pass the bill, H.R. 3958, as amended, on which the yeas and nays are ordered.

This will be a 5-minute vote.

The vote was taken by electronic device, and there were—yeas 396, nays 6, not voting 32, as follows:

[Roll No. 82]

YEAS—396

Abercrombie	Dicks	Johnson (CT)
Ackerman	Dingell	Johnson (IL)
Aderholt	Doggett	Johnson, E. B.
Akin	Dooley	Johnson, Sam
Allen	Doolittle	Jones (OH)
Andrews	Dreier	Kanjorski
Armey	Duncan	Kaptur
Baca	Dunn	Keller
Bachus	Edwards	Kelly
Baird	Ehlers	Kennedy (MN)
Baker	Ehrlich	Kennedy (RI)
Baldacci	Emerson	Kildee
Baldwin	Engel	Kilpatrick
Barcia	English	Kind (WI)
Barr	Eshoo	King (NY)
Barrett	Etheridge	Kingston
Bartlett	Evans	Kirk
Barton	Everett	Kleczka
Bass	Farr	Knollenberg
Bentsen	Fattah	Kolbe
Bereuter	Ferguson	Kucinich
Berkley	Filner	LaFalce
Berman	Fletcher	LaHood
Berry	Foley	Lampson
Biggert	Forbes	Langevin
Bilirakis	Ford	Lantos
Bishop	Frank	Larsen (WA)
Blumenauer	Frelinghuysen	Larson (CT)
Blunt	Frost	Latham
Boehlert	Gallegly	LaTourette
Boehner	Ganske	Leach
Bonilla	Gekas	Lee
Bonior	Gibbons	Levin
Bono	Gilchrest	Lewis (GA)
Boozman	Gillmor	Lewis (KY)
Boswell	Gilman	Linder
Boucher	Gonzalez	Lipinski
Boyd	Goodlatte	LoBiondo
Brady (PA)	Gordon	Lofgren
Brady (TX)	Goss	Lowey
Brown (OH)	Graham	Lucas (KY)
Brown (SC)	Granger	Lucas (OK)
Bryant	Graves	Luther
Burr	Green (TX)	Lynch
Callahan	Green (WI)	Maloney (CT)
Camp	Greenwood	Maloney (NY)
Cantor	Grucci	Manzullo
Capito	Gutknecht	Markey
Capps	Hall (OH)	Mascara
Capuano	Hall (TX)	Matheson
Cardin	Hansen	Matsui
Carson (IN)	Harman	McCarthy (MO)
Carson (OK)	Hart	McCarthy (NY)
Castle	Hastings (FL)	McCollum
Chabot	Hastings (WA)	McCrery
Chambliss	Hayes	McDermott
Clay	Hayworth	McGovern
Clayton	Hefley	McHugh
Clyburn	Herger	McInnis
Combest	Hill	McIntyre
Condit	Hilleary	McKeon
Conyers	Hilliard	McNulty
Cooksey	Hinchey	Meehan
Costello	Hinojosa	Meek (FL)
Cox	Hobson	Meeks (NY)
Coyne	Hoeffel	Menendez
Cramer	Hoekstra	Millender-McDonald
Crane	Holden	Miller, Dan
Crenshaw	Holt	Miller, Gary
Crowley	Honda	Miller, George
Cubin	Hooley	Miller, Jeff
Culberson	Horn	Mink
Cummings	Hostettler	Moore
Cunningham	Houghton	Moran (KS)
Davis (CA)	Hoyer	Moran (VA)
Davis (FL)	Hunter	Morella
Davis (IL)	Hyde	Murtha
Davis, Jo Ann	Inslee	Myrick
Davis, Tom	Isakson	Nadler
Deal	Israel	Napolitano
DeFazio	Issa	Neal
DeGette	Istook	Nethercutt
Delahunt	Jackson (IL)	Ney
DeLauro	Jackson-Lee (TX)	Northup
DeLay	Jefferson	Norwood
DeMint	Jenkins	Nussle
Deutsch	John	Oberstar
Diaz-Balart	Johnson, Sam	Obey
Dicks	Jones (OH)	Olver
Dingell	Kanjorski	Ortiz
Doggett	Kaptur	Osborne
Dooley	Keller	Ose
Doolittle	Kelly	Otter
Dreier	Kennedy (MN)	Owens
Duncan	Kennedy (RI)	Oxley
Dunn	Kildee	Pallone
Edwards	Kilpatrick	Pascrell
Ehlers	Kind (WI)	Pastor
Ehrlich	King (NY)	Payne
Emerson	Kingston	Pelosi
Engel	Kirk	Pence
English	Kleczka	Peterson (MN)
Eshoo	Knollenberg	Peterson (PA)
Etheridge	Kolbe	Petri
Evans	Kucinich	Phelps
Everett	LaFalce	Pickering
Farr	LaHood	Pitts
Fattah	Lampson	Platts
Ferguson	Langevin	Pombo
Filner	Lantos	Pomeroy
Fletcher	Larsen (WA)	Portman
Foley	Larson (CT)	Price (NC)
Forbes	Latham	Putnam
Ford	LaTourette	Quinn
Frank	Leach	Rahall
Frelinghuysen	Lee	Ramstad
Frost	Levin	Rangel
Gallegly	Lewis (GA)	Regula
Ganske	Lewis (KY)	Rehberg
Gekas	Linder	Reyes
Gibbons	Lipinski	Reynolds
Gilchrest	LoBiondo	Rivers
Gillmor	Lofgren	Rodriguez
Gilman	Lowey	Roemer
Gonzalez	Lucas (KY)	Rogers (KY)
Goodlatte	Lucas (OK)	Rogers (MI)
Gordon	Luther	Rohrabacher
Goss	Lynch	Ros-Lehtinen
Graham	Maloney (CT)	Ross
Granger	Maloney (NY)	Rothman
Graves	Manzullo	Roybal-Allard
Green (TX)	Markey	Royce
Green (WI)	Mascara	Rush
Greenwood	Matheson	Ryun (KS)
Grucci	Matsui	Sabo
Gutknecht	McCarthy (MO)	Sanchez
Hall (OH)	McCarthy (NY)	Sanders
Hall (TX)	McCollum	Sandlin
Hansen	McCrery	Sawyer
Harman	McDermott	Saxton
Hart	McGovern	Schaffer
Hastings (FL)	McHugh	Schakowsky
Hastings (WA)	McInnis	Schiff
Hayes	McIntyre	Schrock
Hayworth	McKeon	Serrano
Hefley	McNulty	Shadegg
Herger	Meehan	Shaw
Hill	Meek (FL)	Shays
Hilleary	Meeks (NY)	Sherman
Hilliard	Menendez	Sherwood
Hinchey	Millender-McDonald	Shimkus
Hinojosa	Miller, Dan	Shows
Hobson	Miller, Gary	Shuster
Hoeffel	Miller, George	Simmons
Hoekstra	Miller, Jeff	Simpson
Holden	Mink	Skeen
Holt	Moore	Skelton
Honda	Moran (KS)	Slaughter
Hooley	Moran (VA)	Smith (NJ)
Horn	Morella	Smith (TX)
Hostettler	Murtha	Smith (WA)
Houghton	Myrick	Snyder
Hoyer	Nadler	Solis
Hunter	Napolitano	Souder
Hyde	Neal	Spratt
Inslee	Nethercutt	Stark
Isakson	Ney	Stenholm
Israel	Northup	Strickland
Issa	Norwood	Stump
Istook	Nussle	Stupak
Jackson (IL)	Oberstar	Sullivan
Jackson-Lee (TX)	Obey	Sununu
Jefferson	Olver	Sweeney
Jenkins	Ortiz	Tancredo
John	Osborne	Tanner
Johnson (CT)	Ose	Tauscher
Johnson (IL)	Otter	Tauzin
Johnson, E. B.	Owens	Taylor (MS)
Johnson, Sam	Oxley	Taylor (NC)
Jones (OH)	Pallone	Terry
Kanjorski	Pascrell	Thomas
Kaptur	Pastor	Thompson (CA)
Keller	Payne	Thompson (MS)
Kelly	Pelosi	Thornberry
Kennedy (MN)	Pence	Thune
Kennedy (RI)	Peterson (MN)	Thurman
Kildee	Peterson (PA)	Tiahrt
Kilpatrick	Petri	Tiberi
Kind (WI)	Phelps	Tierney
King (NY)	Pickering	Toomey
Kingston	Pitts	Towns
Kirk	Platts	Turner
Kleczka	Pombo	Udall (CO)
Knollenberg	Pomeroy	Udall (NM)
Kolbe	Portman	Upton
Kucinich	Price (NC)	Velazquez
LaFalce	Putnam	Visclosky
LaHood	Quinn	Vitter
Lampson	Rahall	Walden
Langevin	Ramstad	Walsh
Lantos	Rangel	Wamp
Larsen (WA)	Regula	Waters
Larson (CT)	Rehberg	Watkins (OK)
Latham	Reyes	Watson (CA)
LaTourette	Reynolds	Watt (NC)
Leach	Rivers	Watts (OK)
Lee	Rodriguez	Waxman
Levin	Roemer	Weiner
Lewis (GA)	Rogers (KY)	Weldon (FL)
Lewis (KY)	Rogers (MI)	Weldon (PA)
Linder	Rohrabacher	Weller
Lipinski	Ros-Lehtinen	Wexler
LoBiondo	Ross	Whitfield
Lofgren	Rothman	Wicker
Lowey	Roybal-Allard	Wilson (NM)
Lucas (KY)	Royce	Wilson (SC)
Lucas (OK)	Rush	Wolf
Luther	Ryun (KS)	Woolsey
Lynch	Sabo	Wu
Maloney (CT)	Sanchez	Wynn
Maloney (NY)	Sanders	Young (AK)
Manzullo	Sandlin	Young (FL)
Markey	Sawyer	
Mascara	Saxton	
Matheson	Schaffer	
Matsui	Schakowsky	
McCarthy (MO)	Schiff	
McCarthy (NY)	Schrock	
McCollum	Serrano	
McCrery	Shadegg	
McDermott	Shaw	
McGovern	Shays	
McHugh	Sherman	
McInnis	Sherwood	
McIntyre	Shimkus	
McKeon	Shows	
McNulty	Shuster	
Meehan	Simmons	
Meek (FL)	Simpson	
Meeks (NY)	Skeen	
Menendez	Skelton	
Millender-McDonald	Slaughter	
Miller, Dan	Smith (NJ)	
Miller, Gary	Smith (TX)	
Miller, George	Smith (WA)	
Miller, Jeff	Snyder	
Mink	Solis	
Moore	Souder	
Moran (KS)	Spratt	
Moran (VA)	Stark	
Morella	Stenholm	
Murtha	Strickland	
Myrick	Stump	
Nadler	Stupak	
Napolitano	Sullivan	
Neal	Sununu	
Nethercutt	Sweeney	
Ney	Tancredo	
Northup	Tanner	
Norwood	Tauscher	
Nussle	Tauzin	
Oberstar	Taylor (MS)	
Obey	Taylor (NC)	
Olver	Terry	
Ortiz	Thomas	
Osborne	Thompson (CA)	
Ose	Thompson (MS)	
Otter	Thornberry	
Owens	Thune	
Oxley	Thurman	
Pallone	Tiahrt	
Pascrell	Tiberi	
Pastor	Tierney	
Payne	Toomey	
Pelosi	Towns	
Pence	Turner	
Peterson (MN)	Udall (CO)	
Peterson (PA)	Udall (NM)	
Petri	Upton	
Phelps	Velazquez	
Pickering	Visclosky	
Pitts	Vitter	
Platts	Walden	
Pombo	Walsh	
Pomeroy	Wamp	
Portman	Waters	
Price (NC)	Watkins (OK)	
Putnam	Watson (CA)	
Quinn	Watt (NC)	
Rahall	Watts (OK)	
Ramstad	Waxman	
Rangel	Weiner	
Regula	Weldon (FL)	
Rehberg	Weldon (PA)	
Reyes	Weller	
Reynolds	Wexler	
Rivers	Whitfield	
Rodriguez	Wicker	
Roemer	Wilson (NM)	
Rogers (KY)	Wilson (SC)	
Rogers (MI)	Wolf	
Rohrabacher	Woolsey	
Ros-Lehtinen	Wu	
Ross	Wynn	
Rothman	Young (AK)	
Roybal-Allard	Young (FL)	
Royce		

NAYS—6

Coble	Kerns	Sensenbrenner
Flake	Paul	Stearns

NOT VOTING—32

Ballenger	Doyle	Pryce (OH)
Becerra	Fossella	Radanovich
Blagojevich	Gephardt	Riley
Borski	Goode	Roukema
Brown (FL)	Gutierrez	Ryan (WI)
Burton	Hulshof	Scott
Buyer	Jones (NC)	Sessions
Calvert	Lewis (CA)	Smith (MI)
Cannon	McKinney	Traficant
Clement	Mica	Young (FL)
Collins	Mollohan	

□ 1929

So (two-thirds having voted in favor thereof) the rules were suspended and the bill, as amended, was passed.

The result of the vote was announced as above recorded.

A motion to reconsider was laid on the table.

REPORT ON RESOLUTION PROVIDING FOR CONSIDERATION OF H.R. 3925, DIGITAL TECH CORPS ACT OF 2002

Mrs. MYRICK, from the Committee on Rules, submitted a privileged report (Rept. No. 107–393) on the resolution (H. Res. 380) providing for consideration of the bill (H.R. 3925) to establish an exchange program between the Federal Government and the private sector in order to promote the development of expertise in information technology management, and for other purposes, which was referred to the House Calendar and ordered to be printed.

ANNOUNCEMENT BY THE SPEAKER PRO TEMPORE

The SPEAKER pro tempore. Pursuant to clause 8 of rule XX, the Chair will postpone further proceedings today on the further 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 6 of rule XX.

Any record vote on the postponed question will be taken tomorrow.

ANNOUNCEMENT OF INTENTION TO OFFER MOTION TO INSTRUCT ON H.R. 2646, FARM SECURITY ACT OF 2001

Mr. FLAKE. Madam Speaker, pursuant to clause 7(c) of rule XXII, I hereby announce my intention to offer a motion to instruct conferees on H.R. 2646 tomorrow. The form of the motion is as follows:

Mr. FLAKE of Arizona moves that the managers on the part of the House at the conference on disagreeing votes of the two Houses on the Senate amendment to the bill H.R. 2646 (an act to provide for the continuation of agricultural programs through fiscal year 2011) be instructed to agree to section 1144(g)(1)(C) of the Food Security Act of 1985, as added by section 204 of the Senate amendment.

□ 1930

TAXPAYER PROTECTION AND IRS ACCOUNTABILITY ACT OF 2002

Mr. THOMAS. Mr. Speaker, I move to suspend the rules and pass the bill (H.R. 3991) to amend the Internal Revenue Code of 1986 to protect taxpayers and ensure accountability of the Internal Revenue Service, as amended.

The Clerk read as follows:

H.R. 3991

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

SECTION 1. SHORT TITLE; ETC.

(a) SHORT TITLE.—This Act may be cited as the ''Taxpayer Protection and IRS Accountability Act of 2002''.

(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—PENALTIES AND INTEREST

SEC. 101. REDUCTION OF FEDERAL TAX DEPOSIT PENALTY.

(a) IN GENERAL.—Subparagraph (A) of section 6656(b)(1) is amended to read as follows:

''(A) IN GENERAL.—Except as provided in subparagraph (B), the term 'applicable percentage' means 2 percent.''.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to deposits required to be made after December 31, 2002.

SEC. 102. FAILURE TO PAY ESTIMATED TAX PENALTY CONVERTED TO INTEREST CHARGE ON ACCUMULATED UNPAID BALANCE.

(a) PENALTY MOVED TO INTEREST CHAPTER OF CODE.—The Internal Revenue Code of 1986 is amended by redesignating section 6654 as section 6641 and by moving section 6641 (as so redesignated) from part I of subchapter A of chapter 68 to the end of subchapter E of chapter 67 (as added by subsection (e)(1) of this section).

(b) PENALTY CONVERTED TO INTEREST CHARGE.—The heading and subsections (a) and (b) of section 6641 (as so redesignated) are amended to read as follows:

''SEC. 6641. INTEREST ON FAILURE BY INDIVIDUAL TO PAY ESTIMATED INCOME TAX.

''(a) IN GENERAL.—Interest shall be paid on any underpayment of estimated tax by an individual for a taxable year for each day of such underpayment. The amount of such interest for any day shall be the product of the underpayment rate established under subsection (b)(2) multiplied by the amount of the underpayment.

''(b) AMOUNT OF UNDERPAYMENT; INTEREST RATE.—For purposes of subsection (a)—

''(1) AMOUNT.—The amount of the underpayment on any day shall be the excess of—

''(A) the sum of the required installments for the taxable year the due dates for which are on or before such day, over

''(B) the sum of the amounts (if any) of estimated tax payments made on or before such day on such required installments.

''(2) DETERMINATION OF INTEREST RATE.—

''(A) IN GENERAL.—The underpayment rate with respect to any day in an installment underpayment period shall be the underpayment rate established under section 6621 for the first day of the calendar quarter in which such installment underpayment period begins.

''(B) INSTALLMENT UNDERPAYMENT PERIOD.—For purposes of subparagraph (A), the term 'installment underpayment period' means the period beginning on the day after the due date for a required installment and ending on the due date for the subsequent required installment (or in the case of the 4th required installment, the 15th day of the 4th month following the close of a taxable year).

''(C) DAILY RATE.—The rate determined under subparagraph (A) shall be applied on a daily basis and shall be based on the assumption of 365 days in a calendar year.

