment.

They have tired to destroy the laws, and now they are trying to hide the record because they are reading the polls and the election results in November.

COMMUNICATION FROM THE HONORABLE STEVEN SCHIFF, MEMBER OF CONGRESS

The SPEAKER pro tempore laid before the House the following communication from the Honorable STEVEN SCHIFF, Member of Congress:

CONGRESS OF THE UNITED STATES,
HOUSE OF REPRESENTATIVES,
Washington, DC, April 4, 1996.

Hon. NEWT GINGRICH,
Speaker of the House, The Capitol, Washington, DC.

DEAR MR. SPEAKER: this is to formally notify you, pursuant to Rule L (50) of the Rules of the House of Representatives, that four members of my Albuquerque District Office have been served with subpoenas issued by the Second Judicial District Court (Bernalillo County, New Mexico) in the case of New Mexico v. Martin.

After consultation with the Office of General Counsel, I have determined that compliance with the subpoena is consistent with the precedents and privileges of the House.

Sincerely,

STEVEN SCHIFF.

ANNOUNCEMENT BY THE SPEAKER PRO TEMPORE

The SPEAKER pro tempore. Pursuant to the provisions of clause 5 of rule I, the Chair announces that he will postpone further proceedings today on each motion to suspend the rules on which a recorded vote or the yeas and nays are ordered or on which the vote is objected to under clause 4 of rule XV.

Such rollcall votes, if postponed, will be taken after debate has concluded on all motions to suspend the rules.

□ 1215

TAXPAYER BILL OF RIGHTS 2

Mrs. JOHNSON of Connecticut. Mr. Speaker, I move to suspend the rules and pass the bill (H.R. 2337) to amend the Internal Revenue Code of 1986 to provide for increased taxpayer protections, as amended.

The Clerk read as follows:

H.R. 2337

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. SHORT TITLE; AMENDMENT OF 1986 CODE; TABLE OF CONTENTS.

(a) SHORT TITLE.—This Act may be cited as the ''Taxpayer Bill of Rights 2''.

(b) AMENDMENT OF 1986 CODE.—Except as otherwise expressly provided, whenever in this Act an amendment or repeal is expressed in terms of an amendment to, or repeal of, a section or other provision, the reference shall be considered to be made to a section or other provision of the Internal Revenue Code of 1986.

(c) TABLE OF CONTENTS.—

TITLE I—TAXPAYER ADVOCATE

SEC. 101. ESTABLISHMENT OF POSITION OF TAXPAYER ADVOCATE WITHIN INTERNAL REVENUE SERVICE.

(a) GENERAL RULE.—Section 7802 (relating to Commissioner of Internal Revenue; Assistant Commissioner (Employee Plans and Exempt Organizations)) is amended by adding at the end the following new subsection:

''(d) OFFICE OF TAXPAYER ADVOCATE.—

''(1) IN GENERAL.—There is established in the Internal Revenue Service an office to be known as the 'Office of the Taxpayer Advocate'. Such office shall be under the supervision and direction of an official to be known as the 'Taxpayer Advocate' who shall be appointed by and report directly to the Commissioner of Internal Revenue. The Taxpayer Advocate shall be entitled to compensation at the same rate as the highest level official reporting directly to the Deputy Commissioner of the Internal Revenue Service.

''(2) FUNCTIONS OF OFFICE.—

''(A) IN GENERAL.—It shall be the function of the Office of Taxpayer Advocate to—

''(i) assist taxpayers in resolving problems with the Internal Revenue Service,

''(ii) identify areas in which taxpayers have problems in dealings with the Internal Revenue Service,

''(iii) to the extent possible, propose changes in the administrative practices of the Internal Revenue Service to mitigate problems identified under clause (ii), and

''(iv) identify potential legislative changes which may be appropriate to mitigate such problems.

''(B) ANNUAL REPORTS.—

''(i) OBJECTIVES.—Not later than June 30 of each calendar year after 1995, the Taxpayer Advocate shall report to the Committee on Ways and Means of the House of Representatives and the Committee on Finance of the Senate on the objectives of the Taxpayer Advocate for the fiscal year beginning in such calendar year. Any such report shall contain full and substantive analysis, in addition to statistical information.

''(ii) ACTIVITIES.—Not later than December 31 of each calendar year after 1995, the Taxpayer Advocate shall report to the Committee on Ways and Means of the House of Representatives and the Committee on Finance of the Senate on the activities of the Taxpayer Advocate during the fiscal year ending during such calendar year. Any such report shall contain full and substantive analysis, in addition to statistical information, and shall—

''(I) identify the initiatives the Taxpayer Advocate has taken on improving taxpayer services and Internal Revenue Service responsiveness,

''(II) contain recommendations received from individuals with the authority to issue Taxpayer Assistance Orders under section 7811,

''(III) contain a summary of at least 20 of the most serious problems encountered by taxpayers, including a description of the nature of such problems,

''(IV) contain an inventory of the items described in subclauses (I), (II), and (III) for which action has been taken and the result of such action,

''(V) contain an inventory of the items described in subclauses (I), (II), and (III) for which action remains to be completed and the period during which each item has remained on such inventory,

''(VI) contain an inventory of the items described in subclauses (II) and (III) for which no action has been taken, the period during which each item has remained on such inventory, the reasons for the inaction, and identify any Internal Revenue Service official who is responsible for such inaction,

''(VII) identify any Taxpayer Assistance Order which was not honored by the Internal Revenue Service in a timely manner, as specified under section 7811(b),

''(VIII) contain recommendations for such administrative and legislative action as may be appropriate to resolve problems encountered by taxpayers,

''(IX) describe the extent to which regional problem resolution officers participate in the selection and evaluation of local problem resolution officers, and

''(X) include such other information as the Taxpayer Advocate may deem advisable.

''(iii) REPORT TO BE SUBMITTED DIRECTLY.—Each report required under this subparagraph shall be provided directly to the Committees referred to in clauses (i) and (ii) without any prior review or comment from the Commissioner, the Secretary of the Treasury, any other officer or employee of the Department of the Treasury, or the Office of Management and Budget.

''(3) RESPONSIBILITIES OF COMMISSIONER.—The Commissioner of Internal Revenue shall establish procedures requiring a formal response to all recommendations submitted to the Commissioner by the Taxpayer Advocate within 3 months after submission to the Commissioner.''

(b) CONFORMING AMENDMENTS.—

(1) Section 7811 (relating to Taxpayer Assistance Orders) is amended—

(A) by striking ''the Office of Ombudsman'' in subsection (a) and inserting ''the Office of the Taxpayer Advocate'', and

(B) by striking ''Ombudsman'' each place it appears (including in the headings of subsections (e) and (f)) and inserting ''Taxpayer Advocate''.

(2) The heading for section 7802 is amended to read as follows:

''SEC. 7802. COMMISSIONER OF INTERNAL REVENUE; ASSISTANT COMMISSIONERS; TAXPAYER ADVOCATE.''

(3) The table of sections for subchapter A of chapter 80 is amended by striking the item relating to section 7802 and inserting the following new item:

''Sec. 7802. Commissioner of Internal Revenue; Assistant Commissioners; Taxpayer Advocate.''

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

SEC. 102. EXPANSION OF AUTHORITY TO ISSUE TAXPAYER ASSISTANCE ORDERS.

(a) TERMS OF ORDERS.—Subsection (b) of section 7811 (relating to terms of Taxpayer Assistance Orders) is amended—

(1) by inserting ''within a specified time period'' after ''the Secretary'', and

(2) by inserting ''take any action as permitted by law,'' after ''cease any action,''.

(b) LIMITATION ON AUTHORITY TO MODIFY OR RESCIND.—Section 7811(c) (relating to authority to modify or rescind) is amended to read as follows:

''(c) AUTHORITY TO MODIFY OR RESCIND.—Any Taxpayer Assistance Order issued by the Taxpayer Advocate under this section may be modified or rescinded—

''(1) only by the Taxpayer Advocate, the Commissioner of Internal Revenue, or the Deputy Commissioner of Internal Revenue, and

''(2) only if a written explanation of the reasons for the modification or rescission is provided to the Taxpayer Advocate.''

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

TITLE II—MODIFICATIONS TO INSTALLMENT AGREEMENT PROVISIONS

SEC. 201. NOTIFICATION OF REASONS FOR TERMINATION OF INSTALLMENT AGREEMENTS.

(a) TERMINATIONS.—Subsection (b) of section 6159 (relating to extent to which agreements remain in effect) is amended by adding at the end the following new paragraph:

''(5) NOTICE REQUIREMENTS.—The Secretary may not take any action under paragraph (2), (3), or (4) unless—

''(A) a notice of such action is provided to the taxpayer not later than the day 30 days before the date of such action, and

''(B) such notice includes an explanation why the Secretary intends to take such action.

The preceding sentence shall not apply in any case in which the Secretary believes that collection of any tax to which an agreement under this section relates is in jeopardy.''

(b) CONFORMING AMENDMENT.—Paragraph (3) of section 6159(b) is amended to read as follows:

''(3) SUBSEQUENT CHANGE IN FINANCIAL CONDITIONS.—If the Secretary makes a determination that the financial condition of a taxpayer with whom the Secretary has entered into an agreement under subsection (a) has significantly changed, the Secretary may alter, modify, or terminate such agreement.''

(c) EFFECTIVE DATE.—The amendments made by this section shall take effect on the date 6 months after the date of the enactment of this Act.

SEC. 202. ADMINISTRATIVE REVIEW OF TERMINATION OF INSTALLMENT AGREEMENT.

(a) GENERAL RULE.—Section 6159 (relating to agreements for payment of tax liability in installments) is amended by adding at the end the following new subsection:

''(c) ADMINISTRATIVE REVIEW.—The Secretary shall establish procedures for an independent administrative review of terminations of installment agreements under this section for taxpayers who request such a review.''

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall take effect on January 1, 1997.

TITLE III—ABATEMENT OF INTEREST AND PENALTIES

SEC. 301. EXPANSION OF AUTHORITY TO ABATE INTEREST.

(a) GENERAL RULE.—Paragraph (1) of section 6404(e) (relating to abatement of interest in certain cases) is amended—

(1) by inserting ''unreasonable'' before ''error'' each place it appears in subparagraphs (A) and (B), and

(2) by striking ''in performing a ministerial act'' each place it appears and inserting ''in performing a ministerial or managerial act''.

(b) CLERICAL AMENDMENT.—The subsection heading for subsection (e) of section 6404 is amended—

(1) by striking ''ASSESSMENTS'' and inserting ''ABATEMENT'', and

(2) by inserting ''UNREASONABLE'' before ''ERRORS''.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to interest accruing with respect to deficiencies or payments for taxable years beginning after the date of the enactment of this Act.

SEC. 302. REVIEW OF IRS FAILURE TO ABATE INTEREST.

(a) IN GENERAL.—Section 6404 is amended by adding at the end the following new subsection:

''(g) REVIEW OF DENIAL OF REQUEST FOR ABATEMENT OF INTEREST.—

''(1) IN GENERAL.—The Tax Court shall have jurisdiction over any action brought by a taxpayer who meets the requirements referred to in section 7430(c)(4)(A)(iii) to determine whether the Secretary's failure to abate interest under this section was an abuse of discretion, and may order an abatement, if such action is brought within 180 days after the date of the mailing of the Secretary's final determination not to abate such interest.

''(2) SPECIAL RULES.—

''(A) DATE OF MAILING.—Rules similar to the rules of section 6213 shall apply for purposes of determining the date of the mailing referred to in paragraph (1).

''(B) RELIEF.—Rules similar to the rules of section 6512(b) shall apply for purposes of this subsection.

''(C) REVIEW.—An order of the Tax Court under this subsection shall be reviewable in the same manner as a decision of the Tax Court, but only with respect to the matters determined in such order.''

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to requests for abatement after the date of the enactment of this Act.

SEC. 303. EXTENSION OF INTEREST-FREE PERIOD FOR PAYMENT OF TAX AFTER NOTICE AND DEMAND.

(a) GENERAL RULE.—Paragraph (3) of section 6601(e) (relating to payments made within 10 days after notice and demand) is amended to read as follows:

''(3) PAYMENTS MADE WITHIN SPECIFIED PERIOD AFTER NOTICE AND DEMAND.—If notice and demand is made for payment of any amount and if such amount is paid within 21 calendar days (10 business days if the amount for which such notice and demand is made equals or exceeds $100,000) after the date of such notice and demand, interest under this section on the amount so paid shall not be imposed for the period after the date of such notice and demand.''

(b) CONFORMING AMENDMENTS.—

(1) Subparagraph (A) of section 6601(e)(2) is amended by striking ''10 days from the date of notice and demand therefor'' and inserting ''21 calendar days from the date of notice and demand therefor (10 business days if the amount for which such notice and demand is made equals or exceeds $100,000)''.

(2) Paragraph (3) of section 6651(a) is amended by striking ''10 days of the date of the notice and demand therefor'' and inserting ''21 calendar days from the date of notice and demand therefor (10 business days if the amount for which such notice and demand is made equals or exceeds $100,000)''.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply in the case of any notice and demand given after December 31, 1996.

SEC. 304. ABATEMENT OF PENALTY FOR FAILURE TO MAKE REQUIRED DEPOSITS OF PAYROLL TAXES IN CERTAIN CASES.

(a) IN GENERAL.—Section 6656 (relating to failure to make deposit of taxes) is amended by adding at the end the following new subsections:

''(c) EXCEPTION FOR FIRST-TIME DEPOSITORS OF EMPLOYMENT TAXES.—The Secretary may waive the penalty imposed by subsection (a) on a person's inadvertent failure to deposit any employment tax if—

''(1) such person meets the requirements referred to in section 7430(c)(4)(A)(iii),

''(2) such failure occurs during the 1st quarter that such person was required to deposit any employment tax, and

''(3) the return of such tax was filed on or before the due date.

For purposes of this subsection, the term 'employment taxes' means the taxes imposed by subtitle C.

''(d) AUTHORITY TO ABATE PENALTY WHERE DEPOSIT SENT TO SECRETARY.—The Secretary may abate the penalty imposed by subsection (a) with respect to the first time a depositor is required to make a deposit if the amount required to be deposited is inadvertently sent to the Secretary instead of to the appropriate government depository.''

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall apply to deposits required to be made after the date of the enactment of this Act.

TITLE IV—JOINT RETURNS

SEC. 401. STUDIES OF JOINT RETURN-RELATED ISSUES.

The Secretary of the Treasury or his delegate and the Comptroller General of the United States shall each conduct separate studies of—

(1) the effects of changing the liability for tax on a joint return from being joint and several to being proportionate to the tax attributable to each spouse,

(2) the effects of providing that, if a divorce decree allocates liability for tax on a joint return filed before the divorce, the Secretary may collect such liability only in accordance with the decree,

(3) whether those provisions of the Internal Revenue Code of 1986 intended to provide relief to innocent spouses provide meaningful relief in all cases where such relief is appropriate, and

(4) the effect of providing that community income (as defined in section 66(d) of such Code) which, in accordance with the rules contained in section 879(a) of such Code, would be treated as the income of one spouse is exempt from a levy for failure to pay any tax imposed by subtitle A by the other spouse for a taxable year ending before their marriage.

The reports of such studies shall be submitted to the Committee on Ways and Means of the House of Representatives and the Committee on Finance of the Senate within 6 months after the date of the enactment of this Act.

SEC. 402. JOINT RETURN MAY BE MADE AFTER SEPARATE RETURNS WITHOUT FULL PAYMENT OF TAX.

(a) GENERAL RULE.—Paragraph (2) of section 6013(b) (relating to limitations on filing of joint return after filing separate returns) is amended by striking subparagraph (A) and redesignating the following subparagraphs accordingly.

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall apply to taxable years beginning after the date of the enactment of this Act.

SEC. 403. DISCLOSURE OF COLLECTION ACTIVITIES.

(a) IN GENERAL.—Subsection (e) of section 6103 (relating to disclosure to persons having material interest) is amended by adding at the end the following new paragraph:

''(8) DISCLOSURE OF COLLECTION ACTIVITIES WITH RESPECT TO JOINT RETURN.—If any deficiency of tax with respect to a joint return is assessed and the individuals filing such return are no longer married or no longer reside in the same household, upon request in writing by either of such individuals, the Secretary shall disclose in writing to the individual making the request whether the Secretary has attempted to collect such deficiency from such other individual, the general nature of such collection activities, and the amount collected. The preceding

sentence shall not apply to any deficiency which may not be collected by reason of section 6502.''

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to requests made after the date of the enactment of this Act.

TITLE V—COLLECTION ACTIVITIES

SEC. 501. MODIFICATIONS TO LIEN AND LEVY PROVISIONS.

(a) WITHDRAWAL OF CERTAIN NOTICES.—Section 6323 (relating to validity and priority against certain persons) is amended by adding at the end the following new subsection:

''(j) WITHDRAWAL OF NOTICE IN CERTAIN CIRCUMSTANCES.—

''(1) IN GENERAL.—The Secretary may withdraw a notice of a lien filed under this section and this chapter shall be applied as if the withdrawn notice had not been filed, if the Secretary determines that—

''(A) the filing of such notice was premature or otherwise not in accordance with administrative procedures of the Secretary,

''(B) the taxpayer has entered into an agreement under section 6159 to satisfy the tax liability for which the lien was imposed by means of installment payments, unless such agreement provides otherwise,

''(C) the withdrawal of such notice will facilitate the collection of the tax liability, or

''(D) with the consent of the taxpayer or the Taxpayer Advocate, the withdrawal of such notice would be in the best interests of the taxpayer (as determined by the Taxpayer Advocate) and the United States.

Any such withdrawal shall be made by filing notice at the same office as the withdrawn notice. A copy of such notice of withdrawal shall be provided to the taxpayer.

''(2) NOTICE TO CREDIT AGENCIES, ETC.—Upon written request by the taxpayer with respect to whom a notice of a lien was withdrawn under paragraph (1), the Secretary shall promptly make reasonable efforts to notify credit reporting agencies, and any financial institution or creditor whose name and address is specified in such request, of the withdrawal of such notice. Any such request shall be in such form as the Secretary may prescribe.''

(b) RETURN OF LEVIED PROPERTY IN CERTAIN CASES.—Section 6343 (relating to authority to release levy and return property) is amended by adding at the end the following new subsection:

''(d) RETURN OF PROPERTY IN CERTAIN CASES.—If—

''(1) any property has been levied upon, and

''(2) the Secretary determines that—

''(A) the levy on such property was premature or otherwise not in accordance with administrative procedures of the Secretary,

''(B) the taxpayer has entered into an agreement under section 6159 to satisfy the tax liability for which the levy was imposed by means of installment payments, unless such agreement provides otherwise,

''(C) the return of such property will facilitate the collection of the tax liability, or

''(D) with the consent of the taxpayer or the Taxpayer Advocate, the return of such property would be in the best interests of the taxpayer (as determined by the Taxpayer Advocate) and the United States,

the provisions of subsection (b) shall apply in the same manner as if such property had been wrongly levied upon, except that no interest shall be allowed under subsection (c).''

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

SEC. 502. MODIFICATIONS TO CERTAIN LEVY EXEMPTION AMOUNTS.

(a) FUEL, ETC.—Paragraph (2) of section 6334(a) (relating to fuel, provisions, furniture, and personal effects exempt from levy) is amended—

(1) by striking ''If the taxpayer is the head of a family, so'' and inserting ''So'',

(2) by striking ''his household'' and inserting ''the taxpayer's household'', and

(3) by striking ''$1,650 ($1,550 in the case of levies issued during 1989)'' and inserting ''$2,500''.

(b) BOOKS, ETC.—Paragraph (3) of section 6334(a) (relating to books and tools of a trade, business, or profession) is amended by striking ''$1,100 ($1,050 in the case of levies issued during 1989)'' and inserting ''$1,250''.

(c) INFLATION ADJUSTMENT.—Section 6334 (relating to property exempt from levy) is amended by adding at the end the following new subsection:

''(f) INFLATION ADJUSTMENT.—

''(1) IN GENERAL.—In the case of any calendar year beginning after 1997, each dollar amount referred to in paragraphs (2) and (3) of subsection (a) shall be increased by an amount equal to—

''(A) such dollar amount, multiplied by

''(B) the cost-of-living adjustment determined under section 1(f)(3) for such calendar year, by substituting 'calendar year 1996' for 'calendar year 1992' in subparagraph (B) thereof.

''(2) ROUNDING.—If any dollar amount after being increased under paragraph (1) is not a multiple of $10, such dollar amount shall be rounded to the nearest multiple of $10.''.

(d) EFFECTIVE DATE.—The amendments made by this section shall take effect with respect to levies issued after December 31, 1996.

SEC. 503. OFFERS-IN-COMPROMISE.

(a) REVIEW REQUIREMENTS.—Subsection (b) of section 7122 (relating to records) is amended by striking ''$500.'' and inserting ''$50,000. However, such compromise shall be subject to continuing quality review by the Secretary.''.

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

TITLE VI—INFORMATION RETURNS

SEC. 601. CIVIL DAMAGES FOR FRAUDULENT FILING OF INFORMATION RETURNS.

(a) GENERAL RULE.—Subchapter B of chapter 76 (relating to proceedings by taxpayers and third parties) is amended by redesignating section 7434 as section 7435 and by inserting after section 7433 the following new section:

''SEC. 7434. CIVIL DAMAGES FOR FRAUDULENT FILING OF INFORMATION RETURNS.

''(a) IN GENERAL.—If any person willfully files a fraudulent information return with respect to payments purported to be made to any other person, such other person may bring a civil action for damages against the person so filing such return.

''(b) DAMAGES.—In any action brought under subsection (a), upon a finding of liability on the part of the defendant, the defendant shall be liable to the plaintiff in an amount equal to the greater of $5,000 or the sum of—

''(1) any actual damages sustained by the plaintiff as a proximate result of the filing of the fraudulent information return (including any costs attributable to resolving deficiencies asserted as a result of such filing),

''(2) the costs of the action, and

''(3) in the court's discretion, reasonable attorneys fees.

''(c) PERIOD FOR BRINGING ACTION.—Notwithstanding any other provision of law, an action to enforce the liability created under this section may be brought without regard to the amount in controversy and may be brought only within the later of—

''(1) 6 years after the date of the filing of the fraudulent information return, or

''(2) 1 year after the date such fraudulent information return would have been discovered by exercise of reasonable care.

''(d) COPY OF COMPLAINT FILED WITH IRS—Any person bringing an action under subsection (a) shall provide a copy of the complaint to the Internal Revenue Service upon the filing of such complaint with the court.

''(e) FINDING OF COURT TO INCLUDE CORRECT AMOUNT OF PAYMENT.—The decision of the court awarding damages in an action brought under subsection (a) shall include a finding of the correct amount which should have been reported in the information return.

''(f) INFORMATION RETURN.—For purposes of this section, the term 'information return' means any statement described in section 6724(d)(1)(A).''

(b) CLERICAL AMENDMENT.—The table of sections for subchapter B of chapter 76 is amended by striking the item relating to section 7434 and inserting the following:

''Sec. 7434. Civil damages for fraudulent filing of information returns.

''Sec. 7435. Cross references.''

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to fraudulent information returns filed after the date of the enactment of this Act.

SEC. 602. REQUIREMENT TO CONDUCT REASONABLE INVESTIGATIONS OF INFORMATION RETURNS.

(a) GENERAL RULE.—Section 6201 (relating to assessment authority) is amended by redesignating subsection (d) as subsection (e) and by inserting after subsection (c) the following new subsection:

''(d) REQUIRED REASONABLE VERIFICATION OF INFORMATION RETURNS.—In any court proceeding, if a taxpayer asserts a reasonable dispute with respect to any item of income reported on an information return filed with the Secretary under subpart B or C of part III of subchapter A of chapter 61 by a third party and the taxpayer has fully cooperated with the Secretary (including providing, within a reasonable period of time, access to and inspection of all witnesses, information, and documents within the control of the taxpayer as reasonably requested by the Secretary), the Secretary shall have the burden of producing reasonable and probative information concerning such deficiency in addition to such information return.''

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall take effect on the date of the enactment of this Act.

TITLE VII—AWARDING OF COSTS AND CERTAIN FEES

SEC. 701. UNITED STATES MUST ESTABLISH THAT ITS POSITION IN PROCEEDING WAS SUBSTANTIALLY JUSTIFIED.

(a) GENERAL RULE.—Subparagraph (A) of section 7430(c)(4) (defining prevailing party) is amended by striking clause (i) and by redesignating clauses (ii) and (iii) as clauses (i) and (ii), respectively.

(b) BURDEN OF PROOF ON UNITED STATES.—Paragraph (4) of section 7430(c) is amended by redesignating subparagraph (B) as subparagraph (C) and by inserting after subparagraph (A) the following new subparagraph:

''(B) EXCEPTION IF UNITED STATES ESTABLISHES THAT ITS POSITION WAS SUBSTANTIALLY JUSTIFIED.—

''(i) GENERAL RULE.—A party shall not be treated as the prevailing party in a proceeding to which subsection (a) applies if the United States establishes that the position of the United States in the proceeding was substantially justified.

''(ii) PRESUMPTION OF NO JUSTIFICATION IF INTERNAL REVENUE SERVICE DID NOT FOLLOW CERTAIN PUBLISHED GUIDANCE.—For purposes of clause (i), the position of the United States shall be presumed not to be substantially justified if the Internal Revenue Service did not follow its applicable published guidance in the administrative proceeding. Such presumption may be rebutted.

''(iii) APPLICABLE PUBLISHED GUIDANCE.—For purposes of clause (ii), the term 'applicable published guidance' means—

''(I) regulations, revenue rulings, revenue procedures, information releases, notices, and announcements, and

''(II) any of the following which are issued to the taxpayer: private letter rulings, technical advice memoranda, and determination letters.''

(c) CONFORMING AMENDMENTS.—

(1) Subparagraph (B) of section 7430(c)(2) is amended by striking ''paragraph (4)(B)'' and inserting ''paragraph (4)(C)''.

(2) Subparagraph (C) of section 7430(c)(4), as redesignated by subsection (b), is amended by striking ''subparagraph (A)'' and inserting ''this paragraph''.

(3) Sections 6404(g) and 6656(c)(1), as amended by this Act, are each amended by striking ''section 7430(c)(4)(A)(iii)'' and inserting ''section 7430(c)(4)(A)(ii)''.

(d) EFFECTIVE DATE.—The amendments made by this section shall apply in the case of proceedings commenced after the date of the enactment of this Act.

SEC. 702. INCREASED LIMIT ON ATTORNEY FEES.