''(3) TERMINATION OF ESTIMATED TAX INTEREST.—No day after the end of the installment underpayment period for the 4th required installment specified in paragraph (2)(B) for a taxable year shall be treated as a day of underpayment with respect to such taxable year.''.

(c) INCREASE IN SAFE HARBOR WHERE TAX IS SMALL.—

(1) IN GENERAL.—Clause (i) of section 6641(d)(1)(B) (as so redesignated) is amended to read as follows:

''(i) the lesser of—

''(I) 90 percent of the tax shown on the return for the taxable year (or, if no return is filed, 90 percent of the tax for such year), or

''(II) the tax shown on the return for the taxable year (or, if no return is filed, the tax for such year) reduced (but not below zero) by $2,000, or''.

(2) CONFORMING AMENDMENT.—Subsection (e) of section 6641 (as so redesignated) is amended by striking paragraph (1) and redesignating paragraphs (2) and (3) as paragraphs (1) and (2), respectively.

(d) CONFORMING AMENDMENTS.—

(1) Paragraphs (1) and (2) of subsection (e) (as redesignated by subsection (c)(2)) and subsection (h) of section 6641 (as so designated) are each amended by striking ''addition to tax'' each place it occurs and inserting ''interest''.

(2) Section 167(g)(5)(D) is amended by striking ''6654'' and inserting ''6641''.

(3) Section 460(b)(1) is amended by striking ''6654'' and inserting ''6641''.

(4) Section 3510(b) is amended—

(A) by striking ''section 6654'' in paragraph (1) and inserting ''section 6641'';

(B) by amending paragraph (2)(B) to read as follows:

''(B) no interest would be required to be paid (but for this section) under 6641 for such taxable year by reason of the $2,000 amount specified in section 6641(d)(1)(B)(i)(II).'';

(C) by striking ''section 6654(d)(2)'' in paragraph (3) and inserting ''section 6641(d)(2)''; and

(D) by striking paragraph (4).

(5) Section 6201(b)(1) is amended by striking ''6654'' and inserting ''6641''.

(6) Section 6601(h) is amended by striking ''6654'' and inserting ''6641''.

(7) Section 6621(b)(2)(B) is amended by striking ''addition to tax under section 6654'' and inserting ''interest required to be paid under section 6641''.

(8) Section 6622(b) is amended—

(A) by striking ''PENALTY FOR'' in the heading; and

(B) by striking ''addition to tax under section 6654 or 6655'' and inserting ''interest required to be paid under section 6641 or addition to tax under section 6655''.

(9) Section 6658(a) is amended—

(A) by striking ''6654, or 6655'' and inserting ''or 6655, and no interest shall be required to be paid under section 6641,''; and

(B) by inserting ''or paying interest'' after ''the tax'' in paragraph (2)(B)(ii).

(10) Section 6665(b) is amended—

(A) in the matter preceding paragraph (1) by striking '', 6654,''; and

(B) in paragraph (2) by striking ''6654 or''.

(11) Section 7203 is amended by striking ''section 6654 or 6655'' and inserting ''section 6655 or interest required to be paid under section 6641''.

(e) CLERICAL AMENDMENTS.—

(1) Chapter 67 is amended by inserting after subchapter D the following:

''Subchapter E—Interest on Failure by Individual to Pay Estimated Income Tax

''Sec. 6641. Interest on failure by individual to pay estimated income tax.''.

(2) The table of subchapters for chapter 67 is amended by adding at the end the following new items:

''Subchapter D. Notice requirements.

''Subchapter E. Interest on failure by individual to pay estimated income tax.''.

(3) The table of sections for part I of subchapter A of chapter 68 is amended by striking the item relating to section 6654.

(f) EFFECTIVE DATE.—The amendments made by this section shall apply to installment payments for taxable years beginning after December 31, 2002.

SEC. 103. EXCLUSION FROM GROSS INCOME FOR INTEREST ON OVERPAYMENTS OF INCOME TAX BY INDIVIDUALS.

(a) IN GENERAL.—Part III of subchapter B of chapter 1 (relating to items specifically excluded from gross income) is amended by inserting after section 139 the following new section:

"SEC. 139A. EXCLUSION FROM GROSS INCOME FOR INTEREST ON OVERPAYMENTS OF INCOME TAX BY INDIVIDUALS.

''(a) IN GENERAL.—In the case of an individual, gross income shall not include interest paid under section 6611 on any overpayment of tax imposed by this subtitle.

''(b) EXCEPTION.—Subsection (a) shall not apply in the case of a failure to claim items resulting in the overpayment on the original return if the Secretary determines that the principal purpose of such failure is to take advantage of subsection (a).

''(c) SPECIAL RULE FOR DETERMINING MODIFIED ADJUSTED GROSS INCOME.—For purposes of this title, interest not included in gross income under subsection (a) shall not be treated as interest which is exempt from tax for purposes of sections 32(i)(2)(B) and 6012(d) or any computation in which interest exempt from tax under this title is added to adjusted gross income.''.

(b) CLERICAL AMENDMENT.—The table of sections for part III of subchapter B of chapter 1 is amended by inserting after the item relating to section 139 the following new item:

''Sec. 139A. Exclusion from gross income for interest on overpayments of income tax by individuals.''.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to interest received in calendar years beginning after the date of the enactment of this Act.

SEC. 104. ABATEMENT OF INTEREST.

(a) ABATEMENT OF INTEREST WITH RESPECT TO ERRONEOUS REFUND CHECK WITHOUT REGARD TO SIZE OF REFUND.—Paragraph (2) of section 6404(e) is amended by striking ''unless—'' and all that follows and inserting ''unless the taxpayer (or a related party) has in any way caused such erroneous refund.''.

(b) ABATEMENT OF INTEREST TO EXTENT INTEREST IS ATTRIBUTABLE TO TAXPAYER RELIANCE ON WRITTEN STATEMENTS OF THE IRS.—Subsection (f) of section 6404 is amended—

(1) in the subsection heading, by striking ''PENALTY OR ADDITION'' and inserting ''INTEREST, PENALTY, OR ADDITION''; and

(2) in paragraph (1) and in subparagraph (B) of paragraph (2), by striking ''penalty or addition'' and inserting ''interest, penalty, or addition''.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply with respect to interest accruing on or after the date of the enactment of this Act.

SEC. 105. DEPOSITS MADE TO SUSPEND RUNNING OF INTEREST ON POTENTIAL UNDERPAYMENTS.

(a) IN GENERAL.—Subchapter B of chapter 67 (relating to interest on overpayments) is amended by redesignating section 6612 as section 6613 and by inserting after section 6611 the following new section:

"SEC. 6612. DEPOSITS MADE TO SUSPEND RUNNING OF INTEREST ON POTENTIAL UNDERPAYMENTS, ETC.

''(a) AUTHORITY TO MAKE DEPOSITS OTHER THAN AS PAYMENT OF TAX.—A taxpayer may make a cash deposit with the Secretary which may be used by the Secretary to pay any tax imposed under subtitle A or B or chapter 41, 42, 43, or 44 which has not been assessed at the time of the deposit. Such a deposit shall be made in such manner as the Secretary shall prescribe.

''(b) NO INTEREST IMPOSED.—To the extent that such deposit is used by the Secretary to pay tax, for purposes of section 6601 (relating to interest on underpayments), the tax shall be treated as paid when the deposit is made.

''(c) RETURN OF DEPOSIT.—Except in a case where the Secretary determines that collection of tax is in jeopardy, the Secretary shall return to the taxpayer any amount of the deposit (to the extent not used for a payment of tax) which the taxpayer requests in writing.

''(d) PAYMENT OF INTEREST.—

''(1) IN GENERAL.—For purposes of section 6611 (relating to interest on overpayments), a deposit which is returned to a taxpayer shall be treated as a payment of tax for any period to the extent (and only to the extent) attributable to a disputable tax for such period. Under regulations prescribed by the Secretary, rules similar to the rules of section 6601(e)(2) shall apply.

''(2) DISPUTABLE TAX.—

''(A) IN GENERAL.—For purposes of this section, the term 'disputable tax' means the amount of tax specified at the time of the deposit as the taxpayer's reasonable estimate of the maximum amount of any tax attributable to disputable items.

''(B) SAFE HARBOR BASED ON 30-DAY LETTER.—In the case of a taxpayer who has been issued a 30-day letter, the maximum amount of tax under subparagraph (A) shall not be less than the amount of the proposed deficiency specified in such letter.

''(3) OTHER DEFINITIONS.—For purposes of paragraph (2)—

''(A) DISPUTABLE ITEM.—The term 'disputable item' means any item of income, gain, loss, deduction, or credit which the taxpayer reasonably believes the Secretary has a reasonable basis for disputing the treatment on the taxpayer's return.

''(B) 30-DAY LETTER.—The term '30-day letter' means the first letter of proposed deficiency which allows the taxpayer an opportunity for administrative review in the Internal Revenue Service Office of Appeals.

''(4) RATE OF INTEREST.—The rate of interest allowable under this subsection shall be the Federal short-term rate determined under section 6621(b), compounded daily.

''(e) USE OF DEPOSITS.—

''(1) PAYMENT OF TAX.—Except as otherwise provided by the taxpayer, deposits shall be treated as used for the payment of tax in the order deposited.

''(B) RETURNS OF DEPOSITS.—Deposits shall be treated as returned to the taxpayer on a last-in, first-out basis.''

(b) CLERICAL AMENDMENT.—The table of sections for subchapter B of chapter 67 is amended by striking the last item and inserting the following new items:

''Sec. 6612. Deposits made to suspend running of interest on potential underpayments, etc.

''Sec. 6613. Cross references.''

(c) EFFECTIVE DATE.—

(1) IN GENERAL.—The amendments made by this section shall apply to deposits made after the date of the enactment of this Act.

(2) COORDINATION WITH DEPOSITS MADE UNDER REVENUE PROCEDURE 84–58.—In the case of an amount held by the Secretary of the Treasury or his delegate on the date of the enactment of this Act as a deposit in the nature of a cash bond deposit pursuant to Revenue Procedure 84–58, the date that the taxpayer identifies such amount as a deposit made pursuant to section 6612 of the Internal Revenue Code (as added by this Act) shall be treated as the date such amount is deposited for purposes of such section 6612.

SEC. 106. EXPANSION OF INTEREST NETTING FOR INDIVIDUALS.

(a) IN GENERAL.—Subsection (d) of section 6621 (relating to elimination of interest on overlapping periods of tax overpayments and underpayments) is amended by adding at the end the following: ''Solely for purposes of the preceding sentence, section 6611(e) shall not apply in the case of an individual.''.

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall apply to interest accrued after December 31, 2002.

SEC. 107. WAIVER OF CERTAIN PENALTIES FOR FIRST-TIME UNINTENTIONAL MINOR ERRORS.

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

''(i) TREATMENT OF FIRST-TIME UNINTENTIONAL MINOR ERROR.—In the case of a return of tax imposed by subtitle A filed by an individual, the Secretary may waive an addition to tax under subsection (a) if—

''(1) the individual has a history of compliance with the requirements of this title,

''(2) it is shown that the failure is due to an unintentional minor error,

''(3) the penalty would otherwise be disproportionate to the amount involved, and

''(4) waiving the penalty would promote compliance with the requirements of this title and effective tax administration.

The preceding sentence shall not apply if the Secretary has waived any addition to tax under this subsection with respect to any prior failure by such individual.''

(b) EFFECTIVE DATE.—The amendment made by this section shall take effect on January 1, 2003.

SEC. 108. FRIVOLOUS TAX SUBMISSIONS.

(a) CIVIL PENALTIES.—Section 6702 is amended to read as follows:

"SEC. 6702. FRIVOLOUS TAX SUBMISSIONS.

''(a) CIVIL PENALTY FOR FRIVOLOUS TAX RETURNS.—A person shall pay a penalty of $5,000 if—

''(1) such person files what purports to be a return of a tax imposed by this title but which—

''(A) does not contain information on which the substantial correctness of the self-assessment may be judged, or

''(B) contains information that on its face indicates that the self-assessment is substantially incorrect; and

''(2) the conduct referred to in paragraph (1)—

''(A) is based on a position which the Secretary has identified as frivolous under subsection (c), or

''(B) reflects a desire to delay or impede the administration of Federal tax laws.

''(b) CIVIL PENALTY FOR SPECIFIED FRIVOLOUS SUBMISSIONS.—

''(1) IMPOSITION OF PENALTY.—Except as provided in paragraph (3), any person who submits a specified frivolous submission shall pay a penalty of $5,000.

''(2) SPECIFIED FRIVOLOUS SUBMISSION.—For purposes of this section—

''(A) SPECIFIED FRIVOLOUS SUBMISSION.—The term 'specified frivolous submission' means a specified submission if any portion of such submission—

''(i) is based on a position which the Secretary has identified as frivolous under subsection (c), or

''(ii) reflects a desire to delay or impede the administration of Federal tax laws.

''(B) SPECIFIED FRIVOLOUS SUBMISSION.—The term 'specified submission' means—

''(i) a request for a hearing under—

''(I) section 6320 (relating to notice and opportunity for hearing upon filing of notice of lien), or

''(II) section 6330 (relating to notice and opportunity for hearing before levy), and

''(ii) an application under—

''(I) section 7811 (relating to taxpayer assistance orders),

''(II) section 6159 (relating to agreements for payment of tax liability in installments), or

''(III) section 7122 (relating to compromises).

''(3) OPPORTUNITY TO WITHDRAW SUBMISSION.—If the Secretary provides a person with notice that a submission is a specified

frivolous submission and such person withdraws such submission promptly after such notice, the penalty imposed under paragraph (1) shall not apply with respect to such submission.

''(c) LISTING OF FRIVOLOUS POSITIONS.—The Secretary shall prescribe (and periodically revise) a list of positions which the Secretary has identified as being frivolous for purposes of this subsection. The Secretary shall not include in such list any position that the Secretary determines meets the requirement of section 6662(d)(2)(B)(ii)(II).

''(d) REDUCTION OF PENALTY.—The Secretary may reduce the amount of any penalty imposed under this section if the Secretary determines that such reduction would promote compliance with and administration of the Federal tax laws.

''(e) PENALTIES IN ADDITION TO OTHER PENALTIES.—The penalties imposed by this section shall be in addition to any other penalty provided by law.''.

(b) TREATMENT OF FRIVOLOUS REQUESTS FOR HEARINGS BEFORE LEVY.—

(1) FRIVOLOUS REQUESTS DISREGARDED.—Section 6330 (relating to notice and opportunity for hearing before levy) is amended by adding at the end the following new subsection:

''(g) FRIVOLOUS REQUESTS FOR HEARING, ETC.—Notwithstanding any other provision of this section, if the Secretary determines that any portion of a request for a hearing under this section or section 6320 meets the requirement of clause (i) or (ii) of section 6702(b)(2)(A), then the Secretary may treat such portion as if it were never submitted and such portion shall not be subject to any further administrative or judicial review.''.

(2) PRECLUSION FROM RAISING FRIVOLOUS ISSUES AT HEARING.—Section 6330(c)(4) is amended—

(A) by striking ''(A)'' and inserting ''(A)(i)'';

(B) by striking ''(B)'' and inserting ''(ii)'';

(C) by striking the period at the end of the first sentence and inserting ''; or''; and

(D) by inserting after subparagraph (A)(ii) (as so redesignated) the following:

''(B) the issue meets the requirement of clause (i) or (ii) of section 6702(b)(2)(A).''.

(3) STATEMENT OF GROUNDS.—Section 6330(b)(1) is amended by striking ''under subsection (a)(3)(B)'' and inserting ''in writing under subsection (a)(3)(B) and states the grounds for the requested appeal''.

(c) TREATMENT OF FRIVOLOUS REQUESTS FOR HEARINGS UPON FILING OF NOTICE OF LIEN.—Section 6320 is amended—

(1) in subsection (b)(1), by striking ''under subsection (a)(3)(B)'' and inserting ''in writing under subsection (a)(3)(B) and states the grounds for the requested appeal''.

(2) in subsection (c), by striking ''and (e)'' and inserting ''(e), and (g)''.

(d) TREATMENT OF FRIVOLOUS APPLICATIONS FOR OFFERS-IN-COMPROMISE AND INSTALLMENT AGREEMENTS.—Section 7122 is amended by adding at the end the following new subsection:

''(e) FRIVOLOUS SUBMISSIONS, ETC.—Notwithstanding any other provision of this section, if the Secretary determines that any portion of an application for an offer-in-compromise or installment agreement submitted under this section or section 6159 meets the requirement of clause (i) or (ii) of section 6702(b)(2)(A), then the Secretary may treat such portion as if it were never submitted and such portion shall not be subject to any further administrative or judicial review.''.

(e) CONFORMING AMENDMENT.—The table of sections for part I of subchapter B of chapter 68 is amended by striking the item relating to section 6702 and inserting the following new item:

''Sec. 6702. Frivolous tax submissions.''

(f) EFFECTIVE DATE.—The amendments made by this section shall apply to submissions made and issues raised after the date on which the Secretary first prescribes a list under section 6702(c) of the Internal Revenue Code of 1986, as amended by subsection (a).

TITLE II—FAIRNESS OF COLLECTION PROCEDURES

SEC. 201. PARTIAL PAYMENT OF TAX LIABILITY IN INSTALLMENT AGREEMENTS.

(a) IN GENERAL.—

(1) Section 6159(a) (relating to authorization of agreements) is amended—

(A) by striking ''satisfy liability for payment of'' and inserting ''make payment on'', and

(B) by inserting ''full or partial'' after ''facilitate''.

(2) Section 6159(c) (relating to Secretary required to enter into installment agreements in certain cases) is amended in the matter preceding paragraph (1) by inserting ''full'' before ''payment''.