(a) IN GENERAL.—Paragraph (1) of section 7430(c) (defining reasonable litigation costs) is amended—

(1) by striking ''$75'' in clause (iii) of subparagraph (B) and inserting ''$110'',

(2) by striking ''an increase in the cost of living or'' in clause (iii) of subparagraph (B), and

(3) by adding after clause (iii) the following: ''In the case of any calendar year beginning after 1996, the dollar amount referred to in clause (iii) shall be increased by an amount equal to such dollar amount multiplied by the cost-of-living adjustment determined under section 1(f)(3) for such calendar year, by substituting 'calendar year 1995' for 'calendar year 1992' in subparagraph (B) thereof. If any dollar amount after being increased under the preceding sentence is not a multiple of $10, such dollar amount shall be rounded to the nearest multiple of $10.''

(b) EFFECTIVE DATE.—The amendment made by this section shall apply in the case of proceedings commenced after the date of the enactment of this Act.

SEC. 703. FAILURE TO AGREE TO EXTENSION NOT TAKEN INTO ACCOUNT.

(a) IN GENERAL.—Paragraph (1) of section 7430(b) (relating to requirement that administrative remedies be exhausted) is amended by adding at the end the following new sentence: ''Any failure to agree to an extension of the time for the assessment of any tax shall not be taken into account for purposes of determining whether the prevailing party meets the requirements of the preceding sentence.''

(b) EFFECTIVE DATE.—The amendment made by this section shall apply in the case of proceedings commenced after the date of the enactment of this Act.

SEC. 704. AWARD OF LITIGATION COSTS PERMITTED IN DECLARATORY JUDGMENT PROCEEDINGS.

(a) IN GENERAL.—Subsection (b) of section 7430 is amended by striking paragraph (3) and by redesignating paragraph (4) as paragraph (3).

(b) EFFECTIVE DATE.—The amendment made by this section shall apply in the case of proceedings commenced after the date of the enactment of this Act.

TITLE VIII—MODIFICATION TO RECOVERY OF CIVIL DAMAGES FOR UNAUTHORIZED COLLECTION ACTIONS

SEC. 801. INCREASE IN LIMIT ON RECOVERY OF CIVIL DAMAGES FOR UNAUTHORIZED COLLECTION ACTIONS.

(a) GENERAL RULE.—Subsection (b) of section 7433 (relating to damages) is amended by striking ''$100,000'' and inserting ''$1,000,000''.

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall apply to actions by officers or employees of the Internal Revenue Service after the date of the enactment of this Act.

SEC. 802. COURT DISCRETION TO REDUCE AWARD FOR LITIGATION COSTS FOR FAILURE TO EXHAUST ADMINISTRATIVE REMEDIES.

(a) GENERAL RULE.—Paragraph (1) of section 7433(d) (relating to civil damages for certain unauthorized collection actions) is amended to read as follows:

''(1) AWARD FOR DAMAGES MAY BE REDUCED IF ADMINISTRATIVE REMEDIES NOT EXHAUSTED.—The amount of damages awarded under subsection (b) may be reduced if the court determines that the plaintiff has not exhausted the administrative remedies available to such plaintiff within the Internal Revenue Service.''

(b) EFFECTIVE DATE.—The amendment made by this section shall apply in the case of proceedings commenced after the date of the enactment of this Act.

TITLE IX—MODIFICATIONS TO PENALTY FOR FAILURE TO COLLECT AND PAY OVER TAX

SEC. 901. PRELIMINARY NOTICE REQUIREMENT.

(a) IN GENERAL.—Section 6672 (relating to failure to collect and pay over tax, or attempt to evade or defeat tax) is amended by redesignating subsection (b) as subsection (c) and by inserting after subsection (a) the following new subsection:

''(b) PRELIMINARY NOTICE REQUIREMENT.—

''(1) IN GENERAL.—No penalty shall be imposed under subsection (a) unless the Secretary notifies the taxpayer in writing by mail to an address as determined under section 6212(b) that the taxpayer shall be subject to an assessment of such penalty.

''(2) TIMING OF NOTICE.—The mailing of the notice described in paragraph (1) shall precede any notice and demand of any penalty under subsection (a) by at least 60 days.

''(3) STATUTE OF LIMITATIONS.—If a notice described in paragraph (1) with respect to any penalty is mailed before the expiration of the period provided by section 6501 for the assessment of such penalty (determined without regard to this paragraph), the period provided by such section for the assessment of such penalty shall not expire before the later of—

''(A) the date 90 days after the date on which such notice was mailed, or

''(B) if there is a timely protest of the proposed assessment, the date 30 days after the Secretary makes a final administrative determination with respect to such protest.

''(4) EXCEPTION FOR JEOPARDY.—This subsection shall not apply if the Secretary finds that the collection of the penalty is in jeopardy.''

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall apply to proposed assessments made after June 30, 1996.

SEC. 902. DISCLOSURE OF CERTAIN INFORMATION WHERE MORE THAN 1 PERSON LIABLE FOR PENALTY FOR FAILURE TO COLLECT AND PAY OVER TAX.

(a) IN GENERAL.—Subsection (e) of section 6103 (relating to disclosure to persons having material interest), as amended by section 403, is amended by adding at the end the following new paragraph:

''(9) DISCLOSURE OF CERTAIN INFORMATION WHERE MORE THAN 1 PERSON SUBJECT TO PENALTY UNDER SECTION 6672.—If the Secretary determines that a person is liable for a penalty under section 6672(a) with respect to any failure, upon request in writing of such person, the Secretary shall disclose in writing to such person—

''(A) the name of any other person whom the Secretary has determined to be liable for such penalty with respect to such failure, and

''(B) whether the Secretary has attempted to collect such penalty from such other person, the general nature of such collection activities, and the amount collected.''

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall take effect on the date of the enactment of this Act.

SEC. 903. RIGHT OF CONTRIBUTION WHERE MORE THAN 1 PERSON LIABLE FOR PENALTY FOR FAILURE TO COLLECT AND PAY OVER TAX.

(a) IN GENERAL.—Section 6672 (relating to failure to collect and pay over tax, or attempt to evade or defeat tax) is amended by adding at the end the following new subsection:

''(d) RIGHT OF CONTRIBUTION WHERE MORE THAN 1 PERSON LIABLE FOR PENALTY.—If more than 1 person is liable for the penalty under subsection (a) with respect to any tax, each person who paid such penalty shall be entitled to recover from other persons who are liable for such penalty an amount equal to the excess of the amount paid by such person over such person's proportionate share of the penalty. Any claim for such a recovery may be made only in a proceeding which is separate from, and is not joined or consolidated with—

''(1) an action for collection of such penalty brought by the United States, or

''(2) a proceeding in which the United States files a counterclaim or third-party complaint for the collection of such penalty.''

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall apply to penalties assessed after the date of the enactment of this Act.

SEC. 904. VOLUNTEER BOARD MEMBERS OF TAX-EXEMPT ORGANIZATIONS EXEMPT FROM PENALTY FOR FAILURE TO COLLECT AND PAY OVER TAX.

(a) IN GENERAL.—Section 6672 is amended by adding at the end the following new subsection:

''(e) EXCEPTION FOR VOLUNTARY BOARD MEMBERS OF TAX-EXEMPT ORGANIZATIONS.—No penalty shall be imposed by subsection (a) on any unpaid, volunteer member of any board of trustees or directors of an organization exempt from tax under subtitle A if such member—

''(1) is solely serving in an honorary capacity,

''(2) does not participate in the day-to-day or financial operations of the organization, and

''(3) does not have actual knowledge of the failure on which such penalty is imposed.

The preceding sentence shall not apply if it results in no person being liable for the penalty imposed by subsection (a).''

(b) PUBLIC INFORMATION REQUIREMENTS.—

(1) IN GENERAL.—The Secretary of the Treasury or the Secretary's delegate (hereafter in this subsection referred to as the ''Secretary'') shall take such actions as may be appropriate to ensure that employees are aware of their responsibilities under the Federal tax depository system, the circumstances under which employees may be liable for the penalty imposed by section 6672 of the Internal Revenue Code of 1986, and the responsibility to promptly report to the Internal Revenue Service any failure referred to in subsection (a) of such section 6672. Such actions shall include—

(A) printing of a warning on deposit coupon booklets and the appropriate tax returns that certain employees may be liable for the penalty imposed by such section 6672, and

(B) the development of a special information packet.

(2) DEVELOPMENT OF EXPLANATORY MATERIALS.—The Secretary shall develop materials explaining the circumstances under which board members of tax-exempt organizations (including voluntary and honorary members) may be subject to penalty under section 6672 of such Code. Such materials shall be made available to tax-exempt organizations.

(3) IRS INSTRUCTIONS.—The Secretary shall clarify the instructions to Internal Revenue Service employees on the application of the penalty under section 6672 of such Code with regard to voluntary members of boards of trustees or directors of tax-exempt organizations.

TITLE X—MODIFICATIONS OF RULES RELATING TO SUMMONSES

SEC. 1001. ENROLLED AGENTS INCLUDED AS THIRD-PARTY RECORDKEEPERS.

(a) IN GENERAL.—Paragraph (3) of section 7609(a) (relating to third-party recordkeeper defined) is amended by striking ''and'' at the end of subparagraph (G), by striking the period at the end of subparagraph (H) and inserting ''; and'', and by adding at the end the following the subparagraph:

''(I) any enrolled agent.''

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall apply to summonses issued after the date of the enactment of this Act.

SEC. 1002. SAFEGUARDS RELATING TO DESIGNATED SUMMONSES.

(a) STANDARD OF REVIEW.—Subparagraph (A) of section 6503(k)(2) (defining designated summons) is amended by redesignating clauses (i) and (ii) as clauses (ii) and (iii), respectively, and by inserting before clause (ii) (as so redesignated) the following new clause:

''(i) the issuance of such summons is preceded by a review of such issuance by the regional counsel of the Office of Chief Counsel for the region in which the examination of the corporation is being conducted,''.

(b) LIMITATION ON PERSONS TO WHOM DESIGNATED SUMMONS MAY BE ISSUED.—Paragraph (1) of section 6503(k) is amended by striking ''with respect to any return of tax by a corporation'' and inserting ''to a corporation (or to any other person to whom the corporation has transferred records) with respect to any return of tax by such corporation for a taxable year (or other period) for which such corporation is being examined under the coordinated examination program (or any successor program) of the Internal Revenue Service''.

(c) CLERICAL AMENDMENT.—Section 6503 is amended by redesignating subsections (k) and (l) (as amended by this section) as subsections (j) and (k), respectively.

(d) EFFECTIVE DATE.—The amendments made by this section shall apply to summonses issued after the date of the enactment of this Act.

SEC. 1003. ANNUAL REPORT TO CONGRESS CONCERNING DESIGNATED SUMMONSES.

Not later than December 31 of each calendar year after 1995, the Secretary of the Treasury or his delegate shall report to the Committee on Ways and Means of the House of Representatives and the Committee on Finance of the Senate on the number of designated summonses (as defined in section 6503(j) of the Internal Revenue Code of 1986) which were issued during the preceding 12 months.

TITLE XI—RELIEF FROM RETROACTIVE APPLICATION OF TREASURY DEPARTMENT REGULATIONS

SEC. 1101. RELIEF FROM RETROACTIVE APPLICATION OF TREASURY DEPARTMENT REGULATIONS.

(a) IN GENERAL.—Subsection (b) of section 7805 (relating to rules and regulations) is amended to read as follows:

''(b) RETROACTIVITY OF REGULATIONS.—

''(1) IN GENERAL.—Except as otherwise provided in this subsection, no temporary, proposed, or final regulation relating to the internal revenue laws shall apply to any taxable period ending before the earliest of the following dates:

''(A) The date on which such regulation is filed with the Federal Register.

''(B) In the case of any final regulation, the date on which any proposed or temporary regulation to which such final regulation relates was filed with the Federal Register.

''(C) The date on which any notice substantially describing the expected contents of any temporary, proposed, or final regulation is issued to the public.

''(2) EXCEPTION FOR PROMPTLY ISSUED REGULATIONS.—Paragraph (1) shall not apply to regulations filed or issued within 18 months of the date of the enactment of the statutory provision to which the regulation relates.

''(3) PREVENTION OF ABUSE.—The Secretary may provide that any regulation may take effect or apply retroactively to prevent abuse.

''(4) CORRECTION OF PROCEDURAL DEFECTS.—The Secretary may provide that any regulation may apply retroactively to correct a procedural defect in the issuance of any prior regulation.

''(5) INTERNAL REGULATIONS.—The limitation of paragraph (1) shall not apply to any regulation relating to internal Treasury Department policies, practices, or procedures.

''(6) CONGRESSIONAL AUTHORIZATION.—The limitation of paragraph (1) may be superseded by a legislative grant from Congress authorizing the Secretary to prescribe the effective date with respect to any regulation.

''(7) ELECTION TO APPLY RETROACTIVELY.—The Secretary may provide for any taxpayer to elect to apply any regulation before the dates specified in paragraph (1).

''(8) APPLICATION TO RULINGS.—The Secretary may prescribe the extent, if any, to which any ruling (including any judicial decision or any administrative determination other than by regulation) relating to the internal revenue laws shall be applied without retroactive effect.''

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall apply with respect to regulations which relate to statutory provisions enacted on or after the date of the enactment of this Act.

TITLE XII—MISCELLANEOUS PROVISIONS

SEC. 1201. PHONE NUMBER OF PERSON PROVIDING PAYEE STATEMENTS REQUIRED TO BE SHOWN ON SUCH STATEMENT.

(a) GENERAL RULE.—The following provisions are each amended by striking ''name and address'' and inserting ''name, address, and phone number of the information contact'':

(1) Section 6041(d)(1).
(2) Section 6041A(e)(1).
(3) Section 6042(c)(1).
(4) Section 6044(e)(1).
(5) Section 6045(b)(1).
(6) Section 6049(c)(1)(A).
(7) Section 6050B(b)(1).
(8) Section 6050H(d)(1).
(9) Section 6050I(e)(1).
(10) Section 6050J(e).
(11) Section 6050K(b)(1).
(12) Section 6050N(b)(1).

(b) EFFECTIVE DATE.—The amendments made by subsection (a) shall apply to statements required to be furnished after December 31, 1996 (determined without regard to any extension).

SEC. 1202. REQUIRED NOTICE OF CERTAIN PAYMENTS.

If any payment is received by the Secretary of the Treasury or his delegate from any taxpayer and the Secretary cannot associate such payment with such taxpayer, the Secretary shall make reasonable efforts to notify the taxpayer of such inability within 60 days after the receipt of such payment.

SEC. 1203. UNAUTHORIZED ENTICEMENT OF INFORMATION DISCLOSURE.

(a) IN GENERAL.—Subchapter B of chapter 76 (relating to proceedings by taxpayers and third parties), as amended by section 601(a), is amended by redesignating section 7435 as section 7436 and by inserting after section 7434 the following new section:

''SEC. 7435. CIVIL DAMAGES FOR UNAUTHORIZED ENTICEMENT OF INFORMATION DISCLOSURE.

''(a) IN GENERAL.—If any officer or employee of the United States intentionally compromises the determination or collection of any tax due from an attorney, certified public accountant, or enrolled agent representing a taxpayer in exchange for information conveyed by the taxpayer to the attorney, certified public accountant, or enrolled agent for purposes of obtaining advice concerning the taxpayer's tax liability, such taxpayer may bring a civil action for damages against the United States in a district court of the United States. Such civil action shall be the exclusive remedy for recovering damages resulting from such actions.

''(b) DAMAGES.—In any action brought under subsection (a), upon a finding of liability on the part of the defendant, the defendant shall be liable to the plaintiff in an amount equal to the lesser of $500,000 or the sum of—

''(1) actual, direct economic damages sustained by the plaintiff as a proximate result of the information disclosure, and

''(2) the costs of the action.

Damages shall not include the taxpayer's liability for any civil or criminal penalties, or other losses attributable to incarceration or the imposition of other criminal sanctions.

''(c) PAYMENT AUTHORITY.—Claims pursuant to this section shall be payable out of funds appropriated under section 1304 of title 31, United States Code.

''(d) PERIOD FOR BRINGING ACTION.—Notwithstanding any other provision of law, an action to enforce liability created under this section may be brought without regard to the amount in controversy and may be brought only within 2 years after the date the actions creating such liability would have been discovered by exercise of reasonable care.

''(e) MANDATORY STAY.—Upon a certification by the Commissioner or the Commissioner's delegate that there is an ongoing investigation or prosecution of the taxpayer, the district court before which an action under this section is pending shall stay all proceedings with respect to such action pending the conclusion of the investigation or prosecution.

''(f) CRIME-FRAUD EXCEPTION.—Subsection (a) shall not apply to information conveyed to an attorney, certified public accountant, or enrolled agent for the purpose of perpetrating a fraud or crime.''

(b) CLERICAL AMENDMENT.—The table of sections for subchapter B of chapter 76, as amended by section 601(b), is amended by striking the item relating to section 7435 and by adding at the end the following new items:

''Sec. 7435. Civil damages for unauthorized enticement of information disclosure.

''Sec. 7436. Cross references.''

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

SEC. 1204. ANNUAL REMINDERS TO TAXPAYERS WITH OUTSTANDING DELINQUENT ACCOUNTS.

(a) IN GENERAL.—Chapter 77 (relating to miscellaneous provisions) is amended by adding at the end the following new section:

''SEC. 7524. ANNUAL NOTICE OF TAX DELINQUENCY.

''Not less often than annually, the Secretary shall send a written notice to each taxpayer who has a tax delinquent account of the amount of the tax delinquency as of the date of the notice.''

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

''Sec. 7524. Annual notice of tax delinquency.''

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to calendar years after 1996.

SEC. 1205. 5-YEAR EXTENSION OF AUTHORITY FOR UNDERCOVER OPERATIONS.

(a) IN GENERAL.—Paragraph (3) of section 7601(c) of the Anti-Drug Abuse Act of 1988 is amended by striking all that follows ''this Act'' and inserting a period.

(b) RESTORATION OF AUTHORITY FOR 5 YEARS.—Subsection (c) of section 7608 is amended by adding at the end the following new paragraph:

''(6) APPLICATION OF SECTION.—The provisions of this subsection—

''(A) shall apply after November 17, 1988, and before January 1, 1990, and

''(B) shall apply after the date of the enactment of this paragraph and before January 1, 2001.

All amounts expended pursuant to this subsection during the period described in subparagraph (B) shall be recovered to the extent possible, and deposited in the Treasury of the United States as miscellaneous receipts, before January 1, 2001.''

(c) ENHANCED OVERSIGHT.—

(1) ADDITIONAL INFORMATION REQUIRED IN REPORTS TO CONGRESS.—Subparagraph (B) of section 7608(c)(4) is amended—

(A) by striking ''preceding the period'' in clause (ii),

(B) by striking ''and'' at the end of clause (ii), and

(C) by striking clause (iii) and inserting the following:

''(iii) the number, by programs, of undercover investigative operations closed in the 1-year period for which such report is submitted, and

''(iv) the following information with respect to each undercover investigative operation pending as of the end of the 1-year period for which such report is submitted or closed during such 1-year period—

''(I) the date the operation began and the date of the certification referred to in the last sentence of paragraph (1),

''(II) the total expenditures under the operation and the amount and use of the proceeds from the operation,

''(III) a detailed description of the operation including the potential violation being investigated and whether the operation is being conducted under grand jury auspices, and

''(IV) the results of the operation including the results of criminal proceedings.''

(2) AUDITS REQUIRED WITHOUT REGARD TO AMOUNTS INVOLVED.—Subparagraph (C) of section 7608(c)(5) is amended to read as follows:

''(C) UNDERCOVER INVESTIGATIVE OPERATION.—The term 'undercover investigative operation' means any undercover investigative operation of the Service; except that, for purposes of subparagraphs (A) and (C) of paragraph (4), such term only includes an operation which is exempt from section 3302 or 9102 of title 31, United States Code.''

(3) EFFECTIVE DATE.—The amendments made by this subsection shall take effect on the date of the enactment of this Act.

SEC. 1206. DISCLOSURE OF FORM 8300 INFORMATION ON CASH TRANSACTIONS.

(a) IN GENERAL.—Subsection (l) of section 6103 (relating to disclosure of returns and return information for purposes other than tax administration) is amended by adding at the end the following new paragraph:

''(15) DISCLOSURE OF RETURNS FILED UNDER SECTION 60501.—The Secretary may, upon written request, disclose to officers and employees of—

''(A) any Federal agency,

''(B) any agency of a State or local government, or

''(C) any agency of the government of a foreign country,

information contained on returns filed under section 6050I. Any such disclosure shall be made on the same basis, and subject to the same conditions, as apply to disclosures of information on reports filed under section 5313 of title 31, United States Code; except that no disclosure under this paragraph shall be made for purposes of the administration of any tax law.''

(b) CONFORMING AMENDMENTS.—

(1) Subsection (i) of section 6103 is amended by striking paragraph (8).

(2) Subparagraph (A) of section 6103(p)(3) is amended—

(A) by striking ''(7)(A)(ii), or (8)'' and inserting ''or (7)(A)(ii)'', and

(B) by striking ''or (14)'' and inserting ''(14), or (15)''.

(3) The material preceding subparagraph (A) of section 6103(p)(4) is amended—

(A) by striking ''(5), or (8)'' and inserting ''or (5)'',

(B) by striking ''(i)(3)(B)(i), or (8)'' and inserting ''(i)(3)(B)(i),'', and

(C) by striking ''or (12)'' and inserting ''(12), or (15)''.

(4) Clause (ii) of section 6103(p)(4)(F) is amended—

(A) by striking ''(5), or (8)'' and inserting ''or (5)'', and

(B) by striking ''or (14)'' and inserting ''(14), or (15)''.

(5) Paragraph (2) of section 7213(a) is amended by striking ''or (12)'' and inserting ''(12), or (15)''.

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

SEC. 1207. DISCLOSURE OF RETURNS AND RETURN INFORMATION TO DESIGNEE OF TAXPAYER.

Subsection (c) of section 6103 (relating to disclosure of returns and return information to designee of taxpayer) is amended by striking ''written request for or consent to such disclosure'' and inserting ''request for or consent to such disclosure''.

SEC. 1208. STUDY OF NETTING OF INTEREST ON OVERPAYMENTS AND LIABILITIES.

(a) IN GENERAL.—The Secretary of the Treasury or his delegate shall—

(1) conduct a study of the manner in which the Internal Revenue Service has implemented the netting of interest on overpayments and underpayments and of the policy and administrative implications of global netting, and

(2) before submitting the report of such study, hold a public hearing to receive comments on the matters included in such study.

(b) REPORT.—The report of such study shall be submitted not later than 6 months after the date of the enactment of this Act to the Committee on Ways and Means of the House of Representatives and the Committee on Finance of the Senate.

SEC. 1209. EXPENSES OF DETECTION OF UNDERPAYMENTS AND FRAUD, ETC.

(a) IN GENERAL.—Section 7623 (relating to expenses of deduction and punishment of frauds) is amended to read as follows:

''SEC. 7623. EXPENSES OF DETECTION OF UNDERPAYMENTS AND FRAUD, ETC.

''The Secretary, under regulations prescribed by the Secretary, is authorized to pay such sums as he deems necessary for—

''(1) detecting underpayments of tax, and

''(2) detecting and bringing to trial and punishment persons guilty of violating the internal revenue laws or conniving at the same,

in cases where such expenses are not otherwise provided for by law. Any amount payable under the preceding sentence shall be paid from the proceeds of amounts (other than interest) collected by reason of the information provided, and any amount so collected shall be available for such payments.''.

(b) CLERICAL AMENDMENT.—The table of sections for subchapter B of chapter 78 is amended by striking the item relating to section 7623 and inserting the following new item:

''Sec. 7623. Expenses of detection of underpayments and fraud, etc.''.

(c) EFFECTIVE DATE.—The amendments made by this section shall take effect on the date which is 6 months after the date of the enactment of this Act.

(d) REPORT.—The Secretary of the Treasury or his delegate shall submit an annual report to the Committee on Ways and Means of the House of Representatives and the Committee on Finance of the Senate on the payments under section 7623 of the Internal Revenue Code of 1986 during the year and on the amounts collected for which such payments were made.

SEC. 1210. USE OF PRIVATE DELIVERY SERVICES FOR TIMELY-MAILING-AS-TIMELY-FILING RULE.

Section 7502 (relating to timely mailing treated as timely filing and paying) is amended by adding at the end the following new subsection:

''(f) TREATMENT OF PRIVATE DELIVERY SERVICES.—

''(1) IN GENERAL.—Any reference in this section to the United States mail shall be treated as including a reference to any designated delivery service, and any reference in this section to a postmark by the United States Postal Service shall be treated as including a reference to any date recorded or marked as described in paragraph (2)(C) by any designated delivery service.

''(2) DESIGNATED DELIVERY SERVICE.—For purposes of this subsection, the term 'designated delivery service' means any delivery service provided by a trade or business if such service is designated by the Secretary for purposes of this section. The Secretary may designate a delivery service under the preceding sentence only if the Secretary determines that such service—

''(A) is available to the general public,

''(B) is at least as timely and reliable on a regular basis as the United States mail,

''(C) records electronically to its data base, kept in the regular course of its business, or marks on the cover in which any item referred to in this section is to be delivered, the date on which such item was given to such trade or business for delivery, and

''(D) meets such other criteria as the Secretary may prescribe.

''(3) EQUIVALENTS OF REGISTERED AND CERTIFIED MAIL.—The Secretary may provide a rule similar to the rule of paragraph (1) with respect to any service provided by a designated delivery service which is substantially equivalent to United States registered or certified mail.''

SEC. 1211. REPORTS ON MISCONDUCT OF IRS EMPLOYEES.

On or before June 1 of each calendar year after 1996, the Secretary of the Treasury shall submit to the Committee on Ways and Means of the House of Representatives and the Committee on Finance of the Senate a report on—

(1) all categories of instances involving the misconduct of employees of the Internal Revenue Service during the preceding calendar year, and

(2) the disposition during the preceding calendar year of any such instances (without regard to the year of the misconduct).

TITLE XIII—REVENUE OFFSETS

Subtitle A—Application of Failure-to-Pay Penalty to Substitute Returns

SEC. 1301. APPLICATION OF FAILURE-TO-PAY PENALTY TO SUBSTITUTE RETURNS.

(a) GENERAL RULE.—Section 6651 (relating to failure to file tax return or to pay tax) is amended by adding at the end the following new subsection:

''(g) TREATMENT OF RETURNS PREPARED BY SECRETARY UNDER SECTION 6020(b).—In the case of any return made by the Secretary under section 6020(b)—

''(1) such return shall be disregarded for purposes of determining the amount of the addition under paragraph (1) of subsection (a), but

''(2) such return shall be treated as the return filed by the taxpayer for purposes of determining the amount of the addition under paragraphs (2) and (3) of subsection (a).''.

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall apply in the case of any return the due date for which (determined without regard to extensions) is after the date of the enactment of this Act.

Subtitle B—Exicse Taxes on Amounts of Private Excess Benefits

SEC. 1311. EXCISE TAXES FOR FAILURE BY CERTAIN CHARITABLE ORGANIZATIONS TO MEET CERTAIN QUALIFICATION REQUIREMENTS.