(b) REQUIREMENT TO REVIEW PARTIAL PAYMENT AGREEMENTS EVERY TWO YEARS.—Section 6159 is amended by redesignating subsections (d) and (e) as subsections (e) and (f), respectively, and inserting after subsection (c) the following new subsection:

''(d) SECRETARY REQUIRED TO REVIEW INSTALLMENT AGREEMENTS FOR PARTIAL COLLECTION EVERY TWO YEARS.—In the case of an agreement entered into by the Secretary under subsection (a) for partial collection of a tax liability, the Secretary shall review the agreement at least once every 2 years.''.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to agreements entered into on or after the date of the enactment of this Act.

SEC. 202. ADDITIONAL CONSIDERATIONS TO BE TAKEN INTO ACCOUNT AS BASES FOR ACCEPTING OFFER-IN-COMPROMISE.

(a) IN GENERAL.—Paragraph (3) of section 7122(c) (relating to special rules relating to treatment of offers) is amended by striking ''and'' at the end of subparagraph (A), by striking the period at the end of subparagraph (B) and inserting a semicolon, and by adding at the end the following new subparagraphs:

''(C) in all cases, consideration shall be given to—

''(i) whether the taxpayer has a history of complying with the requirements of this title,

''(ii) whether there is evidence of an error by the Internal Revenue Service in determining or administering the tax which is the subject of the offer-in-compromise, and

''(iii) whether the taxpayer has made a good faith effort to resolve and pay the liability;

''(D) a reasonable annual allowance shall be made for voluntary payments for the support of any dependent (as defined in section 152) of the taxpayer;

''(E) a reasonable allowance shall be made for payments on unsecured debt of the taxpayer to the extent such debt is attributable to Federal, State, or local income taxes, medical care expenses, burial expenses, or other basic living expenses; and

''(F) consideration shall be given to the level of the taxpayer's education and financial and business experience relative the complexity of the transaction giving rise to the liability.''

(b) LIMITATIONS.—Subsection (c) of section 7122 is amended by adding at the end the following new paragraph:

''(4) LIMITATIONS ON CERTAIN FACTORS IN CONSIDERING OFFER-IN-COMPROMISE.—

''(A) PERIOD FOR CERTAIN CONSIDERATIONS.—Subparagraph (E) of paragraph (3) shall apply only during the 3-year period beginning on whichever of the following is the earliest:

''(i) The date of the receipt by the taxpayer of the notice of the decision of the Internal Revenue Service Office of Appeals.

''(ii) The date of the notice of deficiency.

''(iii) The date on which the first letter of proposed deficiency which allows the taxpayer an opportunity for administrative review in the Internal Revenue Service Office of Appeals is sent.

''(B) DOLLAR LIMITATIONS.—

''(i) ALLOWANCES.—The allowances under subparagraphs (D) and (E) shall not exceed the dollar amount in effect under section 2503(b).

''(ii) CONSIDERATION OF EDUCATION AND FINANCIAL SOPHISTICATION.—Subparagraph (F) of paragraph (3) shall apply only if the amount of the liability does not exceed the dollar amount in effect under section 2503(b).''

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to proposed offers-in-compromise submitted after the date of the enactment of this Act.

SEC. 203. EXTENSION OF TIME FOR RETURN OF PROPERTY.

(a) EXTENSION OF TIME FOR RETURN OF PROPERTY SUBJECT TO LEVY.—Subsection (b) of section 6343 (relating to return of property) is amended by striking ''9 months'' and inserting ''2 years''.

(b) PERIOD OF LIMITATION ON SUITS.—Subsection (c) of section 6532 (relating to suits by persons other than taxpayers) is amended—

(1) in paragraph (1) by striking ''9 months'' and inserting ''2 years'', and

(2) in paragraph (2) by striking ''9-month'' and inserting ''2-year''.

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

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

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

SEC. 204. SEVEN-DAY THRESHOLD ON TOLLING OF STATUTE OF LIMITATIONS DURING TAX REVIEW.

(a) IN GENERAL.—Section 7811(d)(1) (relating to suspension of running of period of limitation) is amended by inserting after ''application,'' the following: ''but only if the date of such decision is at least 7 days after the date of the taxpayer's application''.

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

SEC. 205. STUDY OF LIENS AND LEVIES.

The Secretary of the Treasury, or the Secretary's delegate, shall conduct a study of the practices of the Internal Revenue Service concerning liens and levies. The study shall examine—

(1) the declining use of liens and levies by the Internal Revenue Service, and

(2) the practicality of recording liens and levying against property in cases in which the cost of such actions exceeds the amount to be realized from such property.

Not later than 1 year after the date of the enactment of this Act, the Secretary shall submit such study to the Committee on Ways and Means of the House of Representatives and the Committee on Finance of the Senate.

TITLE III—EFFICIENCY OF TAX ADMINISTRATION

SEC. 301. REVISIONS RELATING TO TERMINATION OF EMPLOYMENT OF INTERNAL REVENUE SERVICE EMPLOYEES FOR MISCONDUCT.

(a) IN GENERAL.—Subchapter A of chapter 80 (relating to application of internal revenue laws) is amended by inserting after section 7804 the following new section:

''SEC. 7804A. TERMINATION OF EMPLOYMENT FOR MISCONDUCT.

''(a) IN GENERAL.—Subject to subsection (c), the Commissioner of Internal Revenue shall terminate the employment of any employee of the Internal Revenue Service if there is a final administrative or judicial determination that such employee committed any act or omission described under subsection (b) in the performance of the employee's official duties or where a nexus to the employee's position exists.

''(b) ACTS OR OMISSIONS.—The acts or omissions referred to under subsection (a) are—

''(1) willful failure to obtain the required approval signatures on documents authorizing the seizure of a taxpayer's home, personal belongings, or business assets;

''(2) willfully providing a false statement under oath with respect to a material matter involving a taxpayer or taxpayer representative;

''(3) with respect to a taxpayer or taxpayer representative, the willful violation of—

''(A) any right under the Constitution of the United States;

''(B) any civil right established under—

''(i) title VI or VII of the Civil Rights Act of 1964;

''(ii) title IX of the Education Amendments of 1972;

''(iii) the Age Discrimination in Employment Act of 1967;

''(iv) the Age Discrimination Act of 1975;

''(v) section 501 or 504 of the Rehabilitation Act of 1973; or

''(vi) title I of the Americans with Disabilities Act of 1990; or

''(C) the Internal Revenue Service policy on unauthorized inspection of returns or return information;

''(4) willfully falsifying or destroying documents to conceal mistakes made by any employee with respect to a matter involving a taxpayer or taxpayer representative;

''(5) assault or battery on a taxpayer or taxpayer representative, but only if there is a criminal conviction, or a final adverse judgment by a court in a civil case, with respect to the assault or battery;

''(6) willful violations of this title, Department of the Treasury regulations, or policies of the Internal Revenue Service (including the Internal Revenue Manual) for the purpose of retaliating against, or harassing, a taxpayer or taxpayer representative;

''(7) willful misuse of the provisions of section 6103 for the purpose of concealing information from a congressional inquiry;

''(8) willful failure to file any return of tax required under this title on or before the date prescribed therefor (including any extensions) when a tax is due and owing, unless such failure is due to reasonable cause and not due to willful neglect;

''(9) willful understatement of Federal tax liability, unless such understatement is due to reasonable cause and not due to willful neglect; and

''(10) threatening to audit a taxpayer, or to take other action under this title, for the purpose of extracting personal gain or benefit.

''(c) DETERMINATIONS OF COMMISSIONER.—

''(1) IN GENERAL.—The Commissioner may take a personnel action other than termination for an act or omission under subsection (a).

''(2) DISCRETION.—The exercise of authority under paragraph (1) shall be at the sole discretion of the Commissioner and may not be delegated to any other officer. The Commissioner, in his sole discretion, may establish a procedure to determine if an individual should be referred to the Commissioner for a determination by the Commissioner under paragraph (1).

''(3) NO APPEAL.—Notwithstanding any other provision of law, any determination of the Commissioner under this subsection may not be reviewed in any administrative or judicial proceeding. A finding that an act or omission described in subsection (b) occurred may be reviewed.

''(d) DEFINITION.—For the purposes of the provisions described in clauses (i), (ii), and (iv) of subsection (b)(3)(B), references to a program or activity regarding Federal financial assistance or an education program or activity receiving Federal financial assistance shall include any program or activity conducted by the Internal Revenue Service for a taxpayer.

''(e) ANNUAL REPORT.—The Commissioner shall submit to Congress annually a report on terminations of employment under this section.''.

(b) CLERICAL AMENDMENT.—The table of sections for chapter 80 is amended by inserting after the item relating to section 7804 the following new item:

''Sec. 7804A. Termination of employment for misconduct.''

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

SEC. 302. CONFIRMATION OF AUTHORITY OF TAX COURT TO APPLY DOCTRINE OF EQUITABLE RECOUPMENT.

(a) CONFIRMATION OF AUTHORITY OF TAX COURT TO APPLY DOCTRINE OF EQUITABLE RECOUPMENT.—Subsection (b) of section 6214 (relating to jurisdiction over other years and quarters) is amended by adding at the end the following new sentence: ''Notwithstanding the preceding sentence, the Tax Court may apply the doctrine of equitable recoupment to the same extent that it is available in civil tax cases before the district courts of the United States and the United States Court of Federal Claims.''.

(b) EFFECTIVE DATE.—The amendments made by this section shall apply to any action or proceeding in the Tax Court with respect to which a decision has not become final (as determined under section 7481 of the Internal Revenue Code of 1986) as of the date of the enactment of this Act.

SEC. 303. JURISDICTION OF TAX COURT OVER COLLECTION DUE PROCESS CASES.

(a) IN GENERAL.—Section 6330(d)(1) (relating to judicial review of determination) is amended to read as follows:

''(1) JUDICIAL REVIEW OF DETERMINATION.—The person may, within 30 days of a determination under this section, appeal such determination to the Tax Court (and the Tax Court shall have jurisdiction with respect to such matter).''.

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

SEC. 304. OFFICE OF CHIEF COUNSEL REVIEW OF OFFERS IN COMPROMISE.

(a) IN GENERAL.—Section 7122(b) (relating to record) is amended by striking ''Whenever a compromise'' and all that follows through ''his delegate'' and inserting ''If the Secretary determines that an opinion of the General Counsel for the Department of the Treasury, or the Counsel's delegate, is required with respect to a compromise, there shall be placed on file in the office of the Secretary such opinion''.

(b) CONFORMING AMENDMENTS.—Section 7122(b) is amended by striking the second and third sentences.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to offers-in-compromise submitted or pending on or after the date of the enactment of this Act.

SEC. 305. STUDY OF TAXPAYER NOTIFICATION ALTERNATIVES.

The Secretary of the Treasury, or the Secretary's delegate, shall conduct a study of alternative methods of notifying taxpayers of determinations and other actions of the Secretary. The study shall examine the advantages and disadvantages of—

(1) the use of certificates of mailing,

(2) modifications to certified or registered mail requirements which eliminate return receipt requested, and

(3) modifications with respect to dual notices to taxpayers filing a joint return and residing at the same address.

Not later than 1 year after the date of the enactment of this Act, the Secretary shall submit such study to the Committee on Ways and Means of the House of Representatives and the Committee on Finance of the Senate.

TITLE IV—CONFIDENTIALITY AND DISCLOSURE

SEC. 401. COLLECTION ACTIVITIES WITH RESPECT TO JOINT RETURN DISCLOSABLE TO EITHER SPOUSE BASED ON ORAL REQUEST.

(a) IN GENERAL.—Paragraph (8) of section 6103(e) (relating to disclosure of collection activities with respect to joint return) is amended by striking ''in writing'' the first place it appears.

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

SEC. 402. TAXPAYER REPRESENTATIVES NOT SUBJECT TO EXAMINATION ON SOLE BASIS OF REPRESENTATION OF TAXPAYERS.

(a) IN GENERAL.—Subsection (h) of section 6103 (relating to disclosure to certain Federal officers and employees for purposes of tax administration, etc.) is amended by adding at the end the following new paragraph:

''(7) TAXPAYER REPRESENTATIVES.—Notwithstanding paragraph (1), the return of the representative of a taxpayer whose return is being examined by an officer or employee of the Department of the Treasury shall not be open to inspection by such officer or employee on the sole basis of the representative's relationship to the taxpayer unless a supervisor of such officer or employee has approved the inspection of the return of such representative on a basis other than by reason of such relationship.''.

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

SEC. 403. DISCLOSURE IN JUDICIAL OR ADMINISTRATIVE TAX PROCEEDINGS OF RETURN AND RETURN INFORMATION OF PERSONS WHO ARE NOT PARTY TO SUCH PROCEEDINGS.

(a) IN GENERAL.—Paragraph (4) of section 6103(h) (relating to disclosure to certain Federal officers and employees for purposes of tax administration, etc.) is amended by adding at the end the following new subparagraph:

''(B) DISCLOSURE IN JUDICIAL OR ADMINISTRATIVE TAX PROCEEDINGS OF RETURN AND RETURN INFORMATION OF PERSONS NOT PARTY TO SUCH PROCEEDINGS.—

''(i) NOTICE.—Return or return information of any person who is not a party to a judicial or administrative proceeding described in paragraph (4) shall not be disclosed under clause (ii) or (iii) of subparagraph (A) until after the Secretary makes a section shall

take effect on the date of the enactment of this Act.

SEC. 403. DISCLOSURE IN JUDICIAL OR ADMINISTRATIVE TAX PROCEEDINGS OF RETURN AND RETURN INFORMATION OF PERSONS WHO ARE NOT PARTY TO SUCH PROCEEDINGS.

(a) IN GENERAL.—Paragraph (4) of section 6103(h) (relating to disclosure to certain Federal officers and employees for purposes of tax administration, etc.) is amended by adding at the end the following new subparagraph:

''(B) DISCLOSURE IN JUDICIAL OR ADMINISTRATIVE TAX PROCEEDINGS OF RETURN AND RETURN INFORMATION OF PERSONS NOT PARTY TO SUCH PROCEEDINGS.—

''(i) NOTICE.—Return or return information of any person who is not a party to a judicial or administrative proceeding described in paragraph (4) shall not be disclosed under clause (ii) or (iii) of subparagraph (A) until after the Secretary makes a easonable effort to give notice to such person and an opportunity for such person to request the deletion of matter from such return or return information, including any of the items referred to in paragraphs (1) through (7) of section 6110(c). Such notice shall include a statement of the issue or issues the resolution of which is the reason such return or return information is sought. In the case of S corporations, partnerships, estates, and trusts, such notice shall be made at the entity level.

''(ii) DISCLOSURE LIMITED TO PERTINENT PORTION.—The only portion of a return or return information described in clause (i) which may be disclosed under subparagraph (A) is that portion of such return or return information that directly relates to the resolution of an issue in such proceeding.

''(iii) EXCEPTIONS.—Clause (i) shall not apply to—

''(I) any ex parte proceeding for obtaining a search warrant, order for entry on premises or safe deposit boxes, or similar ex parte proceeding,

''(II) disclosure of third party return information by indictment or criminal information, or

''(III) if the Secretary determines that the application of such clause would seriously impair a criminal tax investigation.''.

(b) CONFORMING AMENDMENTS.—Paragraph (4) of section 6103(h) is amended by—

(1) by striking ''PROCEEDINGS.—A return'' and inserting ''PROCEEDINGS.—

''(A) IN GENERAL.—Except as provided in subparagraph (B), a return'';

(2) by redesignating subparagraphs (A), (B), (C), and (D) clauses (i), (ii), (iii), and (iv), respectively; and

(3) in the matter following clause (iv) (as so redesignated), by striking ''subparagraph (A), (B), or (C)'' and inserting ''clause (i), (ii), or (iii)'' and by moving such matter 2 ems to the right.

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

SEC. 404. PROHIBITION OF DISCLOSURE OF TAXPAYER IDENTIFICATION INFORMATION WITH RESPECT TO DISCLOSURE OF ACCEPTED OFFERS-IN-COMPROMISE.

(a) IN GENERAL.—Paragraph (1) of section 6103(k) (relating to disclosure of certain returns and return information for tax administrative purposes) is amended by inserting ''(other than the tax payer's address and TIN)'' after ''Return information''.

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

SEC. 405. COMPLIANCE BY CONTRACTORS WITH CONFIDENTIALITY SAFEGUARDS.

(a) IN GENERAL.—Section 6103(p) (relating to State law requirements) is amended by adding at the end the following new paragraph:

''(9) DISCLOSURE TO CONTRACTORS.—Notwithstanding any other provision of this section, no return or return information shall be disclosed by any officer or employee of any Federal agency or State to any contractor of such agency or State unless such agency or State—

''(A) has requirements in effect which require each contractor of such agency or State which would have access to returns or return information to provide safeguards (within the meaning of paragraph (4)) to protect the confidentiality of such returns or return information,

''(B) agrees to conduct an annual, on-site review (mid-point review in the case of contracts of less than 1 year in duration) of each contractor to determine compliance with such requirements,

''(C) submits the findings of the most recent review conducted under subparagraph (B) to the Secretary as part of the report required by paragraph (4)(E), and

''(D) certifies to the Secretary for the most recent annual period that all contractors are in compliance with all such requirements.

The certification required by subparagraph (D) shall include the name and address of each contractor, a description of the contract of the contractor with the Federal agency or State, and the duration of such contract.''.

(b) CONFORMING AMENDMENT.—Subparagraph (B) of section 6103(p)(8) is amended by inserting ''or paragraph (9)'' after ''subparagraph (A)''.

(c) EFFECTIVE DATE.—

(1) IN GENERAL.—The amendments made by this section shall apply to disclosures made after December 31, 2002.