(a) IN GENERAL.—Chapter 42 (relating to private foundations and certain other tax-exempt organizations) is amended by redesignating subchapter D as subchapter E and by inserting after subchapter C the following new subchapter:

''Subchapter D—Failure by Certain Charitable Organizations To Meet Certain Qualification Requirements

''SEC. 4958. TAXES ON EXCESS BENEFIT TRANSACTIONS.

''(a) INITIAL TAXES.—

''(1) ON THE DISQUALIFIED PERSON.—There is hereby imposed on each excess benefit transaction a tax equal to 25 percent of the excess benefit. The tax imposed by this paragraph shall be paid by any disqualified person referred to in subsection (f)(1) with respect to such transaction.

''(2) ON THE MANAGEMENT.—In any case in which a tax is imposed by paragraph (1), there is hereby imposed on the participation of any organization manager in the excess benefit transaction, knowing that it is such a transaction, a tax equal to 10 percent of the excess benefit, unless such participation is not willful and is due to reasonable cause. The tax imposed by this paragraph shall be paid by any organization manager who participated in the excess benefit transaction.

''(b) ADDITIONAL TAX ON THE DISQUALIFIED PERSON.—In any case in which an initial tax is imposed by subsection (a)(1) on an excess benefit transaction and the excess benefit involved in such transaction is not corrected within the taxable period, there is hereby imposed a tax equal to 200 percent of the excess benefit involved. The tax imposed by this subsection shall be paid by any disqualified person referred to in subsection (f)(1) with respect to such transaction.

''(c) EXCESS BENEFIT TRANSACTION; EXCESS BENEFIT.—For purposes of this section—

''(1) EXCESS BENEFIT TRANSACTION.—

''(A) IN GENERAL.—The term 'excess benefit transaction' means any transaction in which an economic benefit is provided by an applicable tax-exempt organization directly or indirectly to or for the use of any disqualified person if the value of the economic benefit provided exceeds the value of the consideration (including the performance of services) received for providing such benefit. For purposes of the preceding sentence, an economic benefit shall not be treated as consideration for the performance of services unless such organization clearly indicated its intent to so treat such benefit.

''(B) EXCESS BENEFIT.—The term 'excess benefit' means the excess referred to in subparagraph (A).

''(2) AUTHORITY TO INCLUDE CERTAIN OTHER PRIVATE INUREMENT.—To the extent provided in regulations prescribed by the Secretary, the term 'excess benefit transaction' includes any transaction in which the amount of any economic benefit provided to or for the use of a disqualified person is determined in whole or in part by the revenues of 1 or more activities of the organization but only if such transaction results in inurement not permitted under paragraph (3) or (4) of section 501(c), as the case may be. In the case of any such transaction, the excess benefit shall be the amount of the inurement not so permitted.

''(d) SPECIAL RULES.—For purposes of this section—

''(1) JOINT AND SEVERAL LIABILITY.—If more than 1 person is liable for any tax imposed by subsection (a) or subsection (b), all such persons shall be jointly and severally liable for such tax.

''(2) LIMIT FOR MANAGEMENT.—With respect to any 1 excess benefit transaction, the maximum amount of the tax imposed by subsection (a)(2) shall not exceed $10,000.

''(e) APPLICABLE TAX-EXEMPT ORGANIZATION.—For purposes of this subchapter, the term 'applicable tax-exempt organization' means—

''(1) any organization which (without regard to any excess benefit) would be described in paragraph (3) or (4) of section 501(c) and exempt from tax under section 501(a), and

''(2) any organization which was described in paragraph (1) at any time during the 5-year period ending on the date of the transaction.

Such term shall not include a private foundation (as defined in section 509(a)).

''(f) OTHER DEFINITIONS.—For purposes of this section—

''(1) DISQUALIFIED PERSON.—The term 'disqualified person' means, with respect to any transaction—

''(A) any person who was, at any time during the 5-year period ending on the date of such transaction, in a position to exercise substantial influence over the affairs of the organization,

''(B) a member of the family of an individual described in subparagraph (A), and

''(C) a 35-percent controlled entity.

''(2) ORGANIZATION MANAGER.—The term 'organization manager' means, with respect to any applicable tax-exempt organization, any officer, director, or trustee of such organization (or any individual having powers or responsibilities similar to those of officers, directors, or trustees of the organization).

''(3) 35-PERCENT CONTROLLED ENTITY.—

''(A) IN GENERAL.—The term '35-percent controlled entity' means—

''(i) a corporation in which persons described in subparagraph (A) or (B) of paragraph (1) own more than 35 percent of the total combined voting power,

''(ii) a partnership in which such persons own more than 35 percent of the profits interest, and

''(iii) a trust or estate in which such persons own more than 35 percent of the beneficial interest.

''(B) CONSTRUCTIVE OWNERSHIP RULES.—Rules similar to the rules of paragraphs (3) and (4) of section 4946(a) shall apply for purposes of this paragraph.

''(4) FAMILY MEMBERS.—The members of an individual's family shall be determined under section 4946(d); except that such members also shall include the brothers and sisters (whether by the whole or half blood) of the individual and their spouses.

''(5) TAXABLE PERIOD.—The term 'taxable period' means, with respect to any excess benefit transaction, the period beginning with the date on which the transaction occurs and ending on the earliest of—

''(A) the date of mailing a notice of deficiency under section 6212 with respect to the tax imposed by subsection (a)(1), or

''(B) the date on which the tax imposed by subsection (a)(1) is assessed.

''(6) CORRECTION.—The terms 'correction' and 'correct' mean, with respect to any excess benefit transaction, undoing the excess benefit to the extent possible, and taking any additional measures necessary to place the organization in a financial position not worse than that in which it would be if the disqualified person were dealing under the highest fiduciary standards.''

(b) APPLICATION OF PRIVATE INUREMENT RULE TO TAX-EXEMPT ORGANIZATIONS DESCRIBED IN SECTION 501(c)(4).—

(1) IN GENERAL.—Paragraph (4) of section 501(c) is amended by inserting ''(A)'' after ''(4)'' and by adding at the end the following:

''(B) Subparagraph (A) shall not apply to an entity unless no part of the net earnings of such entity inures to the benefit of any private shareholder or individual.''

(2) SPECIAL RULE FOR CERTAIN COOPERATIVES.—In the case of an organization operating on a cooperative basis which, before the date of the enactment of this Act, was determined by the Secretary of the Treasury or his delegate, to be described in section 501(c)(4) of the Internal Revenue Code of 1986 and exempt from tax under section 501(a) of such Code, the allocation or return of net margins or capital to the members of such organization in accordance with its incorporating statute and bylaws shall not be treated for purposes of such Code as the inurement of the net earnings of such organization to the benefit of any private shareholder or individual. The preceding sentence shall apply only if such statute and bylaws are substantially as such statute and bylaws were in existence on the date of the enactment of this Act.

(c) TECHNICAL AND CONFORMING AMENDMENTS.—

(1) Subsection (e) of section 4955 is amended—

(A) by striking ''SECTION 4945'' in the heading and inserting ''SECTIONS 4945 AND 4958'', and

(B) by inserting before the period ''or an excess benefit for purposes of section 4958''.

(2) Subsections (a), (b), and (c) of section 4963 are each amended by inserting ''4958,'' after ''4955,''.

(3) Subsection (e) of section 6213 is amended by inserting ''4958 (relating to private excess benefit),'' before ''4971''.

(4) Paragraphs (2) and (3) of section 7422(g) are each amended by inserting ''4958,'' after ''4955,''.

(5) Subsection (b) of section 7454 is amended by inserting ''or whether an organization manager (as defined in section 4958(f)(2)) has 'knowingly' participated in an excess benefit transaction (as defined in section 4958(c)),'' after ''section 4912(b),''.

(6) The table of subchapters for chapter 42 is amended by striking the last item and inserting the following:

''SUBCHAPTER D. Failure by certain charitable organizations to meet certain qualification requirements.

''SUBCHAPTER E. Abatement of first and second tier taxes in certain cases.''

(d) EFFECTIVE DATES.—

(1) IN GENERAL.—The amendments made by this section (other than subsection (b)) shall apply to excess benefit transactions occurring on or after September 14, 1995.

(2) BINDING CONTRACTS.—The amendments referred to in paragraph (1) shall not apply to any benefit arising from a transaction pursuant to any written contract which was binding on September 13, 1995, and at all times thereafter before such transaction occurred.

(3) APPLICATION OF PRIVATE INUREMENT RULE TO TAX-EXEMPT ORGANIZATIONS DESCRIBED IN SECTION 501(c)(4).—

(A) IN GENERAL.—The amendment made by subsection (b) shall apply to inurement occurring on or after September 14, 1995.

(B) BINDING CONTRACTS.—The amendment made by subsection (b) shall not apply to any inurement occurring before January 1, 1997, pursuant to a written contract which was binding on September 13, 1995, and at all times thereafter before such inurement occurred.

SEC. 1312. REPORTING OF CERTAIN EXCISE TAXES AND OTHER INFORMATION.

(a) REPORTING BY ORGANIZATIONS DESCRIBED IN SECTION 501(c)(3).—Subsection (b) of section 6033 (relating to certain organizations described in section 501(c)(3)) is amended by striking ''and'' at the end of paragraph (9), by redesignating paragraph (10) as paragraph (14), and by inserting after paragraph (9) the following new paragraphs:

''(10) the respective amounts (if any) of the taxes paid by the organization during the taxable year under the following provisions:

''(A) section 4911 (relating to tax on excess expenditures to influence legislation),

''(B) section 4912 (relating to tax on disqualifying lobbying expenditures of certain organizations), and

''(C) section 4955 (relating to taxes on political expenditures of section 501(c)(3) organizations),

''(11) the respective amounts (if any) of the taxes paid by the organization, or any disqualified person with respect to such organization, during the taxable year under section 4958 (relating to taxes on private excess benefit from certain charitable organizations),

''(12) such information as the Secretary may require with respect to any excess benefit transaction (as defined in section 4958),

''(13) such information with respect to disqualified persons as the Secretary may prescribe, and''.

(b) ORGANIZATIONS DESCRIBED IN SECTION 501(c)(4).—Section 6033 is amended by redesignating subsection (f) as subsection (g) and by inserting after subsection (e) the following new subsection:

''(f) CERTAIN ORGANIZATIONS DESCRIBED IN SECTION 501(c)(4).—Every organization described in section 501(c)(4) which is subject to

the requirements of subsection (a) shall include on the return required under subsection (a) the information referred to in paragraphs (11), (12) and (13) of subsection (b) with respect to such organization.''

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to returns for taxable years beginning after the date of the enactment of this Act.

SEC. 1313. EXEMPT ORGANIZATIONS REQUIRED TO PROVIDE COPY OF RETURN.

(a) REQUIREMENT TO PROVIDE COPY.—

(1) Subparagraph (A) of section 6104(e)(1) (relating to public inspection of annual returns) is amended to read as follows:

''(A) IN GENERAL.—During the 3-year period beginning on the filing date—

''(i) a copy of the annual return filed under section 6033 (relating to returns by exempt organizations) by any organization to which this paragraph applies shall be made available by such organization for inspection during regular business hours by any individual at the principal office of such organization and, if such organization regularly maintains 1 or more regional or district offices having 3 or more employees, at each such regional or district office, and

''(ii) upon request of an individual made at such principal office or such a regional or district office, a copy of such annual return shall be provided to such individual without charge other than a reasonable fee for any reproduction and mailing costs.

The request described in clause (ii) must be made in person or in writing. If the request under clause (ii) is made in person, such copy shall be provided immediately and, if made in writing, shall be provided within 30 days.''

(2) Clause (ii) of section 6104(e)(2)(A) is amended by inserting before the period at the end the following: ''(and, upon request of an individual made at such principal office or such a regional or district office, a copy of the material requested to be available for inspection under this subparagraph shall be provided (in accordance with the last sentence of paragraph (1)(A)) to such individual without charge other than reasonable fee for any reproduction and mailing costs)''.

(3) Subsection (e) of section 6104 is amended by adding at the end the following new paragraph:

''(3) LIMITATION.—Paragraph (1)(A)(ii) (and the corresponding provision of paragraph (2)) shall not apply to any request if, in accordance with regulations promulgated by the Secretary, the organization has made the requested documents widely available, or, the Secretary determines, upon application by an organization, that such request is part of a harassment campaign and that compliance with such request is not in the public interest.''

(b) INCREASE IN PENALTY FOR WILLFUL FAILURE TO ALLOW PUBLIC INSPECTION OF CERTAIN RETURNS, ETC.—Section 6685 is amended by striking ''$1,000'' and inserting ''$5,000''.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to requests made on or after the 60th day after the Secretary of the Treasury first issues the regulations referred to section 6104(e)(3) of the Internal Revenue Code of 1986 (as added by subsection (a)(3)).

SEC. 1314. INCREASE IN PENALTIES ON EXEMPT ORGANIZATIONS FOR FAILURE TO FILE COMPLETE AND TIMELY ANNUAL RETURNS.

(a) IN GENERAL.—Subparagraph (A) of section 6652(c)(1) (relating to annual returns under section 6033) is amended by striking ''$10'' and inserting ''$20'' and by striking ''$5,000'' and inserting ''$10,000''.

(b) LARGER PENALTY ON ORGANIZATIONS HAVING GROSS RECEIPTS IN EXCESS OF $1,000,000.—Subparagraph (A) of section 6652(c)(1) is amended by adding at the end the following new sentence: ''In the case of an organization having gross receipts exceeding $1,000,000 for any year, with respect to the return required under section 6033 for such year, the first sentence of this subparagraph shall be applied by substituting '$100' for '$20' and, in lieu of applying the second sentence of this subparagraph, the maximum penalty under this subparagraph shall not exceed $50,000.''

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to returns for taxable years ending on or after the date of the enactment of this Act.

The SPEAKER pro tempore. Pursuant to the rule, the gentlewoman from Connecticut [Mrs. JOHNSON] and the gentleman from California [Mr. MATSUI] will each be recognized for 20 minutes.

The Chair recognizes the gentlewoman from Connecticut [Mrs. JOHNSON].

GENERAL LEAVE

Mrs. JOHNSON of Connecticut. Mr. Speaker, I ask unanimous consent that all Members may have 5 legislative days within which to revise and extend their remarks and include extraneous remarks on H.R. 2337.

The SPEAKER pro tempore. Is there objection to the request of the gentlewoman from Connecticut?

There was no objection.

Mrs. JOHNSON of Connecticut. Mr. Speaker, I yield myself such time as I may consume.

Mr. Speaker, the House already has acted favorably on the contents of H.R. 2337 when it passed the 7-year Balanced Budget Act on October 26, 1995. The Taxpayer Bill of Rights II was part of the Committee on Ways and Means title of H.R. 2491.

The freestanding bill which the Committee on Ways and Means approved on March 21, 1996, is substantially the same as the provisions which passed the House last October as part of the 7-year Balanced Budget Act, with only minor technical changes and adjustments to some of the bill's effective dates. Upon the President's veto of that bill, Mr. Speaker, Commissioner Richardson implemented a number of our recommendations by administrative action, and for that I thank her.

I commend her as well and appreciate her concern with our point of view by enclosing my remarks in which I expressed great concern for the IRS's use of economic reality audits with the distribution of her guidance to her staff in the use of these extensive audits for the purpose of assuring that people do pay their fair share.

I have enjoyed working with Commissioner Richardson and her staff, and my colleague the gentleman from California [Mr. MATSUI] and I believe that the bill we bring before you today will move us forward in assuring taxpayers' rights in dealing with the IRS, but also will do so in a way that is harmonious with our underlying law and the responsibilities of the IRS.

Yesterday was April 15, the deadline for American citizens to file their income tax returns for 1995. Most citizens filed their tax returns, will receive their refunds, and never hear from the IRS again. They are the lucky ones.

The Taxpayer Bill of Rights aims to expand the protections for the unlucky taxpayers who become involved in a tax dispute with the IRS. These taxpayers often feel as if they are engaged in a David versus Goliath contest.

H.R. 2337 gives taxpayers some important procedural tools in defending themselves in controversies with the Goliath of the IRS. While procedural tax rules may not seem glamorous, they can be extremely important in deciding the outcome of a tax dispute.

For example, TV viewers who followed the O.J. Simpson trial last year learned that procedural rules can have a major impact on the outcome of a legal controversy. In a similar way, the procedural tax rule changes and the Taxpayer Bill of Rights II will have a significant effect on the outcome of tax disputes with the IRS.

For example, the committee learned of cases where the IRS began auditing a taxpayer's return, and then the IRS employee conducting the audit was transferred to a new division and the return sat for another year or two before the audit was completed. Under current law, the IRS has no authority to abate the interest which ran up during this period. H.R. 2337 addresses this problem by giving the IRS expanded authority to abate interest charges that occur as a result of unreasonable delays caused by the IRS's own process.

The bill will also make it easier for taxpayers who win their cases against the IRS in Tax Court to collect attorneys' fees. Under current law, not only does a taxpayer have to prevail on the merits against the IRS to collect attorneys fees, he must also prove that the IRS was not justified in pressing the case against him. H.R. 2337 would switch the burden to the IRS of proving that its position was substantially justified. This is consistent with the judicial principle that the party in control of the facts should bear the burden of proof.

Another provision would help taxpayers who enter into installment payment agreements with the IRS. Under current law the IRS does not have to give notice to the taxpayer before it revokes an installment payment plan. This can result in a hardship when the IRS revokes an installment agreement based on faulty information. H.R. 2337 would require the IRS to give 30 days advance notice before it revokes an installment agreement in order to give the affected taxpayer an opportunity to challenge this action.

Further, in the extreme cases where the IRS damages the taxpayer because its employees act recklessly in collecting taxes, the bill would raise the ceiling for damage claims by taxpayers against the IRS to $1 million. The current ceiling is $100,000.

Finally, for the first time, the experience of the IRS ombudsman as to the most common problems experienced by taxpayers will be relayed directly to the Committee on Ways and Means,

without passing through the many layers of administrative filters of the IRS and then the Department of the Treasury.

This will enable us here in Congress to respond in a far more timely fashion to the problems, indeed the snares, taxpayers get caught in as they deal with the IRS. That will allow us to deal with the legitimate problems, while assuring that the IRS can collect the legitimately owed taxes.

Mr. Speaker, the Nation's taxpayers probably will never enjoy paying taxes, but they should not feel powerless in their dealings with the IRS. The Taxpayer Bill of Rights II will establish many new procedural protections for taxpayers. Like the David in Biblical history, the average taxpayer may be smaller than the rival IRS, but we are giving him some significant weapons with which to defend himself.

I support the passage of H.R. 2337, urge my colleagues to do likewise, and I thank the gentleman from California [Mr. MATSUI], and his able staff, for their work with us on this matter over the last many months.

Mr. Speaker, I reserve the balance of my time.

Mr. MATSUI. Mr. Speaker, I yield myself such time as I may consume.

Mr. Speaker, I also rise in strong support of H.R. 2337. This legislation has been adopted numerous times by the Committee on Ways and Means on a bipartisan basis, and certainly on the floor of the House it has been adopted as well, and the enactment is certainly long overdue. This legislation is supported by the administration and will result in a much needed protection for taxpayers in their dealings with the Internal Revenue Service.

Mr. Speaker, I would like to first of all take this opportunity to commend the gentlewoman from Connecticut, Chairwoman NANCY JOHNSON, who has done a tremendous job on making sure that we have a bipartisan approach to this piece of legislation. All through the drafting and the putting together of this legislation, we have worked very cooperatively, and she and her staff have kept us informed, and I just want to take this opportunity to personally thank her for her efforts.

Certainly it goes also to the majority's fine staff, Donna Steele, and the members of our staff, Beth Vance, as well; all have played a significant role in making sure this legislation is in the form that it is today.

I want to also thank Secretary Rubin, and particularly Les Samuels, the assistant to Mr. Rubin, who has been very helpful with his input in the drafting of this legislation. Of course, the Internal Revenue Commissioner, Margaret Richardson, who has made, as Chairwoman JOHNSON stated in her opening statement, numerous reforms in this particular area.

This legislation, Mr. Speaker, is the second comprehensive taxpayers' bill of rights that have been adopted by the Congress and signed, hopefully signed, by the President. this bill will establish, as the gentlewoman from Connecticut [Mrs. JOHNSON] has said, a taxpayer advocate which will replace the ombudsman.

The advocate will have four main responsibilities. One to assist the taxpayer in resolving problems with the Internal Revenue Service; two, to identify problem areas within the Internal Revenue Service; three, a proposed change in the practice of the Internal Revenue Service to solve these problems; and, four, identify legislative solutions to these problems as well.

The second area in this bill in terms of making major changes, it will switch the burden of proof in cases in which attorneys' fees will be awarded. Currently taxpayers must show that the position of the IRS was not substantially justified in order to recover his or her attorney fees. Under the bill, a taxpayer who wins a suit can recover his or her fees unless the Internal Revenue Service can show that it was substantially justified in pursuing the action against the taxpayer in the first instance.

Three, the bill includes a number of provisions in which the IRS has greater flexibility in waiving certain penalties and will require that the Internal Revenue Service notify taxpayers before taking actions that would adversely affect them.

Fourth, the bill does address a problem that has been in the news over the last few years, and this deals with divorced spouses. There have been several cases where divorced spouses have signed returns not knowing what is in these returns, and before collection will occur now the Internal Revenue Service must give advance notice to the former spouse before any collection efforts will be taken.

In addition, the Service will do a study that will be due back in 6 months on how to deal with the issue of joint and several liability, undoubtedly which will affect many people in the middle of a divorce or are divorced when the filing occurs.

Again, I would like to thank the gentlewoman from Connecticut [Mrs. JOHNSON] and members of the majority staff for all their help in this effort. I know that this is only the second step. We intend I believe to have a taxpayers' bill of rights III during the next Congress, and I look forward to working with the members of this committee and certainly the Members of the House and the administration.

Mr. Speaker, I reserve the balance of my time.

Mrs. JOHNSON of Connecticut. Mr. Speaker, I yield 2 minutes to the gentleman from Texas [Mr. ARCHER], the chairman of the Committee on Ways and Means, and I thank him for his participation.

Mr. ARCHER. Mr. Speaker, I thank the gentlewoman for yielding me time, and also commend her on the outstanding work she has done on this bill.

Mr. Speaker, I rise in strong support of the Taxpayer Bill of Rights II, which will establish many new protections for the Nation's taxpayers in their dealings with the IRS. The campaign to safeguard taxpayer rights has a long history. The original Taxpayer Bill of Rights was enacted in 1988. While this legislation was a good first step, the continuing course of constituent complaints against the IRS has convinced us of the need to enact additional taxpayer protections.

Under this bill, taxpayers who are involved in a dispute with the IRS will be armed with additional rights and protections. In the David against Goliath fight between the taxpayer and the IRS, this bill is the slingshot the taxpayer can now use to win his or her fight.

I compliment the gentlewoman from Connecticut, [Mrs. JOHNSON], chairwoman of the Subcommittee on Oversight, and the gentleman from California [Mr. MATSUI], the ranking Democrat, for their dedication to championing the cause of the Nation's taxpayers.

Mr. Speaker, the IRS is the agency tasked with the responsibility of enforcing our Nation's tax laws and collecting the taxes that are legally due. It is an important job, because the functioning of the Federal Government depends on the public's willingness to voluntarily pay the taxes they owe. However, it is also a very difficult responsibility because the complicated structure of our current income tax system necessarily interjects the IRS into the private lives of the American people.

There is no question the IRS has grown too powerful and too intrusive. However, this has come in direct response to the growing complexity of our current tax system. The ultimate solution to this problem is to tear the income tax out by its roots and eliminate the need for an agency which must delve into our private lives in order to enforce the tax system. But until Congress fundamentally reforms the tax laws, the next best approach is to make the current tax system operate in a way which treats taxpayers more fairly.

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Mr. MATSUI. Mr. Speaker, I reserve the balance of my time.

Mrs. JOHNSON of Connecticut. Mr. Speaker, I yield 2 minutes to the gentleman from California [Mr. COX].

Mr. COX of California. Mr. Speaker, I thank the gentlewoman for yielding me this time.

Mr. Speaker, too often the taxpayer is at the mercy of the IRS, and the whole purpose of this bill is to try to set that right, at least a little bit.

Included in this Taxpayer Bill of Rights II is the Fast and Efficient Tax Filing Act, and I want to thank the Members that worked on Ways and Means, in particular my colleague the gentlewoman from Connecticut, NANCY JOHNSON, and my colleague from California for including this in the legislation, so thank you, Mr. MATSUI, as well.

The Fast and Efficient Tax Filing Act is going to make at least one area of the Internal Revenue Code a little more user friendly. Many of you may have at one time in your lives stood in line for an IRS Postal Service postmark to mail your tax return on April 15.

Turns out that in order to use this rule, the Postal Service must be the form of delivery. If on the morning of April 15 you send it Federal Express, UPS, or some overnight delivery, and it gets there the next day, that is not good enough. If you put it in the mailbox and it gets postmarked, or if you stand in line and get that receipt from the Postal Service, even though the IRS does not get it for a week, then you can use the rule.

Both taxpayers and the IRS are being cheated under the current system. As a result of the Fast and Efficient Tax Filing Act, no more midnight waits at the post office; send it Fed Ex, call 1–800 pickup or DHL, or any of the competitors that we have that operate in America to deliver things efficiently throughout the rest of our economy. Next year you will be able to do that as a result of the passage of this bill.

So I want to congratulate once again my colleagues, the gentleman from California [Mr. MATSUI] and the gentlewoman from Connecticut [Mrs. JOHNSON], for including this in a wonderful bill. The IRS is going to get returns faster. Our constituents will not stand in line. At least this one area of our onerous Tax Code will have a modicum of common sense.

Mrs. JOHNSON of Connecticut. Mr. Speaker, I yield myself such time as I may consume to thank the gentleman from California for his good work. He did contribute to this bill very substantially, and I thank him for his comments today.

Mr. Speaker, I would now like to recognize the gentleman from Ohio [Mr. TRAFICANT], and in so doing I want to recognize his tireless efforts to promote the rights of taxpayers in their dealings with the IRS. He has long been one of this body's most steadfast champions for the Nation's taxpayers, and he deserves much of the credit for provision in this bill relating to burden-of-proof issues, including the provision relating to the award of attorneys fees and costs, which shifts the burden to the IRS to prove that it was justified in bringing its case against the taxpayer.

Mr. Speaker, I yield such time as he may consume to the gentleman from Ohio [Mr. TRAFICANT].

Mr. TRAFICANT. Mr. Speaker, I appreciate that from the distinguished chairwoman, and I think the gentlewoman from Connecticut, Mrs. JOHNSON was tired of having me run her down on the floor, and the gentleman from Texas, BILL ARCHER. I want to thank Speaker GINGRICH, the gentleman from Texas, DICK ARMEY, the gentlewoman from Connecticut, NANCY JOHNSON, the gentleman from Texas, BILL ARCHER, the gentleman from Florida, SAM GIBBONS, and the gentleman from California, BOB MATSUI.