(2) CERTIFICATIONS.—The first certification under section 6103(p)(9)(D) of the Internal Revenue Code of 1986, as added by subsection (a), shall be made with respect to calendar year 2003.

SEC. 406. HIGHER STANDARDS FOR REQUESTS FOR AND CONSENTS TO DISCLOSURE.

(a) IN GENERAL.—Subsection (c) of section 6103 (relating to disclosure of returns and return information to designee of taxpayer) is amended by adding at the end the following new paragraphs:

''(2) REQUIREMENTS FOR VALID REQUESTS AND CONSENTS.—A request for or consent to disclosure under paragraph (1) shall only be valid for purposes of this section or sections 7213, 7213A, or 7431 if—

''(A) at the time of execution, such request or coe of Service To Act on Determinations Treated as Exhaustion of Remedies.—The second sentence of paragraph (2) of section 7428(b) (relating to exhaustion of administrative remedies) is amended to read as follows: ''An organization which requests the determination of an issue referred to in subsection (a)(1) and which has taken, in a timely manner, all reasonable steps to secure such determination, shall be deemed to have exhausted its administrative remedies with respect to—

''(A) a failure by the Secretary to make a determination with respect to such issue, at the expiration of 270 days after the date on which the request for such determination was made, and

''(B) a failure by any office of the Internal Revenue Service (other than the office which is responsible for initial determinations with respect to such issue) to make a determination with respect to such issue, at the expiration of 450 days after the date on which such request was made.''.

(d) EFFECTIVE DATES.—

(1) DECLARATORY JUDGMENT.—The amendments made by subsections (a) and (b) shall apply to pleadings filed with respect to determinations (or requests for determinations) made after the date of the enactment of this Act.

(2) FAILURE OF SERVICE TO ACT.—The amendments made by subsection (c) shall apply to applications received in the national office of the Internal Revenue Service after the date of the enactment of this Act.

SEC. 503. EMPLOYEE MISCONDUCT REPORT TO INCLUDE SUMMARY OF COMPLAINTS BY CATEGORY.

(a) IN GENERAL.—Clause (ii) of section 7803(d)(2)(A) is amended by inserting before the semicolon at the end the following: '', including a summary (by category) of the 10 most common complaints made and the number of such common complaints''.

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall apply with respect to reporting periods ending after the date of the enactment of this Act.

SEC. 504. ANNUAL REPORT ON AWARDS OF COSTS AND CERTAIN FEES IN ADMINISTRATIVE AND COURT PROCEEDINGS.

Not later than 3 months after the close of each Federal fiscal year after fiscal year 2001, the Treasury Inspector General for Tax Administration shall submit a report to Congress which specifies for such year—

(1) the number of payments made by the United States pursuant to section 7430 of the Internal Revenue Code of 1986 (relating to awarding of costs and certain fees);

(2) the amount of each such payment;

(3) an analysis of any administrative issue giving rise to such payments; and

(4) changes (if any) which will be implemented as a result of such analysis and other changes (if any) recommended by the Treasury Inspector General for Tax Administration as a result of such analysis.

SEC. 505. ANNUAL REPORT ON ABATEMENT OF PENALTIES.

Not later than 6 months after the close of each Federal fiscal year after fiscal year 2001, the Treasury Inspector General for Tax Administration shall submit a report to Congress on abatements of penalties under the Internal Revenue Code of 1986 during such year, including information on the reasons and criteria for such abatements.

SEC. 506. BETTER MEANS OF COMMUNICATING WITH TAXPAYERS.

Not later than 18 months after the date of the enactment of this Act, the Treasury Inspector General for Tax Administration shall submit a report to Congress evaluating whether technological advances, such as e-mail and facsimile transmission, permit the use of alternative means for the Internal Revenue Service to communicate with taxpayers.

SEC. 507. EXPLANATION OF STATUTE OF LIMITATIONS AND CONSEQUENCES OF FAILURE TO FILE.

The Secretary of the Treasury or the Secretary's delegate shall, as soon as practicable but not later than 180 days after the date of the enactment of this Act, revise the statement required by section 6227 of the Omnibus Taxpayer Bill of Rights (Internal Revenue Service Publication No. 1), and any instructions booklet accompanying a general income tax return form for taxable years beginning in 2000 and later (including forms 1040, 1040A, 1040EZ, and any similar or successor forms relating thereto), to provide for an explanation of—

(1) the limitations imposed by section 6511 of the Internal Revenue Code of 1986 on credits and refunds; and

(2) the consequences under such section 6511 of the failure to file a return of tax.

SEC. 508. AMENDMENT TO TREASURY AUCTION REFORMS.

(a) IN GENERAL.—Clause (i) of section 202(c)(4)(B) of the Government Securities Act Amendments of 1993 (31 U.S.C. 3121 note) is amended by inserting before the semicolon ''(or, if earlier, at the time the Secretary releases the minutes of the meeting in accordance with paragraph (2))''.

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

SEC. 509. ENROLLED AGENTS.

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

''SEC. 7527. ENROLLED AGENTS.

''(a) IN GENERAL.—The Secretary may prescribe such regulations as may be necessary to regulate the conduct of enrolled agents in regards to their practice before the Internal Revenue Service.

''(b) USE OF CREDENTIALS.—Any enrolled agents properly licensed to practice as required under rules promulgated under section (a) herein shall be allowed to use the credentials or designation as 'enrolled agent', 'EA', or 'E.A.'.''

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

''Sec. 7525. Enrolled agents.''

(c) PRIOR REGULATIONS.—Nothing in the amendments made by this section shall be construed to have any effect on part 10 of title 31, Code of Federal Regulations, or any other Federal rule or regulation issued before the date of the enactment of this Act.

TITLE VI—AUTHORIZATION OF APPROPRIATION

SEC. 601. LOW-INCOME TAXPAYER CLINICS.

(a) LIMITATION ON AMOUNT OF GRANTS.—Paragraph (1) of section 7526(c) (relating to special rules and limitations) is amended by striking ''$6,000,000 per year'' and inserting ''$9,000,000 for 2002, $12,000,000 for 2003, and $15,000,000 for each year thereafter''.

(b) LIMITATION ON USE OF CLINICS FOR TAX RETURN PREPARATION.—Section 7526(b)(1) is amended by adding at the end the following new subparagraph:

''(C) LIMITATION REGARDING TAX RETURN PREPARATION.—A clinic meets the requirements of subparagraph (A)(ii)(II) if the programs operated by the clinic do not include routine tax return preparation.''.

Strike all after the enacting clause and insert the following:

SECTION 1. SHORT TITLE; ETC.

(a) SHORT TITLE.—This Act may be cited as the ''Taxpayer Protection and IRS Accountability Act of 2002''.

(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—PENALTIES AND INTEREST

SEC. 101. FAILURE TO PAY ESTIMATED TAX PENALTY CONVERTED TO INTEREST CHARGE ON ACCUMULATED UNPAID BALANCE.

(a) PENALTY MOVED TO INTEREST CHAPTER OF CODE.—The Internal Revenue Code of 1986 is amended by redesignating section 6654 as section 6641 and by moving section 6641 (as so redesignated) from part I of subchapter A of chapter 68 to the end of subchapter E of chapter 67 (as added by subsection (e)(1) of this section).

(b) PENALTY CONVERTED TO INTEREST CHARGE.—The heading and subsections (a) and (b) of section 6641 (as so redesignated) are amended to read as follows:

''SEC. 6641. INTEREST ON FAILURE BY INDIVIDUAL TO PAY ESTIMATED INCOME TAX.

''(a) IN GENERAL.—Interest shall be paid on any underpayment of estimated tax by an individual for a taxable year for each day of such underpayment. The amount of such interest for any day shall be the product of the underpayment rate established under subsection (b)(2) multiplied by the amount of the underpayment.

''(b) AMOUNT OF UNDERPAYMENT; INTEREST RATE.—For purposes of subsection (a)—

''(1) AMOUNT.—The amount of the underpayment on any day shall be the excess of—

''(A) the sum of the required installments for the taxable year the due dates for which are on or before such day, over

''(B) the sum of the amounts (if any) of estimated tax payments made on or before such day on such required installments.

''(2) DETERMINATION OF INTEREST RATE.—

''(A) IN GENERAL.—The underpayment rate with respect to any day in an installment underpayment period shall be the underpayment rate established under section 6621 for the first day of the calendar quarter in which such installment underpayment period begins.

''(B) INSTALLMENT UNDERPAYMENT PERIOD.—For purposes of subparagraph (A), the term 'installment underpayment period' means the period beginning on the day after the due date for a required installment and ending on the due date for the subsequent required installment (or in the case of the 4th required installment, the 15th day of the 4th month following the close of a taxable year).

''(C) DAILY RATE.—The rate determined under subparagraph (A) shall be applied on a daily basis and shall be based on the assumption of 365 days in a calendar year.

''(3) TERMINATION OF ESTIMATED TAX INTEREST.—No day after the end of the installment

underpayment period for the 4th required installment specified in paragraph (2)(B) for a taxable year shall be treated as a day of underpayment with respect to such taxable year.''.

(c) INCREASE IN SAFE HARBOR WHERE TAX IS SMALL.—

(1) IN GENERAL.—Clause (i) of section 6641(d)(1)(B) (as so redesignated) is amended to read as follows:

''(i) the lesser of—

''(I) 90 percent of the tax shown on the return for the taxable year (or, if no return is filed, 90 percent of the tax for such year), or

''(II) the tax shown on the return for the taxable year (or, if no return is filed, the tax for such year) reduced (but not below zero) by $2,000, or''.

(2) CONFORMING AMENDMENT.—Subsection (e) of section 6641 (as so redesignated) is amended by striking paragraph (1) and redesignating paragraphs (2) and (3) as paragraphs (1) and (2), respectively.

(d) CONFORMING AMENDMENTS.—

(1) Paragraphs (1) and (2) of subsection (e) (as redesignated by subsection (c)(2)) and subsection (h) of section 6641 (as so designated) are each amended by striking ''addition to tax'' each place it occurs and inserting ''interest''.

(2) Section 167(g)(5)(D) is amended by striking ''6654'' and inserting ''6641''.

(3) Section 460(b)(1) is amended by striking ''6654'' and inserting ''6641''.

(4) Section 3510(b) is amended—

(A) by striking ''section 6654'' in paragraph (1) and inserting ''section 6641'';

(B) by amending paragraph (2)(B) to read as follows:

''(B) no interest would be required to be paid (but for this section) under 6641 for such taxable year by reason of the $2,000 amount specified in section 6641(d)(1)(B)(i)(II).'';

(C) by striking ''section 6654(d)(2)'' in paragraph (3) and inserting ''section 6641(d)(2)''; and

(D) by striking paragraph (4).

(5) Section 6201(b)(1) is amended by striking ''6654'' and inserting ''6641''.

(6) Section 6601(h) is amended by striking ''6654'' and inserting ''6641''.

(7) Section 6621(b)(2)(B) is amended by striking ''addition to tax under section 6654'' and inserting ''interest required to be paid under section 6641''.

(8) Section 6622(b) is amended—

(A) by striking ''PENALTY FOR'' in the heading; and

(B) by striking ''addition to tax under section 6654 or 6655'' and inserting ''interest required to be paid under section 6641 or addition to tax under section 6655''.

(9) Section 6658(a) is amended—

(A) by striking ''6654, or 6655'' and inserting ''or 6655, and no interest shall be required to be paid under section 6641,''; and

(B) by inserting ''or paying interest'' after ''the tax'' in paragraph (2)(B)(ii).

(10) Section 6665(b) is amended—

(A) in the matter preceding paragraph (1) by striking '', 6654,''; and

(B) in paragraph (2) by striking ''6654 or''.

(11) Section 7203 is amended by striking ''section 6654 or 6655'' and inserting ''section 6655 or interest required to be paid under section 6641''.

(e) CLERICAL AMENDMENTS.—

(1) Chapter 67 is amended by inserting after subchapter D the following:

''Subchapter E—Interest on Failure by Individual to Pay Estimated Income Tax

''Sec. 6641. Interest on failure by individual to pay estimated income tax.''.

(2) The table of subchapters for chapter 67 is amended by adding at the end the following new items:

''Subchapter D. Notice requirements.

''Subchapter E. Interest on failure by individual to pay estimated income tax.''.

(3) The table of sections for part I of subchapter A of chapter 68 is amended by striking the item relating to section 6654.

(f) EFFECTIVE DATE.—The amendments made by this section shall apply to installment payments for taxable years beginning after December 31, 2002.

SEC. 102. EXCLUSION FROM GROSS INCOME FOR INTEREST ON OVERPAYMENTS OF INCOME TAX BY INDIVIDUALS.

(a) IN GENERAL.—Part III of subchapter B of chapter 1 (relating to items specifically excluded from gross income) is amended by inserting after section 139 the following new section:

''SEC. 139A. EXCLUSION FROM GROSS INCOME FOR INTEREST ON OVERPAYMENTS OF INCOME TAX BY INDIVIDUALS.

''(a) IN GENERAL.—In the case of an individual, gross income shall not include interest paid under section 6611 on any overpayment of tax imposed by this subtitle.

''(b) EXCEPTION.—Subsection (a) shall not apply in the case of a failure to claim items resulting in the overpayment on the original return if the Secretary determines that the principal purpose of such failure is to take advantage of subsection (a).

''(c) SPECIAL RULE FOR DETERMINING MODIFIED ADJUSTED GROSS INCOME.—For purposes of this title, interest not included in gross income under subsection (a) shall not be treated as interest which is exempt from tax for purposes of sections 32(i)(2)(B) and 6012(d) or any computation in which interest exempt from tax under this title is added to adjusted gross income.''.

(b) CLERICAL AMENDMENT.—The table of sections for part III of subchapter B of chapter 1 is amended by inserting after the item relating to section 139 the following new item:

''Sec. 139A. Exclusion from gross income for interest on overpayments of income tax by individuals.''.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to interest received in calendar years beginning after the date of the enactment of this Act.

SEC. 103. ABATEMENT OF INTEREST.

(a) ABATEMENT OF INTEREST WITH RESPECT TO ERRONEOUS REFUND CHECK WITHOUT REGARD TO SIZE OF REFUND.—Paragraph (2) of section 6404(e) is amended by striking ''unless—'' and all that follows and inserting ''unless the taxpayer (or a related party) has in any way caused such erroneous refund.''.

(b) ABATEMENT OF INTEREST TO EXTENT INTEREST IS ATTRIBUTABLE TO TAXPAYER RELIANCE ON WRITTEN STATEMENTS OF THE IRS.—Subsection (f) of section 6404 is amended—

(1) in the subsection heading, by striking ''PENALTY OR ADDITION'' and inserting ''INTEREST, PENALTY, OR ADDITION''; and

(2) in paragraph (1) and in subparagraph (B) of paragraph (2), by striking ''penalty or addition'' and inserting ''interest, penalty, or addition''.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply with respect to interest accruing on or after the date of the enactment of this Act.

SEC. 104. DEPOSITS MADE TO SUSPEND RUNNING OF INTEREST ON POTENTIAL UNDERPAYMENTS.

(a) IN GENERAL.—Subchapter A of chapter 67 (relating to interest on underpayments) is amended by adding at the end the following new section:

''SEC. 6603. DEPOSITS MADE TO SUSPEND RUNNING OF INTEREST ON POTENTIAL UNDERPAYMENTS, ETC.

''(a) AUTHORITY TO MAKE DEPOSITS OTHER THAN AS PAYMENT OF TAX.—A taxpayer may make a cash deposit with the Secretary which may be used by the Secretary to pay any tax imposed under subtitle A or B or chapter 41, 42, 43, or 44 which has not been assessed at the time of the deposit. Such a deposit shall be made in such manner as the Secretary shall prescribe.

''(b) NO INTEREST IMPOSED.—To the extent that such deposit is used by the Secretary to pay tax, for purposes of section 6601 (relating to interest on underpayments), the tax shall be treated as paid when the deposit is made.

''(c) RETURN OF DEPOSIT.—Except in a case where the Secretary determines that collection of tax is in jeopardy, the Secretary shall return to the taxpayer any amount of the deposit (to the extent not used for a payment of tax) which the taxpayer requests in writing.

''(d) PAYMENT OF INTEREST.—

''(1) IN GENERAL.—For purposes of section 6611 (relating to interest on overpayments), a deposit which is returned to a taxpayer shall be treated as a payment of tax for any period to the extent (and only to the extent) attributable to a disputable tax for such period. Under regulations prescribed by the Secretary, rules similar to the rules of section 6611(b)(2) shall apply.

''(2) DISPUTABLE TAX.—

''(A) IN GENERAL.—For purposes of this section, the term 'disputable tax' means the amount of tax specified at the time of the deposit as the taxpayer's reasonable estimate of the maximum amount of any tax attributable to disputable items.

''(B) SAFE HARBOR BASED ON 30-DAY LETTER.—In the case of a taxpayer who has been issued a 30-day letter, the maximum amount of tax under subparagraph (A) shall not be less than the amount of the proposed deficiency specified in such letter.

''(3) OTHER DEFINITIONS.—For purposes of paragraph (2)—

''(A) DISPUTABLE ITEM.—The term 'disputable item' means any item of income, gain, loss, deduction, or credit if the taxpayer—

''(i) has a reasonable basis for its treatment of such item, and

''(ii) reasonably believes that the Secretary also has a reasonable basis for disallowing the taxpayer's treatment of such item.

''(B) 30-DAY LETTER.—The term '30-day letter' means the first letter of proposed deficiency which allows the taxpayer an opportunity for administrative review in the Internal Revenue Service Office of Appeals.

''(4) RATE OF INTEREST.—The rate of interest allowable under this subsection shall be the Federal short-term rate determined under section 6621(b), compounded daily.

''(e) USE OF DEPOSITS.—

''(1) PAYMENT OF TAX.—Except as otherwise provided by the taxpayer, deposits shall be treated as used for the payment of tax in the order deposited.

''(B) RETURNS OF DEPOSITS.—Deposits shall be treated as returned to the taxpayer on a last-in, first-out basis.''.

(b) CLERICAL AMENDMENT.—The table of sections for subchapter A of chapter 67 is amended by adding at the end the following new item:

''Sec. 6603. Deposits made to suspend running of interest on potential underpayments, etc.''.

(c) EFFECTIVE DATE.—

(1) IN GENERAL.—The amendments made by this section shall apply to deposits made after the date of the enactment of this Act.

(2) COORDINATION WITH DEPOSITS MADE UNDER REVENUE PROCEDURE 84–58.—In the case of an amount held by the Secretary of the Treasury or his delegate on the date of the

enactment of this Act as a deposit in the nature of a cash bond deposit pursuant to Revenue Procedure 84–58, the date that the taxpayer identifies such amount as a deposit made pursuant to section 6603 of the Internal Revenue Code (as added by this Act) shall be treated as the date such amount is deposited for purposes of such section 6603.

SEC. 105. EXPANSION OF INTEREST NETTING FOR INDIVIDUALS.

(a) IN GENERAL.—Subsection (d) of section 6621 (relating to elimination of interest on overlapping periods of tax overpayments and underpayments) is amended by adding at the end the following: ''Solely for purposes of the preceding sentence, section 6611(e) shall not apply in the case of an individual.''.

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall apply to interest accrued after December 31, 2002.

SEC. 106. WAIVER OF CERTAIN PENALTIES FOR FIRST-TIME UNINTENTIONAL MINOR ERRORS.

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

''(i) TREATMENT OF FIRST-TIME UNINTENTIONAL MINOR ERRORS.—

''(1) IN GENERAL.—In the case of a return of tax imposed by subtitle A filed by an individual, the Secretary may waive an addition to tax under subsection (a) if—

''(A) the individual has a history of compliance with the requirements of this title,

''(B) it is shown that the failure is due to an unintentional minor error,

''(C) the penalty would be grossly disproportionate to the action or expense that would have been needed to avoid the error, and imposing the penalty would be against equity and good conscience,

''(D) waiving the penalty would promote compliance with the requirements of this title and effective tax administration, and

''(E) the taxpayer took all reasonable steps to remedy the error promptly after discovering it.

''(2) EXCEPTIONS.—Paragraph (1) shall not apply if—

''(A) the Secretary has waived any addition to tax under this subsection with respect to any prior failure by such individual,

''(B) the failure is a mathematical or clerical error (as defined in section 6213(g)(2)), or

''(C) the failure is the lack of a required signature.''.

(b) EFFECTIVE DATE.—The amendment made by this section shall take effect on January 1, 2003.

SEC. 107. FRIVOLOUS TAX SUBMISSIONS.

(a) CIVIL PENALTIES.—Section 6702 is amended to read as follows:

''SEC. 6702. FRIVOLOUS TAX SUBMISSIONS.

''(a) CIVIL PENALTY FOR FRIVOLOUS TAX RETURNS.—A person shall pay a penalty of $5,000 if—

''(1) such person files what purports to be a return of a tax imposed by this title but which—

''(A) does not contain information on which the substantial correctness of the self-assessment may be judged, or

''(B) contains information that on its face indicates that the self-assessment is substantially incorrect; and

''(2) the conduct referred to in paragraph (1)—

''(A) is based on a position which the Secretary has identified as frivolous under subsection (c), or

''(B) reflects a desire to delay or impede the administration of Federal tax laws.

''(b) CIVIL PENALTY FOR SPECIFIED FRIVOLOUS SUBMISSIONS.—

''(1) IMPOSITION OF PENALTY.—Except as provided in paragraph (3), any person who submits a specified frivolous submission shall pay a penalty of $5,000.

''(2) SPECIFIED FRIVOLOUS SUBMISSION.—For purposes of this section—

''(A) SPECIFIED FRIVOLOUS SUBMISSION.—The term 'specified frivolous submission' means a specified submission if any portion of such submission—

''(i) is based on a position which the Secretary has identified as frivolous under subsection (c), or

''(ii) reflects a desire to delay or impede the administration of Federal tax laws.

''(B) SPECIFIED SUBMISSION.—The term 'specified submission' means—

''(i) a request for a hearing under—

''(I) section 6320 (relating to notice and opportunity for hearing upon filing of notice of lien), or

''(II) section 6330 (relating to notice and opportunity for hearing before levy), and

''(ii) an application under—

''(I) section 7811 (relating to taxpayer assistance orders),

''(II) section 6159 (relating to agreements for payment of tax liability in installments), or

''(III) section 7122 (relating to compromises).

''(3) OPPORTUNITY TO WITHDRAW SUBMISSION.—If the Secretary provides a person with notice that a submission is a specified frivolous submission and such person withdraws such submission promptly after such notice, the penalty imposed under paragraph (1) shall not apply with respect to such submission.

''(c) LISTING OF FRIVOLOUS POSITIONS.—The Secretary shall prescribe (and periodically revise) a list of positions which the Secretary has identified as being frivolous for purposes of this subsection. The Secretary shall not include in such list any position that the Secretary determines meets the requirement of section 6662(d)(2)(B)(ii)(II).

''(d) REDUCTION OF PENALTY.—The Secretary may reduce the amount of any penalty imposed under this section if the Secretary determines that such reduction would promote compliance with and administration of the Federal tax laws.

''(e) PENALTIES IN ADDITION TO OTHER PENALTIES.—The penalties imposed by this section shall be in addition to any other penalty provided by law.''.

(b) TREATMENT OF FRIVOLOUS REQUESTS FOR HEARINGS BEFORE LEVY.—

(1) FRIVOLOUS REQUESTS DISREGARDED.—Section 6330 (relating to notice and opportunity for hearing before levy) is amended by adding at the end the following new subsection:

''(g) FRIVOLOUS REQUESTS FOR HEARING, ETC.—Notwithstanding any other provision of this section, if the Secretary determines that any portion of a request for a hearing under this section or section 6320 meets the requirement of clause (i) or (ii) of section 6702(b)(2)(A), then the Secretary may treat such portion as if it were never submitted and such portion shall not be subject to any further administrative or judicial review.''.

(2) PRECLUSION FROM RAISING FRIVOLOUS ISSUES AT HEARING.—Section 6330(c)(4) is amended—

(A) by striking ''(A)'' and inserting ''(A)(i)'';

(B) by striking ''(B)'' and inserting ''(ii)'';

(C) by striking the period at the end of the first sentence and inserting ''; or''; and

(D) by inserting after subparagraph (A)(ii) (as so redesignated) the following:

''(B) the issue meets the requirement of clause (i) or (ii) of section 6702(b)(2)(A).''.

(3) STATEMENT OF GROUNDS.—Section 6330(b)(1) is amended by striking ''under subsection (a)(3)(B)'' and inserting ''in writing under subsection (a)(3)(B) and states the grounds for the requested hearing''.

(c) TREATMENT OF FRIVOLOUS REQUESTS FOR HEARINGS UPON FILING OF NOTICE OF LIEN.—Section 6320 is amended—

(1) in subsection (b)(1), by striking ''under subsection (a)(3)(B)'' and inserting ''in writing under subsection (a)(3)(B) and states the grounds for the requested hearing'', and

(2) in subsection (c), by striking ''and (e)'' and inserting ''(e), and (g)''.

(d) TREATMENT OF FRIVOLOUS APPLICATIONS FOR OFFERS-IN-COMPROMISE AND INSTALLMENT AGREEMENTS.—Section 7122 is amended by adding at the end the following new subsection:

''(e) FRIVOLOUS SUBMISSIONS, ETC.—Notwithstanding any other provision of this section, if the Secretary determines that any portion of an application for an offer-in-compromise or installment agreement submitted under this section or section 6159 meets the requirement of clause (i) or (ii) of section 6702(b)(2)(A), then the Secretary may treat such portion as if it were never submitted and such portion shall not be subject to any further administrative or judicial review.''.

(e) CLERICAL AMENDMENT.—The table of sections for part I of subchapter B of chapter 68 is amended by striking the item relating to section 6702 and inserting the following new item:

''Sec. 6702. Frivolous tax submissions.''.

(f) EFFECTIVE DATE.—The amendments made by this section shall apply to submissions made and issues raised after the date on which the Secretary first prescribes a list under section 6702(c) of the Internal Revenue Code of 1986, as amended by subsection (a).

SEC. 108. CLARIFICATION OF APPLICATION OF FEDERAL TAX DEPOSIT PENALTY.

Nothing in section 6656 of the Internal Revenue Code of 1986 shall be construed to permit the percentage specified in subsection (b)(1)(A)(iii) thereof to apply other than in a case where the failure is for more than 15 days.

TITLE II—FAIRNESS OF COLLECTION PROCEDURES

SEC. 201. PARTIAL PAYMENT OF TAX LIABILITY IN INSTALLMENT AGREEMENTS.

(a) IN GENERAL.—

(1) Section 6159(a) (relating to authorization of agreements) is amended—

(A) by striking ''satisfy liability for payment of'' and inserting ''make payment on'', and

(B) by inserting ''full or partial'' after ''facilitate''.

(2) Section 6159(c) (relating to Secretary required to enter into installment agreements in certain cases) is amended in the matter preceding paragraph (1) by inserting ''full'' before ''payment''.

(b) REQUIREMENT TO REVIEW PARTIAL PAYMENT AGREEMENTS EVERY TWO YEARS.—Section 6159 is amended by redesignating subsections (d) and (e) as subsections (e) and (f), respectively, and inserting after subsection (c) the following new subsection:

''(d) SECRETARY REQUIRED TO REVIEW INSTALLMENT AGREEMENTS FOR PARTIAL COLLECTION EVERY TWO YEARS.—In the case of an agreement entered into by the Secretary under subsection (a) for partial collection of a tax liability, the Secretary shall review the agreement at least once every 2 years.''.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to agreements entered into on or after the date of the enactment of this Act.

SEC. 202. EXTENSION OF TIME FOR RETURN OF PROPERTY.

(a) EXTENSION OF TIME FOR RETURN OF PROPERTY SUBJECT TO LEVY.—Subsection (b) of section 6343 (relating to return of property) is amended by striking ''9 months'' and inserting ''2 years''.

(b) PERIOD OF LIMITATION ON SUITS.—Subsection (c) of section 6532 (relating to suits by persons other than taxpayers) is amended—

(1) in paragraph (1) by striking ''9 months'' and inserting ''2 years'', and

(2) in paragraph (2) by striking ''9-month'' and inserting ''2-year''.

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

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

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

SEC. 203. INDIVIDUALS HELD HARMLESS ON WRONGFUL LEVY, ETC. ON INDIVIDUAL RETIREMENT PLAN.

(a) IN GENERAL.—Section 6343 (relating to authority to release levy and return property) is amended by adding at the end the following new subsection:

''(f) INDIVIDUALS HELD HARMLESS ON WRONGFUL LEVY, ETC. ON INDIVIDUAL RETIREMENT PLAN.—

''(1) IN GENERAL.—If the Secretary determines that an individual retirement plan has been levied upon in a case to which subsection (b) or (d)(2)(A) applies, an amount equal to the sum of—

''(A) the amount of money returned by the Secretary on account of such levy, and

''(B) interest paid under subsection (c) on such amount of money,

may be deposited into an individual retirement plan (other than an endowment contract) to which a rollover from the plan levied upon is permitted.

''(2) TREATMENT AS ROLLOVER.—The distribution on account of the levy and any deposit under paragraph (1) with respect to such distribution shall be treated for purposes of this title as if such distribution and deposit were part of a rollover described in section 408(d)(3)(A)(i); except that—

''(A) interest paid under subsection (c) shall be treated as part of such distribution and as not includible in gross income,

''(B) the 60-day requirement in such section shall be treated as met if the deposit is made not later than the 60th day after the day on which the individual receives an amount under paragraph (1) from the Secretary, and

''(C) such deposit shall not be taken into account under section 408(d)(3)(B).

''(3) REFUND, ETC., OF INCOME TAX ON LEVY.—If any amount is includible in gross income for a taxable year by reason of a levy referred to in paragraph (1) and any portion of such amount is treated as a rollover under paragraph (2), any tax imposed by chapter 1 on such portion shall not be assessed, and if assessed shall be abated, and if collected shall be credited or refunded as an overpayment made on the due date for filing the return of tax for such taxable year.

''(4) INTEREST.—Notwithstanding subsection (d), interest shall be allowed under subsection (c) in a case in which the Secretary makes a determination described in subsection (d)(2)(A) with respect to a levy upon an individual retirement plan.''.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to amounts paid under subsections (b), (c), and (d)(2)(A) of section 6343 of the Internal Revenue Code of 1986 after December 31, 2002.

SEC. 204. SEVEN-DAY THRESHOLD ON TOLLING OF STATUTE OF LIMITATIONS DURING TAX REVIEW.

(a) IN GENERAL.—Section 7811(d)(1) (relating to suspension of running of period of limitation) is amended by inserting after ''application,'' the following: ''but only if the date of such decision is at least 7 days after the date of the taxpayer's application''.

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

SEC. 205. STUDY OF LIENS AND LEVIES.

The Secretary of the Treasury, or the Secretary's delegate, shall conduct a study of the practices of the Internal Revenue Service concerning liens and levies. The study shall examine—

(1) the declining use of liens and levies by the Internal Revenue Service, and

(2) the practicality of recording liens and levying against property in cases in which the cost of such actions exceeds the amount to be realized from such property.

Not later than 1 year after the date of the enactment of this Act, the Secretary shall submit such study to the Committee on Ways and Means of the House of Representatives and the Committee on Finance of the Senate.

TITLE III—EFFICIENCY OF TAX ADMINISTRATION

SEC. 301. REVISIONS RELATING TO TERMINATION OF EMPLOYMENT OF INTERNAL REVENUE SERVICE EMPLOYEES FOR MISCONDUCT.

(a) IN GENERAL.—Subchapter A of chapter 80 (relating to application of internal revenue laws) is amended by inserting after section 7804 the following new section:

''SEC. 7804A. DISCIPLINARY ACTIONS FOR MISCONDUCT.

''(a) DISCIPLINARY ACTIONS.—

''(1) IN GENERAL.—Subject to subsection (c), the Commissioner shall take an action in accordance with the guidelines established under paragraph (2) against any employee of the Internal Revenue Service if there is a final administrative or judicial determination that such employee committed any act or omission described under subsection (b) in the performance of the employee's official duties or where a nexus to the employee's position exists.

''(2) GUIDELINES.—The Commissioner shall issue guidelines for determining the appropriate level of discipline, up to and including termination of employment, for committing any act or omission described under subsection (b).

''(b) ACTS OR OMISSIONS.—The acts or omissions described under this subsection are—

''(1) willful failure to obtain the required approval signatures on documents authorizing the seizure of a taxpayer's home, personal belongings, or business assets;

''(2) willfully providing a false statement under oath with respect to a material matter involving a taxpayer or taxpayer representative;

''(3) with respect to a taxpayer or taxpayer representative, the willful violation of—

''(A) any right under the Constitution of the United States;

''(B) any civil right established under—

''(i) title VI or VII of the Civil Rights Act of 1964;

''(ii) title IX of the Education Amendments of 1972;

''(iii) the Age Discrimination in Employment Act of 1967;

''(iv) the Age Discrimination Act of 1975;

''(v) section 501 or 504 of the Rehabilitation Act of 1973; or

''(vi) title I of the Americans with Disabilities Act of 1990; or

''(C) the Internal Revenue Service policy on unauthorized inspection of returns or return information;

''(4) willfully falsifying or destroying documents to conceal mistakes made by any employee with respect to a matter involving a taxpayer or taxpayer representative;

''(5) assault or battery on a taxpayer or taxpayer representative, but only if there is a criminal conviction, or a final adverse judgment by a court in a civil case, with respect to the assault or battery;

''(6) willful violations of this title, Department of the Treasury regulations, or policies of the Internal Revenue Service (including the Internal Revenue Manual) for the purpose of retaliating against, or harassing, a taxpayer or taxpayer representative;

''(7) willful misuse of the provisions of section 6103 for the purpose of concealing information from a congressional inquiry;

''(8) willful failure to file any return of tax required under this title on or before the date prescribed therefor (including any extensions) when a tax is due and owing, unless such failure is due to reasonable cause and not due to willful neglect;

''(9) willful understatement of Federal tax liability, unless such understatement is due to reasonable cause and not due to willful neglect; and

''(10) threatening to audit a taxpayer, or to take other action under this title, for the purpose of extracting personal gain or benefit.

''(c) DETERMINATIONS OF COMMISSIONER.—

''(1) IN GENERAL.—The Commissioner may take a personnel action other than a disciplinary action provided for in the guidelines under subsection (a)(2) for an act or omission described under subsection (b).

''(2) DISCRETION.—The exercise of authority under paragraph (1) shall be at the sole discretion of the Commissioner and may not be delegated to any other officer. The Commissioner, in his sole discretion, may establish a procedure to determine if an individual should be referred to the Commissioner for a determination by the Commissioner under paragraph (1).

''(3) NO APPEAL.—Notwithstanding any other provision of law, any determination of the Commissioner under this subsection may not be reviewed in any administrative or judicial proceeding. A finding that an act or omission described under subsection (b) occurred may be reviewed.

''(d) DEFINITION.—For the purposes of the provisions described in clauses (i), (ii), and (iv) of subsection (b)(3)(B), references to a program or activity regarding Federal financial assistance or an education program or activity receiving Federal financial assistance shall include any program or activity conducted by the Internal Revenue Service for a taxpayer.