Yes, I have been aggressive on some of these issues, and the gentlewoman from Connecticut has accommodated me under a powerful strain of opposition at times from the Internal Revenue Service.

Two provisions I worked hard for, as cited by the gentlewoman from Connecticut [Mrs. JOHNSON]. No. 1, after a matter has been adjudicated, a taxpayer can in fact go after those attorney fees and costs and, in fact the burden of proof after adjudication is thus switched to the IRS to justify and maintain their position for going after the taxpayer in the first place.

That is a good first step, my colleagues. I have no complaints with that, and I commend you and thank you for doing something I could not get a Congress to do over the last four terms.

The second one says that right now there is a cap of $100,000 when an IRS agent violates the rights of a taxpayer. In my provision in here it increases that cap to $1 million, and I think $1 million will get their attention.

This is a great first step, but I want to just make a few points today, and I want to ask the Committee on Ways and Means to consider what I say very seriously. More than 97 percent of the American people support the change in the burden of proof in a civil tax case. No one has helped me more than the gentlewoman from Connecticut [Mrs. JOHNSON] and the gentleman from Texas [Mr. ARCHER]. As a Democrat, I want to commend the Republican leadership for giving me an opportunity on this.

Right now, under current existing law, in a civil tax case a taxpayer goes into court with the burden of proof. They have to prove they are innocent. There is no other provision in law. I do not know how this evolution has come about, where all of a sudden we have a law that places an American guilty in the eyes of the court and under the statutory law and they must prove themselves innocent.

Some of the arguments we are getting from the IRS are that deadbeats might get over. I do not believe that. I think the IRS is now saying that this would be a big revenue loser. I would say to all leaders, if we scored the Bill of Rights and let the IRS score the Bill of Rights, would we enjoy the freedoms of the Bill of Rights? Money is not an argument here.

I think when the IRS says, ''Look, Mr. TRAFICANT, don't confuse us with the Constitution,'' I cannot buy the argument.

I am asking the Committee on Ways and Means to look at offsets. My new bill, H.R. 2450, handles this matter differently. It breaks it down to administrative and judicial.

When a taxpayer gets notice of an administrative audit, in that administrative procedure they have the burden of proof. They must substantiate those representations they make on their tax forms. But in good faith, having made those representations and the IRS then choosing to take the matter to court, the Traficant bill says at that point the burden of proof shifts to the IRS and the IRS shall be able to justify their case, prove evidence, submit evidence, and prove that matter.

Let me say this. That is something that we here in Congress should do. I would even be willing to have a provision in that bill that says that in the administrative procedure where the burden of proof is on the taxpayer, they must comply, if they are not compliant and deemed to have not complied in the eyes of the court, that the court can maintain the burden of proof on the taxpayer.

It would force the administrative process to be up front. We could expedite these cases. I do not think we would have as big a revenue problem as we have, and I would urge the committee to look at the scoring of it, but not only look at the scoring but to look at the offsets for funds to right this wrong.

But for me to stand up here today and to say because this total burden of proof is not enacted makes this bill weaker would not be fair. The gentlewoman from Connecticut [Mrs. JOHNSON] has done a fine job. I thank her for putting up with me.

The gentleman from California [Mr. MATSUI] and the gentleman from Texas [Mr. ARCHER] are going to have to put up more with me, and their staff, because I will not be satisfied until we right the wrong. A taxpayer in America pays the freight on this train coming down the track and, by God, they should at least be considered like everyone else in a court of law, innocent until proven guilty.

I am asking for their help, and I appreciate the time the gentlewoman has given me.

Mr. MATSUI. Mr. Speaker, I yield myself such time as I may consume.

First, I want to commend the gentleman from Ohio [Mr. TRAFICANT]. As the gentlewoman from Connecticut [Mrs. JOHNSON] has said, he really has been very helpful providing information to us, both in terms of the burden of proof issue and, second, in terms of lifting the $100,000 cap to $1 million in terms of the damage issue. We want to thank him very, very much for that.

We both look forward to working with the gentleman in the future on the third tax bill of rights legislation when we bring it before the House. Again, we thank him.

Second, I would like to just thank the gentleman from California [Mr. COX] for his very helpful information and piece of legislation, as well, in terms of the alternative uses besides the Postal Service in terms of filing returns.

I might also add the name of this legislation is the Pickle-Johnson legislation, and that is not two Texans, that

is not President Johnson, but that is the gentlewoman from Connecticut, NANCY JOHNSON, and of course Jake Pickle, who was really one of the leaders for the last 10 years working on the tax bill of rights. This is the Pickle-Johnson legislation.

Mr. Speaker, I reserve the balance of my time.

Mrs. JOHNSON of Connecticut. Mr. Speaker, I yield myself 30 seconds.

Mr. Speaker, I would like to comment that my colleague, the gentleman from California [Mr. MATSUI], and I and our staff have worked very hard, not only together and with Members and with constituents who have testified, but also with the IRS. These provisions are going to front-load those defenses that taxpayers need so that we should not be getting into the kinds of problems that the gentleman from Ohio [Mr. TRAFICANT] describes.

By assuring taxpayers better information, more open communication and better procedures, we believe their rights will be defended long before they get into the level of controversy that has concerned the gentleman, and rightly so.

Mr. Speaker, I yield 2 minutes to the gentleman from Texas, Mr. SAM JOHNSON.

Mr. SAM JOHNSON of Texas. Mr. Speaker, I too would like to commend the gentlewoman from Connecticut, NANCY JOHNSON, and the gentleman from California, Mr. MATSUI, for doing a good job and for getting this bill back to the floor, this bill of rights back to the floor for a second time.

As you know, the President vetoed it back in December, along with a bunch of other stuff. But this bill is important because the powers of the IRS to investigate and examine taxpayers are greater than any other Government agency. They are intrusive. They are into our lives, and it seems that the constitutional rights of taxpayers are always trampled upon but nothing is ever done.

This bill makes important commonsense changes to current law that will strengthen the rights of American taxpayers. It establishes a taxpayer advocate to prevent the IRS from treating taxpayers like second class citizens. It increases the amount people may sue the IRS from $100,000 to $1 million. And for the first time, it allows the Federal courts to determined IRS failure and abuse of discretion.

While this bill makes important progress to rein in the IRS and its 115,000 IRS agents, I believe America is demanding that the entire system should be replaced, and I think we must insist that any new system must empower individuals and not the Government; provide opportunities, not dead ends, and, most importantly, it must offer the hard-working people of this country the freedom to achieve the American dream.

I commend the gentlewoman again for bringing this bill to the floor again, and I hope we can get it through in good shape this time.

Mrs. JOHNSON of Connecticut. Mr. Speaker, I yield 1½ minutes to the gentleman from Florida [Mr. SHAW].

Mr. SHAW. Mr. Speaker, I thank the gentlewoman for yielding this time to me, and I stand up in vigorous support of a commonsense change in the law as it affects the taxpayers' rights in balancing it out with the rights and duties of the Internal Revenue Service.

The Internal Revenue Service is a needed agency which looks over the collection of taxes in this country. There is no question about it. But there are some things that need to be balanced out which this legislation does.

To give just a few examples of what is in this bill that needs to be done: One of the provisions in here would allow the IRS to release property on which there are liens when it is to the advantage of the Government to do so. Right now they cannot do that.

You have situations where businesses are closed down, where if the IRS would simply allow them to continue to exist for a short period of time, the Federal Government could make up some of the dollars that it is losing. And, of course, also, there is a question of jobs being lost. This is just plain common sense.

When we have a situation where a spouse is charged with liability because of signing a joint return and the secrecy law comes into play, it is only common sense, if we are going to go after using the female spouse, that we would be able to share certain information, which now the IRS is prohibited from doing.

These are just a couple of examples of just pure common sense that we are putting into the law.

I compliment my fellow Members of the Committee on Ways and Means. It was a good meeting, and I think it shows that we have great bipartisan support, and I am sure that each Member of the Congress, every Member of the Congress is going to be proud to vote for and support this legislation.

Mr. MATSUI. Mr. Speaker, I yield myself such time as I may consume to say that I do not believe we have any further speakers.

I might just add, in closing on my side, that we hope that the Members support this bill. I urge support of this legislation. The President supports this legislation and will sign this bill and, again, I look forward to continuing working with the gentlewoman from Connecticut.

Mr. Speaker, I yield back the balance of my time.

The SPEAKER pro tempore (Mr. CAMP). The gentlewoman from Connecticut has three-fourth of a minute remaining.

Mrs. JOHNSON of Connecticut. Mr. Speaker, I yield the balance of my time to the gentleman from Colorado [Mr. HEFLEY].

Mr. HEFLEY. Mr. Speaker, I rise today in support of the Taxpayer Bill of Rights. I think it is a step we need to take.

There are a couple of things I wish had been in it that are not there. One of them, the item that the gentleman from Ohio [Mr. TRAFICANT] has worked so hard on, and some of the rest of us, and that is to change the burden of proof. The other is that the IRS should pay back at the same interest rate that we have to pay if they overcharge us.

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But Congress, I think, has finally realized what taxpayers have known for years, that the IRS has too much power over the lives of ordinary citizens. This bill contains some much-needed reforms which make so much sense. I have to shake my head and wonder that these protections do not already exist.

This bill creates the position of taxpayer advocate. It expands the authority of the IRS to abate interest and penalties, extend the length of time which the taxpayer may fulfill his obligation to the IRS without accrual of excessive penalties and interest. It allows the taxpayer, when they are right, to collect the money in fees and costs from the IRS. I hope we can pass this bill.

Mr. NEAL. Mr. Speaker, yesterday the House was involved in a publicity stunt because of it being tax day. Today, we are debating tax legislation that will truly help the American people. Before us today is the Taxpayer Bill of Rights. The purpose of this legislation is to help those taxpayers who find themselves in dispute with the Internal Revenue Service [IRS].

This legislation will reduce the anxiety that surrounds April 15 each year. Taxpayers will have some extra assistance when they are faced with the IRS. This legislation is based on an extensive bipartisan effort of the Ways and Means Committee to assist the taxpayer. Mr. Pickle, the former chairman of the Subcommittee on Oversight, worked long and hard on this issue. The legislation before us today is substantially the same as legislation developed by Mr. Pickle. Also, Senator PRYOR has spent many years working on this legislation.

One of the key provisions of this legislation is the creation of an independent taxpayer advocate. The taxpayer advocate will work to improve taxpayer services and IRS responsiveness. The taxpayer advocate will report to the tax writing committees of Congress on the progress in this area. Another key provision requires the IRS to report to the tax writing committees on the misconduct of IRS employees. This report will give Congress the chance to study the misconduct of IRS employees and the punishment for misconduct.

Taxpayers will receive assistance for taxpayers who experienced difficulty with the IRS. This legislation would allow taxpayers who have been the victim of reckless collection actions by the IRS to sue the Government for $1 million up from the current cap of $100,000.

The bottom line is this legislation will make it easier for taxpayers to work with the IRS. Currently, the United States has an 86-percent rate of compliance for Federal taxes. Hopefully, this legislation will help improve compliance which is already the envy of other countries. This legislation will improve the working relationship between taxpayers and the IRS.

I am pleased this legislation is before us today. This legislation is a concrete way to help make April 15 a less stressful day for all Americans.

Mr. PORTMAN. Mr. Speaker, first of all, I would like to thank Chairman JOHNSON for her excellent leadership in crafting this bill. She and her Oversight Subcommittee staff have worked tirelessly on behalf of the American taxpayer.

Mr. Speaker, yesterday's deadline to file income tax returns reminds us of how much power the Internal Revenue Service has over the honest taxpayers of this country. We must ensure that the IRS isn't heavy-handed in enforcing regulations and that the taxpayer has adequate protections.

One of my constituents learned the hard way about how the IRS sometimes does business. While she was married, she and her self-employed husband filed a joint tax return. But after her divorce was finalized, the IRS determined that she was responsible for paying off almost all of the $30,000 in taxes her ex-husband owed the Federal Government.

The IRS rejected her plea for relief under the innocent spouse provision in the Tax Code because she had signed the joint tax returns. Her ex-husband is now off the hook, having settled with the IRS for about $5,000. Meanwhile, this divorcee currently owes the IRS $20,000, a burden that could affect her for the rest of her life. She says she feels like she's being punished for being a good citizen and for working hard. It certainly looks that way to me, too.

We owe it to the hardworking citizens of our country to prevent the IRS from unfairly pushing them around. Most people come away from a confrontation with the IRS feeling bruised and battered. This legislation at least will give them a fighting chance—it includes more than 30 items that give the taxpayers rights and powers in dealing with the IRS. Some of these provisions will help ensure that divorced filers are not victimized.

I urge my colleagues in the House to vote in favor of passage of this Taxpayer Bill of Rights—it will guard against unreasonable IRS positions and protect the rights of taxpayers.

Mr. PACKARD. Mr. Speaker, few things are scarier than getting into a dispute with the IRS. They truly believe that they are above the law and all too often taxpayers have no recourse.

During April, working Americans struggle to fill out complicated U.S. tax forms, enduring great anxiety and paying out large sums of money to accountants, just to guarantee that they are giving Uncle Sam the appropriate and expected amount. And when there is a dispute or audit, taxpayers—right or wrong—always end up paying the price. Ironically the IRS' own annual reports admit a high rate of errors and the IRS telephone information service gives out wrong answers as much as one-third of the time.