''(e) ANNUAL REPORT.—The Commissioner shall submit to Congress annually a report on disciplinary actions under this section.''.

(b) CLERICAL AMENDMENT.—The table of sections for chapter 80 is amended by inserting after the item relating to section 7804 the following new item:

''Sec. 7804A. Disciplinary actions for misconduct.''.

(c) REPEAL OF SUPERSEDED SECTION.—Section 1203 of the Internal Revenue Service Restructuring and Reform Act of 1998 (Public Law 105–206; 112 Stat. 720) is repealed.

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

SEC. 302. CONFIRMATION OF AUTHORITY OF TAX COURT TO APPLY DOCTRINE OF EQUITABLE RECOUPMENT.

(a) CONFIRMATION OF AUTHORITY OF TAX COURT TO APPLY DOCTRINE OF EQUITABLE RECOUPMENT.—Subsection (b) of section 6214 (relating to jurisdiction over other years and quarters) is amended by adding at the end the following new sentence: ''Notwithstanding the preceding sentence, the Tax Court may apply the doctrine of equitable recoupment to the same extent that it is available in civil tax cases before the district courts of the United States and the United States Court of Federal Claims.''.

(b) EFFECTIVE DATE.—The amendments made by this section shall apply to any action or proceeding in the Tax Court with respect to which a decision has not become final (as determined under section 7481 of the Internal Revenue Code of 1986) as of the date of the enactment of this Act.

SEC. 303. JURISDICTION OF TAX COURT OVER COLLECTION DUE PROCESS CASES.

(a) IN GENERAL.—Section 6330(d)(1) (relating to judicial review of determination) is amended to read as follows:

''(1) JUDICIAL REVIEW OF DETERMINATION.—The person may, within 30 days of a determination under this section, appeal such determination to the Tax Court (and the Tax Court shall have jurisdiction with respect to such matter).''.

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

SEC. 304. OFFICE OF CHIEF COUNSEL REVIEW OF OFFERS IN COMPROMISE.

(a) IN GENERAL.—Section 7122(b) (relating to record) is amended by striking ''Whenever a compromise'' and all that follows through ''his delegate'' and inserting ''If the Secretary determines that an opinion of the General Counsel for the Department of the Treasury, or the Counsel's delegate, is required with respect to a compromise, there shall be placed on file in the office of the Secretary such opinion''.

(b) CONFORMING AMENDMENTS.—Section 7122(b) is amended by striking the second and third sentences.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to offers-in-compromise submitted or pending on or after the date of the enactment of this Act.

SEC. 305. 15-DAY DELAY IN DUE DATE FOR ELECTRONICALLY FILED INDIVIDUAL INCOME TAX RETURNS.

(a) IN GENERAL.—Section 6072 (relating to time for filing income tax returns) is amended by adding at the end the following new subsection:

''(f) ELECTRONICALLY FILED RETURNS OF INDIVIDUALS.—

''(1) IN GENERAL.—Returns of an individual under section 6012 or 6013 (other than an individual to whom subsection (c) applies) which are filed electronically—

''(A) in the case of returns filed on the basis of a calendar year, shall be filed on or before the 30th day of April following the close of the calendar year, and

''(B) in the case of returns filed on the basis of a fiscal year, shall be filed on or before the last day of the 4th month following the close of the fiscal year.

''(2) ELECTRONIC FILING.—Paragraph (1) shall not apply to any return unless—

''(A) such return is accepted by the Secretary, and

''(B) the balance due (if any) shown on such return is paid electronically in a manner prescribed by the Secretary.

''(3) SPECIAL RULES.—

''(A) ESTIMATED TAX.—If—

''(i) paragraph (1) applies to an individual for any taxable year, and

''(ii) there is an overpayment of tax shown on the return for such year which the individual allows against the individual's obligation under section 6641,

then, with respect to the amount so allowed, any reference in section 6641 to the April 15 following such taxable year shall be treated as a reference to April 30.

''(B) REFERENCES TO DUE DATE.—Paragraph (1) shall apply solely for purposes of determining the due date for the individual's obligation to file and pay tax and, except as otherwise provided by the Secretary, shall be treated as an extension of the due date for any other purpose under this title.''.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to taxable years beginning after December 31, 2001.

TITLE IV—CONFIDENTIALITY AND DISCLOSURE

SEC. 401. COLLECTION ACTIVITIES WITH RESPECT TO JOINT RETURN DISCLOSABLE TO EITHER SPOUSE BASED ON ORAL REQUEST.

(a) IN GENERAL.—Paragraph (8) of section 6103(e) (relating to disclosure of collection activities with respect to joint return) is amended by striking ''in writing'' the first place it appears.

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

SEC. 402. TAXPAYER REPRESENTATIVES NOT SUBJECT TO EXAMINATION ON SOLE BASIS OF REPRESENTATION OF TAXPAYERS.

(a) IN GENERAL.—Subsection (h) of section 6103 (relating to disclosure to certain Federal officers and employees for purposes of tax administration, etc.) is amended by adding at the end the following new paragraph:

''(7) TAXPAYER REPRESENTATIVES.—Notwithstanding paragraph (1), the return of the representative of a taxpayer whose return is being examined by an officer or employee of the Department of the Treasury shall not be open to inspection by such officer or employee on the sole basis of the representative's relationship to the taxpayer unless a supervisor of such officer or employee has approved the inspection of the return of such representative on a basis other than by reason of such relationship.''.

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

SEC. 403. DISCLOSURE IN JUDICIAL OR ADMINISTRATIVE TAX PROCEEDINGS OF RETURN AND RETURN INFORMATION OF PERSONS WHO ARE NOT PARTY TO SUCH PROCEEDINGS.

(a) IN GENERAL.—Paragraph (4) of section 6103(h) (relating to disclosure to certain Federal officers and employees for purposes of tax administration, etc.) is amended by adding at the end the following new subparagraph:

''(B) DISCLOSURE IN JUDICIAL OR ADMINISTRATIVE TAX PROCEEDINGS OF RETURN AND RETURN INFORMATION OF PERSONS NOT PARTY TO SUCH PROCEEDINGS.—

''(i) NOTICE.—Return or return information of any person who is not a party to a judicial or administrative proceeding described in this paragraph shall not be disclosed under clause (ii) or (iii) of subparagraph (A) until after the Secretary makes a reasonable effort to give notice to such person and an opportunity for such person to request the deletion of matter from such return or return information, including any of the items referred to in paragraphs (1) through (7) of section 6110(c). Such notice shall include a statement of the issue or issues the resolution of which is the reason such return or return information is sought. In the case of S corporations, partnerships, estates, and trusts, such notice shall be made at the entity level.

''(ii) DISCLOSURE LIMITED TO PERTINENT PORTION.—The only portion of a return or return information described in clause (i) which may be disclosed under subparagraph (A) is that portion of such return or return information that directly relates to the resolution of an issue in such proceeding.

''(iii) EXCEPTIONS.—Clause (i) shall not apply—

''(I) to any civil action under section 7407, 7408, or 7409,

''(II) to any ex parte proceeding for obtaining a search warrant, order for entry on premises or safe deposit boxes, or similar ex parte proceeding,

''(III) to disclosure of third party return information by indictment or criminal information, or

''(IV) if the Attorney General or the Attorney General's delegate determines that the application of such clause would seriously impair a criminal tax investigation or proceeding.''.

(b) CONFORMING AMENDMENTS.—Paragraph (4) of section 6103(h) is amended by—

(1) by striking ''PROCEEDINGS.—A return'' and inserting ''PROCEEDINGS.—

''(A) IN GENERAL.—Except as provided in subparagraph (B), a return'';

(2) by redesignating subparagraphs (A), (B), (C), and (D) as clauses (i), (ii), (iii), and (iv), respectively; and

(3) in the matter following clause (iv) (as so redesignated), by striking ''subparagraph (A), (B), or (C)'' and inserting ''clause (i), (ii), or (iii)'' and by moving such matter 2 ems to the right.

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

SEC. 404. PROHIBITION OF DISCLOSURE OF TAXPAYER IDENTIFICATION INFORMATION WITH RESPECT TO DISCLOSURE OF ACCEPTED OFFERS-IN-COMPROMISE.

(a) IN GENERAL.—Paragraph (1) of section 6103(k) (relating to disclosure of certain returns and return information for tax administrative purposes) is amended by inserting ''(other than the taxpayer's address and TIN)'' after ''Return information''.

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

SEC. 405. COMPLIANCE BY CONTRACTORS WITH CONFIDENTIALITY SAFEGUARDS.

(a) IN GENERAL.—Section 6103(p) (relating to State law requirements) is amended by adding at the end the following new paragraph:

''(9) DISCLOSURE TO CONTRACTORS.—Notwithstanding any other provision of this section, no return or return information shall be disclosed by any officer or employee of any Federal agency or State to any contractor of such agency or State unless such agency or State—

''(A) has requirements in effect which require each contractor of such agency or State which would have access to returns or return information to provide safeguards (within the meaning of paragraph (4)) to protect the confidentiality of such returns or return information,

''(B) agrees to conduct an annual, on-site review (mid-point review in the case of contracts of less than 1 year in duration) of each contractor to determine compliance with such requirements,

''(C) submits the findings of the most recent review conducted under subparagraph (B) to the Secretary as part of the report required by paragraph (4)(E), and

''(D) certifies to the Secretary for the most recent annual period that all contractors are in compliance with all such requirements.

The certification required by subparagraph (D) shall include the name and address of each contractor, a description of the contract of the contractor with the Federal agency or State, and the duration of such contract.''.

(b) CONFORMING AMENDMENT.—Subparagraph (B) of section 6103(p)(8) is amended by inserting ''or paragraph (9)'' after ''subparagraph (A)''.

(c) EFFECTIVE DATE.—

(1) IN GENERAL.—The amendments made by this section shall apply to disclosures made after December 31, 2002.

(2) CERTIFICATIONS.—The first certification under section 6103(p)(9)(D) of the Internal Revenue Code of 1986, as added by subsection (a), shall be made with respect to calendar year 2003.

SEC. 406. HIGHER STANDARDS FOR REQUESTS FOR AND CONSENTS TO DISCLOSURE.

(a) IN GENERAL.—Subsection (c) of section 6103 (relating to disclosure of returns and return information to designee of taxpayer) is amended by adding at the end the following new paragraphs:

''(2) REQUIREMENTS FOR VALID REQUESTS AND CONSENTS.—A request for or consent to disclosure under paragraph (1) shall only be valid for purposes of this section or sections 7213, 7213A, or 7431 if—

''(A) at the time of execution, such request or consent designates a recipient of such disclosure and is dated, and

''(B) at the time such request or consent is submitted to the Secretary, the submitter of such request or consent certifies, under penalty of perjury, that such request or consent complied with subparagraph (A).

''(3) RESTRICTIONS ON PERSONS OBTAINING INFORMATION.—Any person shall, as a condition for receiving return or return information under paragraph (1)—

''(A) ensure that such return and return information is kept confidential,

''(B) use such return and return information only for the purpose for which it was requested, and

''(C) not disclose such return and return information except to accomplish the purpose for which it was requested, unless a separate consent from the taxpayer is obtained.

''(4) REQUIREMENTS FOR FORM PRESCRIBED BY SECRETARY.—For purposes of this subsection, the Secretary shall prescribe a form for requests and consents which shall—

''(A) contain a warning, prominently displayed, informing the taxpayer that the form should not be signed unless it is completed,

''(B) state that if the taxpayer believes there is an attempt to coerce him to sign an incomplete or blank form, the taxpayer should report the matter to the Treasury Inspector General for Tax Administration, and

''(C) contain the address and telephone number of the Treasury Inspector General for Tax Administration.''.

(b) REPORT.—Not later than 18 months after the date of the enactment of this Act, the Treasury Inspector General for Tax Administration shall submit a report to the Congress on compliance with the designation and certification requirements applicable to requests for or consent to disclosure of returns and return information under section 6103(c) of the Internal Revenue Code of 1986, as amended by subsection (a). Such report shall—

(1) evaluate (on the basis of random sampling) whether—

(A) the amendment made by subsection (a) is achieving the purposes of this section;

(B) requesters and submitters for such disclosure are continuing to evade the purposes of this section and, if so, how; and

(C) the sanctions for violations of such requirements are adequate; and

(2) include such recommendations that the Treasury Inspector General for Tax Administration considers necessary or appropriate to better achieve the purposes of this section.

(c) CONFORMING AMENDMENT.—Section 6103(c) is amended by striking ''TAXPAYER.—The Secretary'' and inserting ''TAXPAYER.—

''(1) IN GENERAL.—The Secretary''.

(d) EFFECTIVE DATE.—The amendments made by this section shall apply to requests and consents made after 3 months after the date of the enactment of this Act.

SEC. 407. NOTICE TO TAXPAYER CONCERNING ADMINISTRATIVE DETERMINATION OF BROWSING; ANNUAL REPORT.

(a) NOTICE TO TAXPAYER.—Subsection (e) of section 7431 (relating to notification of unlawful inspection and disclosure) is amended by adding at the end the following: ''The Secretary shall also notify such taxpayer if the Treasury Inspector General for Tax Administration determines that such taxpayer's return or return information was inspected or disclosed in violation of any of the provisions specified in paragraph (1), (2), or (3).''.

(b) REPORTS.—Subsection (p) of section 6103 (relating to procedure and recordkeeping), as amended by section 405, is further amended by adding at the end the following new paragraph:

''(10) REPORT ON UNAUTHORIZED DISCLOSURE AND INSPECTION.—As part of the report required by paragraph (3)(C) for each calendar year, the Secretary shall furnish information regarding the unauthorized disclosure and inspection of returns and return information, including the number, status, and results of—

''(A) administrative investigations,

''(B) civil lawsuits brought under section 7431 (including the amounts for which such lawsuits were settled and the amounts of damages awarded), and

''(C) criminal prosecutions.''.

(c) EFFECTIVE DATE.—

(1) NOTICE.—The amendment made by subsection (a) shall apply to determinations made after the date of the enactment of this Act.

(2) REPORTS.—The amendment made by subsection (b) shall apply to calendar years ending after the date of the enactment of this Act.

SEC. 408. EXPANDED DISCLOSURE IN EMERGENCY CIRCUMSTANCES.

(a) IN GENERAL.—Section 6103(i)(3)(B) (relating to danger of death or physical injury) is amended by striking ''or State'' and inserting '', State, or local''.

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

SEC. 409. DISCLOSURE OF TAXPAYER IDENTITY FOR TAX REFUND PURPOSES.

(a) IN GENERAL.—Paragraph (1) of section 6103(m) (relating to disclosure of taxpayer identity information) is amended by striking ''and other media'' and by inserting '', other media, and through any other means of mass communication,''.

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

SEC. 410. DISCLOSURE TO STATE OFFICIALS OF PROPOSED ACTIONS RELATED TO SECTION 501(c)(3) ORGANIZATIONS.

(a) IN GENERAL.—Subsection (c) of section 6104 is amended by striking paragraph (2) and inserting the following new paragraphs:

''(2) DISCLOSURE OF PROPOSED ACTIONS.—

''(A) SPECIFIC NOTIFICATIONS.—In the case of an organization to which paragraph (1) applies, the Secretary may disclose to the appropriate State officer—

''(i) a notice of proposed refusal to recognize such organization as an organization described in section 501(c)(3) or a notice of proposed revocation of such organization's recognition as an organization exempt from taxation,

''(ii) the issuance of a letter of proposed deficiency of tax imposed under section 507 or chapter 41 or 42, and

''(iii) the names and taxpayer identification numbers of organizations that have applied for recognition as organizations described in section 501(c)(3).

''(B) ADDITIONAL DISCLOSURES.—Returns and return information of organizations with respect to which information is disclosed under subparagraph (A) may be made available for inspection by or disclosed to an appropriate State officer.

''(C) PROCEDURES FOR DISCLOSURE.—Information may be inspected or disclosed under subparagraph (A) or (B) only—

''(i) upon written request by an appropriate State officer, and

''(ii) for the purpose of, and only to the extent necessary in, the administration of State laws regulating such organizations.

Such information may only be inspected by or disclosed to representatives of the appropriate State officer designated as the individuals who are to inspect or to receive the returns or return information under this paragraph on behalf of such officer.

''(D) DISCLOSURES OTHER THAN BY REQUEST.—The Secretary may make available for inspection or disclose returns and return information of an organization to which paragraph (1) applies to an appropriate State officer of any State if the Secretary determines that such inspection or disclosure may facilitate the resolution of State and Federal issues relating to such organization.

''(3) USE IN JUDICIAL AND ADMINISTRATIVE PROCEEDINGS.—Returns and return information disclosed pursuant to this subsection may be disclosed in civil administrative and judicial proceedings pertaining to the enforcement of State laws regulating such organizations in a manner prescribed by the Secretary similar to that for tax administration proceedings under section 6103(h)(4).

''(4) NO DISCLOSURE IF IMPAIRMENT.—Returns and return information shall not be disclosed under this subsection, or in any proceeding described in paragraph (3), to the extent that the Secretary determines that such disclosure would seriously impair Federal tax administration.

''(5) DEFINITIONS.—For purposes of this subsection—

''(A) RETURN AND RETURN INFORMATION.—The terms 'return' and 'return information' have the respective meanings given to such terms by section 6103(b).

''(B) APPROPRIATE STATE OFFICER.—The term 'appropriate State officer' means—

''(i) the State attorney general, or

''(ii) the head of any State agency, body, or commission which is charged under the laws of such State with responsibility for overseeing organizations of the type described in section 501(c)(3).''.