My Republican colleagues and I are committed to changing that. The taxpayer bill of rights that we consider today makes it harder for the IRS to demand America's hard-working families pay for the IRS' own mistakes. The more than 30 protections in this bill will waive interest charges when the IRS is at fault for tax underpayment. It extends time for taxpayers to pay delinquent taxes without being subject to interest and penalties. It allows taxpayers to sue the IRS for reckless collection actions and there are dozens of other taxpayer protections included in this measure.

Mr. Speaker, our tax system has veered out of control. My Republican colleagues and I know America needs tax reform and the debate will begin in earnest this week. Because, it will not happen overnight, we must provide tax relief now to America's families. The taxpayer bill of rights does that and more. It proves to our taxpayers that the Republican-led Congress is committed to returning fiscal responsibility to Washington.

Mrs. MINK of Hawaii. Mr. Speaker, I rise in support of H.R. 2337, the Taxpayer Bill of Rights Act, which represents significant advancement toward fair treatment of taxpayers under the Internal Revenue Code by the Internal Revenue Service.

I am particularly in favor of a section that embodies the intent of a bill that I introduced last year, H.R. 331, which would require the Federal Government to consider as having arrived on time any sealed bid for the procurement of goods or services, if the bid was sent by an overnight message delivery service at least 2 business days before the date specified for receipt of bids.

Current procurement law states that late bids cannot be considered for awards unless they were one, sent by registered or certified mail no later than 5 days before the bids receipt deadline, two, proven to have been delivered late due to mishandling by the receiving Government agency, or three, sent by U.S. Postal Service Express Mail Next Day Service no later than 2 business days prior to bid receipt deadline. This provision excludes from this portion of the procurement process the use of private delivery services, such as United Postal Service and Federal Express, despite the fact that these companies have proven trustworthy and reliable in overnight package delivery, not only meeting but in many cases exceeding the abilities of the U.S. Postal Service.

Similarly, Internal Revenue Code §7502 was recently interpreted by the Ninth Circuit U.S. Court of Appeals (*V.L. Correia,* 58 F.3d 468 (1995)) that only the date of actual delivery to the IRS or Tax Court by private delivery service is applicable, rather than the date of mailing as in cases of delivery by the U.S. Postal Service. Section 1210 of the bill before us would allow the Secretary of the Treasury to expand this timely mailing as timely-filing section to the use of private delivery companies that meet specified criteria. A significant number of American taxpayers every year attempt to submit their income tax returns to the IRS through a private delivery service, only to find this inadequate to demonstrate timely filing of their returns.

I urge my colleagues full support of this provision, as well as my bill, H.R. 331.

Mr. KLECZKA. Mr. Speaker, 8 years ago, the first ''Taxpayer Bill of Rights'' passed which created a more level playing field between citizens and the IRS with safeguards to protect taxpayers. The legislation gave taxpayers the right to sue the IRS for actions taken by its agents, provided financially troubled taxpayers the right to seek an installment tax payment plan, and enabled taxpayers who prevail over the IRS in court to seek reimbursement for part of their attorney fees in some circumstances.

Although this 1988 legislation was a step in the right direction, more can be done to help taxpayers. The ''Taxpayer Bill of Rights II,'' which I strongly supported in the Ways and Means Committee, contains over two dozen provisions to give taxpayers further protection. This bill will expand the power of the IRS Taxpayer Ombudsman to issue protective orders to help taxpayers, mandate that the IRS take reasonable steps to corroborate third-party information disputed by a taxpayer, and give the IRS the authority to waive the interest on late tax payments in cases where there is a valid reason for such payment. Additionally, the bill would increase to $1 million the civil damages for which a taxpayer could sue the IRS in cases of unauthorized collections.

The vast majority of citizens are responsible taxpayers who deserve the additional rights and safeguards that the Taxpayer Bill of Rights II will provide. I hope that Congress will quickly pass, and the President sign this meaningful bill. I urge a ''yea'' vote.

Ms. DUNN of Washington. Mr. Speaker, I rise in strong support of H.R. 2337, the Taxpayer Bill of Rights II and urge its adoption.

All too often ''tax fairness'' usually refers almost solely to whether Government is seizing the right amount of money from different economic classes—not how the tax collectors are treating the individual citizen.

Under U.S. law, Americans are innocent until proven guilty. Yet, when an individual taxpayer deals with the IRS, the taxpayer is guilty until he or she proves their innocence.

Over the past few months, I have heard from literally hundreds of constituents who have described to me numerous problems they see with our system of taxation. A common theme has been the intrusive nature of the Internal Revenue Service [IRS] and the enormous compliance burdens imposed on individuals.

This measure gives taxpayers a helping hand if they find themselves at odds with the IRS. The American taxpayer will be empowered with more than 30 protections in dealing with the IRS.

In addition to these protections, I will continue to work for the inclusion of an additional provision in the final version of this legislation that I have been working on within the Ways and Means Committee.

Specifically, the bipartisan provision, which I am sponsoring along with my colleague, Mr. MATSUI, would permit ''equitable tolling'' application in tax refund cases.

My interest in this area was precipitated by a highly publicized court case in which a 93-year-old senile man, Stanley McGill, overpaid his taxes in 1984. After Mr. McGill's death in 1988, Marian Brockamp found her late father's canceled check to the IRS in a pile of receipts. In fact, Mr. McGill owed the IRS $700—not $7,000. Mrs. Brockamp asked the IRS for a refund.

Although the agency acknowledged the mistake, it refused to return the money, claiming the 3-year statue of limitations on refund claims had expired.

But Brockamp's attorney argued that the time set aside for suing the Government should be extended under the legal doctrine known as equitable tolling—which is invoked in cases where a taxpayer is disabled.

A Federal judge in Los Angeles rejected that argument in 1993, but the 9th U.S. Circuit Court of Appeals overruled the lower court in June 1995, calling the IRS refusal unconscionable.

The Justice Department has appealed the decision to the Supreme Court.

This is just one example of an outrageous injustice that my commonsense change of law is intended to end.

H.R. 2337, the Taxpayer Bill of Rights II, will help the average American, who might have made an honest mistake in underestimating his taxes due by providing him a little more time to prove it was an honest mistake.

The new majority in this Congress is working on commonsense ways to give taxpayers a break. In fact, the Taxpayers Bill of Rights II itself is simply a long overdue exercise in common sense. Will Rogers once said, ''Common sense ain't that common.'' Well, like everything else, common sense is making a comeback.

The SPEAKER pro tempore (Mr. CAMP). The question is on the motion offered by the gentlewoman from Connecticut [Mrs. JOHNSON] that the House suspend the rules and pass the bill, H.R. 2337, as amended.

The question was taken.

Mrs. JOHNSON of Connecticut. Mr. Speaker, I object to the vote on the ground that a quorum is not present and make the point of order that a quorum is not present.

The SPEAKER pro tempore. Pursuant to clause 5 of rule I and the Chair's prior announcement, further proceedings on this motion will be postponed.

The point of no quorum is considered withdrawn.

EXTENSION OF FREE TRADE BENEFITS TO WEST BANK AND GAZA STRIP

Mr. SHAW. Mr. Speaker, I move to suspend the rules and pass the bill (H.R. 3074) to amend the United States-Israel Free Trade Area Implementation Act of 1985 to provide the President with additional proclamation authority with respect to articles of the West Bank or Gaza Strip or a qualifying industrial zone.

The Clerk read as follows:

H.R. 3074

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. ADDITIONAL PROCLAMATION AUTHORITY.

The United States-Israel Free Trade Area Implementation Act of 1985 (19 U.S.C. 2112 note) is amended by adding at the end the following new section:

''SEC. 9. ADDITIONAL PROCLAMATION AUTHORITY.

''(a) ELIMINATION OR MODIFICATIONS OF DUTIES.—The President is authorized to proclaim elimination or modification of any existing duty as the President determines is necessary to exempt any article from duty if—

''(1) that article is wholly the growth, product, or manufacture of the West Bank, the Gaza Strip, or a qualifying industrial zone or is a new or different article of commerce that has been grown, produced, or manufactured in the West Bank, the Gaza Strip, or a qualifying industrial zone;

''(2) that article is imported directly from the West Bank, the Gaza Strip, Israel, or a qualifying industrial zone; and

''(3) the sum of—

''(A) the cost or value of the materials produced in the West Bank, the Gaza Strip, Israel, or a qualifying industrial zone, plus

''(B) the direct costs of processing operations performed in the West Bank, the Gaza Strip, Israel, or a qualifying industrial zone, is not less than 35 percent of the appraised value of the product at the time it is entered into the United States.

For purposes of determining the 35 percent content requirement contained in paragraph (3), the cost or value of materials which are used in the production of an article in the West Bank, the Gaza Strip, or a qualifying industrial zone, and are the products of the United States, may be counted in an amount up to 15 percent of the appraised value of the article.

''(b) APPLICABILITY OF CERTAIN PROVISIONS OF THE AGREEMENT.—

''(1) NONQUALIFYING OPERATIONS.—No article shall be considered a new or different article of commerce under this section, and no material shall be included for purposes of determining the 35 percent requirement of subsection (a)(3), by virtue of having merely undergone—

''(A) simple combining or packaging operations, or

''(B) mere dilution with water or with another substance that does not materially alter the characteristics of the article or material.

''(2) REQUIREMENTS FOR NEW OR DIFFERENT ARTICLE OF COMMERCE.—For purposes of subsection (a)(1), an article is a 'new or different article of commerce' if it is substantially transformed into an article having a new name, character, or use.

''(3) COST OR VALUE OF MATERIALS.—(A) For purposes of this section, the cost or value of materials produced in the West Bank, the Gaza Strip, or a qualifying industrial zone includes—

''(i) the manufacturer's actual cost for the materials;

''(ii) when not included in the manufacturer's actual cost for the materials, the freight, insurance, packing, and all other costs incurred in transporting the materials to the manufacturer's plant;

''(iii) the actual cost of waste or spoilage, less the value of recoverable scrap; and

''(iv) taxes or duties imposed on the materials by the West Bank, the Gaza Strip, or a qualifying industrial zone, if such taxes or duties are not remitted on exportation.

''(B) If a material is provided to the manufacturer without charge, or at less than fair market value, its cost or value shall be determined by computing the sum of—

''(i) all expenses incurred in the growth, production, or manufacture of the material, including general expenses;

''(ii) an amount for profit; and

''(iii) freight, insurance, packing, and all other costs incurred in transporting the material to the manufacturer's plant.

If the information necessary to compute the cost or value of a material is not available, the Customs Service may ascertain or estimate the value thereof using all reasonable methods.

''(4) DIRECT COSTS OF PROCESSING OPERATIONS.—(A) For purposes of this section, the 'direct costs of processing operations performed in the West Bank, Gaza Strip, or a qualifying industrial zone' with respect to an article are those costs either directly incurred in, or which can be reasonably allocated to, the growth, production, manufacture, or assembly, of that article. Such costs include, but are not limited to, the following to the extent that they are includible in the appraised value of articles imported into the United States:

''(i) All actual labor costs involved in the growth, production, manufacture, or assembly of the article, including fringe benefits, on-the-job training, and costs of engineering, supervisory, quality control, and similar personnel.

''(ii) Dies, molds, tooling, and depreciation on machinery and equipment which are allocable to the article.

''(iii) Research, development, design, engineering, and blueprint costs insofar as they are allocable to the article.

''(iv) Costs of inspecting and testing the article.

''(B) Those items that are not included as direct costs of processing operations with respect to an article are those which are not directly attributable to the article or are not costs of manufacturing the article. Such items include, but are not limited to—

''(i) profit; and

''(ii) general expenses of doing business which are either not allocable to the article or are not related to the growth, production, manufacture, or assembly of the article, such as administrative salaries, casualty and liability insurance, advertising, and salesmen's salaries, commissions, or expenses.

''(5) IMPORTED DIRECTLY.—For purposes of this section—

''(A) articles are 'imported directly' if—

''(i) the articles are shipped directly from the West Bank, the Gaza Strip, a qualifying industrial zone, or Israel into the United States without passing through the territory of any intermediate country; or

''(ii) if shipment is through the territory of an intermediate country, the articles in the shipment do not enter into the commerce of any intermediate country and the invoices, bills of lading, and other shipping documents specify the United States as the final destination; or

''(B) if articles are shipped through an intermediate country and the invoices and other documents do not specify the United States as the final destination, then the articles in the shipment, upon arrival in the United States, are imported directly only if they—

''(i) remain under the control of the customs authority in an intermediate country;

''(ii) do not enter into the commerce of an intermediate country except for the purpose of a sale other than at retail, but only if the articles are imported as a result of the original commercial transactions between the importer and the producer or the producer's sales agent; and

''(iii) have not been subjected to operations other than loading, unloading, or other activities necessary to preserve the article in good condition.

''(6) DOCUMENTATION REQUIRED.—An article is eligible for the duty exemption under this section only if—

''(A) the importer certifies that the article meets the conditions for the duty exemption; and

''(B) when requested by the Customs Service, the importer, manufacturer, or exporter submits a declaration setting forth all pertinent information with respect to the article, including the following:

''(i) A description of the article, quantity, numbers, and marks of packages, invoice numbers, and bills of lading.

''(ii) A description of the operations performed in the production of the article in the West Bank, the Gaza Strip, a qualifying industrial zone, or Israel and identification of the direct costs of processing operations.

''(iii) A description of any materials used in production of the article which are wholly the growth, product, or manufacture of the West Bank, the Gaza Strip, a qualifying industrial zone, Israel or United States, and a statement as to the cost or value of such materials.