(b) CONFORMING AMENDMENTS.—

(1) Subsection (a) of section 6103 is amended—

(A) by inserting ''or section 6104(c)'' after ''this section'' in paragraph (2), and

(B) by striking ''or subsection (n)'' in paragraph (3) and inserting ''subsection (n), or section 6104(c)''.

(2) Subparagraph (A) of section 6103(p)(3) is amended by inserting ''and section 6104(c)'' after ''section'' in the first sentence.

(3) Paragraph (4) of section 6103(p) is amended—

(A) in the matter preceding subparagraph (A), by striking ''(16) or any other person described in subsection (l)(16)'' and inserting ''(16), any other person described in subsection (l)(16), or any appropriate State officer (as defined in section 6104(c))'', and

(B) in subparagraph (F), by striking ''or any other person described in subsection (l)(16)'' and inserting ''any other person described in subsection (l)(16), or any appropriate State officer (as defined in section 6104(c))''.

(4) Paragraph (2) of section 7213(a) is amended by inserting ''or under section 6104(c)'' after ''6103''.

(5) Paragraph (2) of section 7213A(a) is amended by inserting ''or 6104(c)'' after ''6103''.

(6) Paragraph (2) of section 7431(a) is amended by inserting ''(including any disclosure in violation of section 6104(c))'' after ''6103''.

(b) EFFECTIVE DATE.—The amendments made by this section shall take effect on the date of the enactment of this Act but shall not apply to requests made before such date.

TITLE V—MISCELLANEOUS

SEC. 501. CLARIFICATION OF DEFINITION OF CHURCH TAX INQUIRY.

Subsection (i) of section 7611 (relating to section not to apply to criminal investigations, etc.) is amended by striking ''or'' at the end of paragraph (4), by striking the period at the end of paragraph (5) and inserting '', or'', and by inserting after paragraph (5) the following:

''(6) information provided by the Secretary related to the standards for exemption from tax under this title and the requirements under this title relating to unrelated business taxable income.''.

SEC. 502. EXPANSION OF DECLARATORY JUDGMENT REMEDY TO TAX-EXEMPT ORGANIZATIONS.

(a) IN GENERAL.—Paragraph (1) of section 7428(a) (relating to creation of remedy) is amended—

(1) in subparagraph (B) by inserting after ''509(a))'' the following: ''or as a private operating foundation (as defined in section 4942(j)(3))''; and

(2) by amending subparagraph (C) to read as follows:

''(C) with respect to the initial qualification or continuing qualification of an organization as an organization described in section 501(c) (other than paragraph (3)) which is exempt from tax under section 501(a), or''.

(b) COURT JURISDICTION.—Subsection (a) of section 7428 is amended in the material following paragraph (2) by striking ''United States Tax Court, the United States Claims Court, or the district court of the United States for the District of Columbia'' and inserting the following: ''United States Tax Court (in the case of any such determination or failure) or the United States Claims Court or the district court of the United States for the District of Columbia (in the case of a determination or failure with respect to an issue referred to in subparagraph (A) or (B) of paragraph (1)),''.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to pleadings filed with respect to determinations (or requests for determinations) made after the date of the enactment of this Act.

SEC. 503. EMPLOYEE MISCONDUCT REPORT TO INCLUDE SUMMARY OF COMPLAINTS BY CATEGORY.

(a) IN GENERAL.—Clause (ii) of section 7803(d)(2)(A) is amended by inserting before the semicolon at the end the following: '', including a summary (by category) of the 10 most common complaints made and the number of such common complaints''.

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall apply with respect to reporting periods ending after the date of the enactment of this Act.

SEC. 504. ANNUAL REPORT ON AWARDS OF COSTS AND CERTAIN FEES IN ADMINISTRATIVE AND COURT PROCEEDINGS.

Not later than 3 months after the close of each Federal fiscal year after fiscal year 2001, the Treasury Inspector General for Tax Administration shall submit a report to Congress which specifies for such year—

(1) the number of payments made by the United States pursuant to section 7430 of the Internal Revenue Code of 1986 (relating to awarding of costs and certain fees);

(2) the amount of each such payment;

(3) an analysis of any administrative issue giving rise to such payments; and

(4) changes (if any) which will be implemented as a result of such analysis and other changes (if any) recommended by the Treasury Inspector General for Tax Administration as a result of such analysis.

SEC. 505. ANNUAL REPORT ON ABATEMENT OF PENALTIES.

Not later than 6 months after the close of each Federal fiscal year after fiscal year 2001, the Treasury Inspector General for Tax Administration shall submit a report to Congress on abatements of penalties under the Internal Revenue Code of 1986 during such year, including information on the reasons and criteria for such abatements.

SEC. 506. BETTER MEANS OF COMMUNICATING WITH TAXPAYERS.

Not later than 18 months after the date of the enactment of this Act, the Treasury Inspector General for Tax Administration shall submit a report to Congress evaluating whether technological advances, such as e-mail and facsimile transmission, permit the use of alternative means for the Internal Revenue Service to communicate with taxpayers.

SEC. 507. EXPLANATION OF STATUTE OF LIMITATIONS AND CONSEQUENCES OF FAILURE TO FILE.

The Secretary of the Treasury or the Secretary's delegate shall, as soon as practicable but not later than 180 days after the date of the enactment of this Act, revise the statement required by section 6227 of the Omnibus Taxpayer Bill of Rights (Internal Revenue Service Publication No. 1), and any instructions booklet accompanying a general income tax return form for taxable years beginning after 2001 (including forms 1040, 1040A, 1040EZ, and any similar or successor forms relating thereto), to provide for an explanation of—

(1) the limitations imposed by section 6511 of the Internal Revenue Code of 1986 on credits and refunds; and

(2) the consequences under such section 6511 of the failure to file a return of tax.

SEC. 508. AMENDMENT TO TREASURY AUCTION REFORMS.

(a) IN GENERAL.—Clause (i) of section 202(c)(4)(B) of the Government Securities Act Amendments of 1993 (31 U.S.C. 3121 note) is amended by inserting before the semicolon ''(or, if earlier, at the time the Secretary releases the minutes of the meeting in accordance with paragraph (2))''.

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

SEC. 509. ENROLLED AGENTS.

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

''SEC. 7527. ENROLLED AGENTS.

''(a) IN GENERAL.—The Secretary may prescribe such regulations as may be necessary to regulate the conduct of enrolled agents in regards to their practice before the Internal Revenue Service.

''(b) USE OF CREDENTIALS.—Any enrolled agents properly licensed to practice as required under rules promulgated under section (a) herein shall be allowed to use the credentials or designation as 'enrolled agent', 'EA', or 'E.A.'.''.

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

''Sec. 7525. Enrolled agents.''.

(c) PRIOR REGULATIONS.—Nothing in the amendments made by this section shall be construed to have any effect on part 10 of title 31, Code of Federal Regulations, or any other Federal rule or regulation issued before the date of the enactment of this Act.

SEC. 510. FINANCIAL MANAGEMENT SERVICE FEES.

Notwithstanding any other provision of law, the Financial Management Service may charge the Internal Revenue Service, and the Internal Revenue Service may pay the Financial Management Service, a fee sufficient to cover the full cost of implementing a continuous levy program under subsection (h) of section 6331 of the Internal Revenue Code of 1986. Any such fee shall be based on actual levies made and shall be collected by the Financial Management Service by the retention of a portion of amounts collected by levy pursuant to that subsection. Amounts received by the Financial Management Service as fees under that subsection shall be deposited into the account of the Department of the Treasury under section 3711(g)(7) of title 31, United States Code, and shall be collected and accounted for in accordance with the provisions of that section. The amount credited against the taxpayer's liability on account of the continuous levy shall be the amount levied, without reduction for the amount paid to the Financial Management Service as a fee.

SEC. 511. CAPITAL GAIN TREATMENT UNDER SECTION 631(b) TO APPLY TO OUTRIGHT SALES BY LAND OWNER.

(a) IN GENERAL.—The first sentence of section 631(b) of the Internal Revenue Code of 1986 (relating to disposal of timber with a retained economic interest) is amended by striking ''retains an economic interest in such timber'' and inserting ''either retains an economic interest in such timber or makes an outright sale of such timber''.

(b) CONFORMING AMENDMENT.—The third sentence of section 631(b) of such Code is amended by striking ''The date of disposal'' and inserting ''In the case of disposal of timber with a retained economic interest, the date of disposal''.

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

TITLE VI—LOW-INCOME TAXPAYER CLINICS

SEC. 601. LOW-INCOME TAXPAYER CLINICS.

(a) LIMITATION ON AMOUNT OF GRANTS.—Paragraph (1) of section 7526(c) (relating to special rules and limitations) is amended by striking ''$6,000,000 per year'' and inserting ''$9,000,000 for 2002, $12,000,000 for 2003, and $15,000,000 for each year thereafter''.

(b) LIMITATION ON USE OF CLINICS FOR TAX RETURN PREPARATION.—Subparagraph (A) of section 7526(b)(1) is amended by adding at the end the following flush language:

''The term does not include a clinic that provides routine tax return preparation. The preceding sentence shall not apply to return preparation in connection with a controversy with the Internal Revenue Service.''.

(c) PROMOTION OF CLINICS.—Section 7526(c) is amended by adding at the end the following new paragraph:

''(7) PROMOTION OF CLINICS.—The Secretary is authorized to promote the benefits of and encourage the use of low-income taxpayer clinics through the use of mass communications, referrals, and other means.''.

TITLE VII—REVISIONS TO SECTION 527 ORGANIZATION DISCLOSURE PROVISIONS

SEC. 701. MODIFICATIONS OF REPORTING REQUIREMENTS FOR CERTAIN STATE AND LOCAL POLITICAL ORGANIZATIONS.

(a) NOTIFICATION.—

(1) Paragraph (5) of section 527(i) (relating to organizations must notify Secretary that they are section 527 organizations) is amended by striking ''or'' at the end of subparagraph (A), by striking the period at the end of subparagraph (B) and inserting '', or'', and by adding at the end the following:

''(C) which is—

''(i) a political committee of a State or local candidate, or

''(ii) a local committee of an entity which is a political party under State law.''.

(2) Subparagraph (B) of section 527(j)(5) (relating to coordination with other requirements) is amended to read as follows:

''(B) to any organization which is—

''(i) a political committee of a State or local candidate, or

''(ii) a State or local committee of an entity which is a political party under State law,''.

(b) EXEMPTION FOR CERTAIN STATE AND LOCAL POLITICAL COMMITTEES FROM REPORTING REQUIREMENTS.—

(1) IN GENERAL.—Paragraph (5) of section 527(j) (relating to required disclosures of expenditures and contributions) is amended by redesignating subparagraphs (C), (D), and (E) as subparagraphs (D), (E), and (F), respectively, and by inserting after subparagraph (B) the following new subparagraph:

''(C) to any organization which is an exempt State or local political organization,''.

(2) EXEMPT STATE OR LOCAL POLITICAL ORGANIZATION.—Subsection (e) of section 527 (relating to other definitions) is amended by adding at the end the following new paragraph:

''(5) EXEMPT STATE OR LOCAL POLITICAL ORGANIZATION.—

''(A) IN GENERAL.—The term 'exempt State or local political organization' means a political organization—

''(i) which does not engage in any exempt function other than to influence or to attempt to influence the selection, nomination, election, or appointment of any individual to any State or local public office or office in a State or local political organization,

''(ii) which is subject to State or local requirements to submit reports containing information—

''(I) regarding individual expenditures from and contributions to such organization, and

''(II) regarding the person who makes such contributions or receives such expenditures, which is substantially similar to the information which would otherwise be required to be reported under this section, and

''(iii) with respect to which the reports referred to in clause (ii) are made public by the agency with which such reports are filed and are publicly available for inspection in a manner similar to that required by section 6104(d)(1).

''(B) PARTICIPATION OF FEDERAL CANDIDATE OR OFFICE HOLDER.—The term 'exempt State or local political organization' shall not include any organization otherwise described in subparagraph (A) if a candidate for nomination or election to Federal elective office or an individual who holds such office—

''(i) controls or materially participates in the direction of the organization, or

''(ii) directs, in whole or in part, expenditures or fundraising activities of the organization.''.

(c) ANNUAL RETURN REQUIREMENTS.—

(1) INCOME TAX RETURNS REQUIRED ONLY WHERE POLITICAL ORGANIZATION TAXABLE INCOME.—Paragraph (6) of section 6012(a) (relating to general rule of persons required to make returns of income) is amended by striking ''or which has gross receipts of $25,000 or more for the taxable year (other than an organization to which section 527 applies solely by reason of subsection (f)(1) of such section)''.

(2) INFORMATION RETURNS.—Subsection (g) of section 6033 (relating to returns required by political organizations) is amended to read as follows:

''(g) RETURNS REQUIRED BY POLITICAL ORGANIZATIONS.—

''(1) IN GENERAL.—Every political organization (within the meaning of section 527(e)(1)), and every fund treated under section 527(g) as if it constituted a political organization, which has gross receipts of $25,000 or more for the taxable year shall file a return—

''(A) containing the information required, and complying with the other requirements, under subsection (a)(1) for organizations exempt from taxation under section 501(a), and

''(B) containing such other information as the Secretary deems necessary to carry out the provisions of this subsection.

''(2) EXCEPTIONS FROM FILING.—

''(A) MANDATORY EXCEPTIONS.—Paragraph (1) shall not apply to an organization—

''(i) which is an exempt State or local political organization (as defined in section 527(e)(5)),

''(ii) which is a State or local committee of a political party, or political committee of a State or local candidate, as defined by State law,

''(iii) which is a caucus or association of State or local elected officials,

''(iv) which is a national association of State or local officials,

''(v) which is an authorized committee (as defined in section 301(6) of the Federal Election Campaign Act of 1971) of a candidate for Federal office,

''(vi) which is a national committee (as defined in section 301(14) of the Federal Election Campaign Act of 1971) of a political party, or

''(vii) to which section 527 applies for the taxable year solely by reason of subsection (f)(1) of such section.

''(B) DISCRETIONARY EXCEPTION.—The Secretary may relieve any organization required under paragraph (1) to file an information return from filing such a return where he determines that such filing is not necessary to the efficient administration of the internal revenue laws.''.

(d) WAIVER OF PENALTIES.—Section 527 is amended by adding at the end the following:

''(k) AUTHORITY TO WAIVE.—The Secretary may waive all or any portion of the—

''(1) tax assessed on an organization by reason of the failure of the organization to give notice under subsection (i), or

''(2) penalty imposed under subsection (j) for a failure to file a report,

on a showing that such failure was due to reasonable cause and not due to willful neglect.''.

(e) EFFECTIVE DATE.—The amendments made by this section shall take effect as if included in the amendments made by Public Law 106–230.

SEC. 702. NOTIFICATION OF INTERACTION OF REPORTING REQUIREMENTS.

(a) IN GENERAL.—The Secretary of the Treasury, in consultation with the Federal Election Commission, shall publicize information on—

(1) the effect of the amendments made by this Act, and

(2) the interaction of requirements to file a notification or report under section 527 of the Internal Revenue Code of 1986 and reports under the Federal Election Campaign Act of 1971.

(b) INFORMATION.—Information provided under subsection (a) shall be included in any appropriate form, instruction, notice, or other guidance issued to the public by the Secretary of the Treasury or the Federal Election Commission regarding reporting requirements of political organizations (as defined in section 527 of the Internal Revenue Code of 1986) or reporting requirements under the Federal Election Campaign Act of 1971.

SEC. 703. TECHNICAL CORRECTIONS TO SECTION 527 ORGANIZATION DISCLOSURE PROVISIONS.

(a) UNSEGREGATED FUNDS NOT TO AVOID TAX.—Paragraph (4) of section 527(i) (relating to failure to notify) is amended by adding at the end the following new sentence: ''For purposes of the preceding sentence, the term 'exempt function income' means any amount described in a subparagraph of subsection (c)(3), whether or not segregated for use for an exempt function.''.

(b) PROCEDURES FOR ASSESSMENT AND COLLECTION OF PENALTY.—Paragraph (1) of section 527(j) (relating to required disclosure of expenditures and contributions) is amended by adding at the end the following new sentence: ''For purposes of subtitle F, the penalty imposed by this paragraph shall be assessed and collected in the same manner as penalties imposed by section 6652(c).''.

(c) APPLICATION OF FRAUD PENALTY.—Section 7207 (relating to fraudulent returns, statements, and other documents) is amended by striking ''pursuant to subsection (b) of section 6047 or pursuant to subsection (d) of section 6104'' and inserting ''pursuant to section 6047(b), section 6104(d), or subsection (i) or (j) of section 527''.

(d) DUPLICATE ELECTRONIC AND WRITTEN FILINGS NOT REQUIRED.—Subparagraph (A) of section 527(i)(1) is amended by striking '', electronically and in writing,''.

(e) EFFECTIVE DATES.—

(1) SUBSECTIONS (a) AND (b).—The amendments made by subsections (a) and (b) shall apply to failures occurring on or after the date of the enactment of this Act.

(2) SUBSECTIONS (c) AND (d).—The amendments made by subsections (c) and (d) shall take effect as if included in the amendments made by Public Law 106–230.

The SPEAKER pro tempore (Mrs. BIGGERT). Pursuant to the rule, the gentleman from California (Mr. THOMAS) and the gentleman from New York (Mr. RANGEL) each will control 20 minutes.

The Chair recognizes the gentleman from California (Mr. THOMAS).

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

Madam Speaker, the Taxpayer Protection and IRS Accountability Act of 2002 might be called modest, but if one looks at the particular provisions, I think for those individuals engaged with the Internal Revenue Service, I think they might find them relatively important.

The Chair would like to thank the gentleman from New York (Mr. HOUGHTON), the chairman of the Subcommittee on Oversight, and especially the gentleman from Ohio (Mr. PORTMAN) and the gentleman from Maryland (Mr. CARDIN) in their ongoing work in providing the committee with excellent legislation.

As I said in announcing the call-up for the vote, that this bill was amended. It was amended in committee. Two amendments were taken, one by the gentleman from New York (Mr. RANGEL), which would allow IRS information to be provided to State Attorneys General. I think it is significant that it was offered by the gentleman from New York. The information is an examination of 501(c)(3) groups and whether they would refuse, or whether there was a revocation or whether there was

a tax deficiency reported at the Federal level, that information to be shared at the State level.

As my colleagues might imagine, how unseemly as it might be, there are individuals and groups who tried to take advantage of the disaster because of the events of September 11. There are individuals or groups who seek to take advantage of the charitable nature of Americans and New Yorkers as well. What this amendment does is allow the sharing of Federal information to assist in the State's administering their laws governing a charitable organization as well. Quite an appropriate amendment, and it was accepted on a voice vote.

The gentleman from Ohio, I think, speaking as well for the gentleman from Maryland, offered some specific amendments dealing with the way in which the IRS commissioner would treat IRS employees who were engaged in what have become now known as the ''10 deadly sins,'' based upon recent legislation in which if an employee of the IRS examines forms unauthorized, a number of them are grounds for immediate dismissal. As my colleagues might guess, that kind of an administrative tool perhaps is too extreme in some instances, and based upon the argument of the two gentlemen, it seemed persuasive to provide a degree of discretion to the commissioner in pursuing either disciplinary action or dismissal.

In addition to that, there are some other specific provisions that would greatly assist individuals who are interacting with the IRS, and I will go into those in some detail later.

Madam Speaker, I reserve the balance of my time.

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

I want to support what the chairman of the committee has said and the cooperative spirit that existed on the Ways and Means Committee under the leadership of the gentleman from New York (Mr. HOUGHTON) in working with the gentleman from Pennsylvania (Mr. COYNE) and the gentleman from Texas (Mr. DOGGETT) as well as the gentleman from Maryland (Mr. CARDIN) in correcting the duplicity that existed in terms of organizations reporting political contributions.

We had worked so well together on this, it was almost frightening, because it was done in an atmosphere that we do not normally enjoy on the Ways and Means Committee. So it should not have come as any shock to me when the bill that was overwhelmingly accepted by all members of the committee, that the Chairman would put in a poison pill at the very last minute that caused the committee to be divided on a party line vote.

It just seems to me that at the height, when the whole Nation is lauding the House and the Senate and the President for campaign finance reform, that if we find some flaw or some mistake or some area that we did not remove the fault, that we would take the opportunity under the Taxpayer Protection and IRS Accountability Act, may not be the right vehicle, but certainly that we would improve on what the House and Senate has done.

Instead of that, this bill has a provision in it, a fatally flawed provision, that opens up gaping loopholes in our campaign finance disclosure laws, so big that every reform group in the Nation that campaigned for campaign finance reform are now prepared to say that this is no way for us to conduct business.

We do not take a good piece of legislation like the Taxpayer Protection and IRS Accountability Act and then put a sleeper poison pill in it to kill all of the good work that Members on both sides of the aisle, led by the gentleman from Connecticut (Mr. SHAYS) and the gentleman from Massachusetts (Mr. MEEHAN) and Senator MCCAIN, the person from the other body, we just do not do it. It is not fair, it is not equitable, it is not moral. It just may be legal.

Then on top of that, to compound the moral failing of the way this legislation comes to the floor, it is presented as though it is noncontroversial, or certainly that is the reason why it goes on the suspension calendar; no amendments, no opportunity for people who disagree with parts of the bill to vote on an amendment. One does not have to be a campaign manager to know that it was a party vote in the committee. That sounds pretty controversial to me. Why not have it to be at least a vote on the floor where people can at least express themselves?

So it is not bad enough that my colleagues bring it out on the Suspension Calendar, and I might add far too many tax bills are coming out on the Suspension Calendar, but my colleagues are not asking that we vote on it this evening. A lot of people may wonder why is it that we would bring a bill out that is so popular that we put it on the Suspension Calendar and not request a vote this evening?

The reason for it is that they do not even want Members to stick around here to find out what the debate is on the bill. There are no votes, so Members can now leave the floor, leave the Hill, and take care of other business; because this issue, according to the leadership, is not important enough for them to stay around and vote on it. Oh, stay around and talk about it, if one will. It is just so unfair when people have worked so hard to try to sneak this in in the middle of the night, with no one on the floor, and do not even say vote for it until tomorrow.

Then we come in tomorrow and there will be a vote, without any debate, without any discussions. Because of what? Because the rules prohibit it. How well packaged.

I think we will defeat this, not because we do not appreciate the work that has been done by the Members on the base bill, but we are going to defeat it just because people think that they can get away with anything in this House. Some Republicans did not stand for it in the committee, and I think many more Members are not going to stand for this if my colleagues allow a vote on it at least tomorrow.

Madam Speaker, I reserve the balance of my time.

Mr. THOMAS. Madam Speaker, I yield myself such time as I might consume.

I am kind of interested in the words that the gentleman from New York used, ''filled with loopholes,'' ''fatally flawed,'' ''poison pill.'' I find it ironic that two-thirds of the Democrats on the committee voted for it. It is true all of the Republicans voted for it, and if my colleagues spent the time to really look at what the provision the gentleman was referring to in correcting current law does, the sum and substance is to basically say if someone is reporting to an agency that requires a person under the State and local laws of the State to report, they also do not have to duplicate that reporting at the Federal level if they are not involved in Federal activities. That is the sum and substance of what it is that the gentleman from Texas (Mr. BRADY) offered and was included in the bill.

I find it interesting that there was a press conference today by the very same gentleman that my friend and colleague from New York mentioned, Senator MCCAIN and Senator LIEBERMAN, and, of course, the bulk of that press conference was complaining about the current law, that they do not like the current 527, the one that they put into effect. It is not enough.

The answer is they will never be satisfied. And what we have to do is look at what is reasonable and prudent, and numbers of groups have said that the double reporting when we are not involved at the Federal level is a significant burden. One would say, how burdensome is it? The IRS form that they are required to fill out says, as part of the truth in packaging and paperwork law, how many hours it requires to deal with the form. The number on that form is 94 hours; 94 hours of filling out a form in which someone was not involved in any way in a Federal election because of the way in which the legislation was written.

What this bill does is correct that to say that there are no loopholes, that people who are required to report in the previous law are required to report today. The so-called stealth or phantom PACs are required to report as current law requires. What we do is remove the duplication.

Madam Speaker, I reserve the balance of my time.

Mr. RANGEL. Madam Speaker, I yield 3 minutes to the gentlewoman from Florida (Mrs. THURMAN), an outstanding member of our committee.

Mrs. THURMAN. Madam Speaker, I would say to our chairman that I think one of the issues here is that we are really trying to get an opportunity to

debate this issue, and not under the consent calendar, and to move it along in a different manner.

I would also bring in today that we had a hearing in the Subcommittee on Oversight that I know the gentleman from New York (Mr. HOUGHTON) and others have worked very hard on, and I want to remind the body that this bill is actually called the Taxpayer Protection and IRS Accountability Act, which I think is important for us to understand. I was concerned when I went to this hearing today because there have been some articles over the last couple of days that talk about Affluent Avoid Scrutiny on Taxes Even as IRS Warns of Cheating. In my own newspaper at home, Poorly Aimed Audits: The IRS is giving more scrutiny to the returns of the working poor than to those of wealthy people who have formed partnerships or special corporations. It is just not fair and it makes little sense.

I think the point that the gentleman from New York (Mr. RANGEL) is making is that we are not going to have another Taxpayers Protection Act come out of this House. We are not going to have the opportunity to debate this again. But we do have the opportunity to do it now, and if we went through the process of going to the Committee on Rules, looking at some of these issues that the commissioner and other folks in this country brought to our attention today, we might have the opportunity to actually send a better bill than what potentially would come out of here today.

I think there is a single issue here that I feel strongly about. We are going to send our tax payments to the IRS on April 15th. Every taxpayer has a right to believe that others are also paying their taxes. They need to believe that tax cheaters are going to be discovered, they are going to be audited, and they are going to be punished and they are going to be treated like everybody else.

□ 1945

I think we have some new information before this bill went through the committee process. We have a process set up that we can use in a debating process, to go to the Committee on Rules, fix some of these issues; and I think it would be a much better bill and I think we would find more support.

I would say I do not want to tell people at home that one out of 47 working-poor taxpayers will be audited, but only one of 145 of high-income taxpayers and one in 400 partnerships get the same treatment. We need to do something about that, and we do not need to wait. We need to include this in the bill, and we need to do it in the right process.

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

Madam Speaker, I say to the gentlewoman that the record shows that the gentlewoman voted for this bill. We are not limited by the number of bills that we can report out. This bill was based upon previous hearings. I am going to call shortly the chairman of the Subcommittee on Oversight, who the gentlewoman discussed today; and it will very likely lead to additional legislation, and we will move additional bills.

The idea that we would hold hearings all year long and never move a bill, and then try to pull it together at the end is a novel idea. We might want to consider it, but it certainly runs against the tradition of this House.

Madam Speaker, I yield 2 minutes to the gentleman from New York (Mr. HOUGHTON), the chairman of the Subcommittee on Oversight.

Mr. HOUGHTON. Madam Speaker, I am delighted to be able to talk about this bill very briefly.

I know there is a contentious issue on 527. I do not think that it is a serious one. Members can have their own opinions, but I think there are enough safeguards to make it accountable. I want to talk about some of the other important features.

The bill allows the IRS to waive unfair penalties. The bill allows taxpayers more time to contest levies. The bill allows the IRS to forgive interest when a taxpayer receives an erroneous refund. The bill also makes several reforms on the 10 deadly sins. There is even an 11th deadly sin now.

Madam Speaker, this bill is pro-taxpayer and promotes commonsense solutions to some of the more frustrating issues that we are dealing with. I hope my colleagues support the bill.

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

Madam Speaker, I agree with the gentleman from New York (Mr. HOUGHTON) that it is a good bill, and it is totally unfair to have this contentious idea included in this bill; and I ask for its defeat. This provision should not be in the bill. It fatally flaws the good work that has been done.

Madam Speaker, I yield 3 minutes to the gentleman from Massachusetts (Mr. MEEHAN), one of the outstanding reformers of campaign finance, who certainly knows good legislation when he sees it, and the gentleman also knows a poison pill when he smells it, and thank the gentleman for all of the fine work that he has done in campaign finance reform.

Mr. MEEHAN. Madam Speaker, I agree with the underlying bill as well. I congratulate the bipartisanship of the Committee on Ways and Means for coming together to put together a good bill; but, unfortunately, there is a provision in this bill that even if Members disagree with it, should not be part of a suspension.

Madam Speaker, just 2 weeks ago the President signed into law the most comprehensive rewrite of this Nation's campaign finance laws in a generation. It is an enormous step towards cleaner elections and a better democracy. The ink on this new law is barely dry, and we are already debating a proposal to add back the loopholes. The Taxpayer Bill of Rights bill is a good bill, but it includes several provisions that will torpedo key disclosure requirements for so-called stealth PACs. These disclosure requirements were put in place by a law that this Congress passed 2 years ago to shine sunlight on organizations influencing Federal elections without disclosing a dime of their expenditures or contributions.

This bill would exempt State and local PACs from Federal disclosure requirements even where there is not adequate disclosure at the State level. What does that mean? How do we know that States are going to require disclosure of every single contribution. We cannot have guarantees; that is why we needed a stealth PAC legislation.

There are so-called sham issue ads that disguise themselves as real issue ads. They influence Federal elections. This bill is a loophole, the beginning of what many of us are afraid will be a series of loopholes designed to undermine campaign finance reform that this Congress passed and the President of the United States signed.

This bill would permit State and local PACs for which Federal office holders raise soft money, Federal office holders raising soft money to qualify for this exemption from Federal filing requirements. That is why this provision should not be in this bill.

All Members should be proud of what we have accomplished on campaign finance reform. It was a historic effort by both sides of the aisle to pass meaningful disclosure requirements, to rein in sham issue ads, and to bring some accountability back to our Federal campaign finance system, or any ads meant to influence a Federal election.

We should not be taking steps backwards after taking major steps forward. Let us work together, as our colleagues on the other body have said, and they have had a dialogue about this in a bipartisan, responsible way to fix the 527 law. The gentleman from Texas (Mr. DOGGETT) has been on this issue for some time. In fact, the gentleman warned many of us 2 years ago when we were debating this legislation that there might be a loophole. Let us do this the right way and not undermine the wonderful work that this Congress has done on campaign finance reform.

Mr. THOMAS. Madam Speaker, I yield myself 45 seconds.

Madam Speaker, perhaps the gentleman does not understand the law. The sham issue ads are not involved with the IRS and the reporting structure. If a Federal office holder influences a State and local PAC decision, this says they have to report at the Federal level. If there is Federal activity, they report at the Federal level. There is no loophole that is created. What it gets rid of is duplication where if a State and local PAC, not involved at the Federal level, that has to report at the State and local level. And as the

gentleman indicated, he wants them to report on the Federal level even though they are not involved in Federal activity.

At some point we have to ask ourselves whether continuing to use the phrase ''why put in loopholes, why do a poison pill,'' Members ought to look at the specifics of the legislation instead of the rhetoric, and ought to respond to what is on the page instead of chasing bogeymen.

Madam Speaker, I yield 3 minutes to the gentleman from Ohio (Mr. PORTMAN), a valued member of the Committee on Ways and Means in helping us write reasonable and responsive legislation, and not press releases.

Mr. PORTMAN. Madam Speaker, I rise this evening in strong support of this legislation. It is good commonsense legislation that will help protect taxpayers. This is a busy week for a lot of Americans. Millions of us are filing our tax returns, trying to get them in by April 15. This is time for us to provide a little bit of help.

In 1998, this Congress passed historic legislation to restructure and reform the IRS and included over 50 new taxpayer rights and substantial reforms to the way the IRS operates. This legislation tonight, I think, builds on those efforts; and I commend the chairman and the gentleman from New York (Mr. HOUGHTON) for bringing it forward.

Madam Speaker, tax records do contain sensitive and personal information; and no one, not even the employees of the IRS, should be allowed to see them without a legitimate reason. This legislation makes it very clear that there will be stiff penalties for IRS employees who explore taxpayers' records without proper authorization.

It also encourages broader use of electronic filing. This is extremely important. The IRS is able to process tax returns in a much more timely fashion with electronic means. It is also less expensive for the IRS; and, therefore, the taxpayers save money. And electronic returns have been shown to be more accurate. There are fewer IRS errors, and this is great news for taxpayers. We want to encourage it, and so will extend the filing deadline until April 30 for those willing to file electronically.

The legislation we are debating today also adds some commonsense reform to IRS penalties. The gentleman from New York (Mr. HOUGHTON) talked about these earlier. Many individuals and companies make innocent mistakes on their tax returns and are then hit with outrageous fines and penalties. This bill allows the IRS to waive unfair penalties for taxpayers with good records who have made honest mistakes.

The bill is good news for low-income taxpayers. It substantially increases the funding available for low-income taxpayer clinics. This is something that we put in place with the restructuring reform act, the thought being that when low-income individuals are involved with disputes with the IRS, they need a little help, and these clinics have proven to be very successful in helping taxpayers who do not have the means to be able to deal with the IRS when disputes arise. I commend the chairman for bringing it forward and providing funding for it.

There are a lot of other important things that this legislation accomplishes. We have heard from the other side of the aisle about the section 527 provisions. As I see it, these are also sensible changes. The changes in section 527 are in keeping with what our original intent was in Congress in passing 527 reforms. This relates strictly to those organizations and entities that only deal with State and local issues. All it says is that we should not have burdensome and duplicative filing requirements at the Federal level where there is a State filing. This State filing has to be substantially similar, and any time there is any Federal involvement in any way, taxpayers have to file at the Federal level.

Madam Speaker, I do not see the loophole here. I think the legislation we have on the bill this evening is going to help taxpayers. It makes sense. It is the kind of stuff we ought to be doing as we approach April 15 to help Americans with their dealings with the IRS.

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

Madam Speaker, we are not going to hear too much debate because the method selected by the leadership to bring this bill to the floor actually restricts debate. I know that the chairman of the Committee on Ways and Means says that most of us have restricted our understanding of the bill to tax press releases and do not have a clear understanding of the legislation.

I have to admit that the chairman is one of the brightest people that we have in the House, if not in the Congress; but the gentleman does not have a reputation of supporting campaign finance reform; and the Members who think they understand it, like the gentleman from Massachusetts (Mr. MEEHAN) and the gentleman from Connecticut (Mr. SHAYS), and like the editorial writers of all of our major newspapers that fought hard for campaign finance reform, while not nearly as bright as the chairman, believe it is a flaw and believe it is a loophole. So even a little compassion, even if we do not have debate, can go a long way.

Madam Speaker, I yield 3 minutes to the gentlewoman from California (Ms. PELOSI), the minority whip.

Ms. PELOSI. Madam Speaker, I thank the gentleman for yielding me this time, and I associate myself with his very eloquent remarks about the stealth nature in which this bill is being brought to the floor of the House. Stealth is a good word for it. It is about abuses of stealth PACs, which this bill would reinstitute.

Less than 2 weeks after President Bush signed a historic campaign finance reform bill into law, the Republican leadership once again wants to weaken one of its primary provisions. The New York Times calls this bill a travesty, and a travesty it is. Two years ago this House voted, under the leadership of our distinguished ranking member, the gentleman from New York (Mr. RANGEL), and a hard-working member of the committee whose leadership was essential to this, the gentleman from Texas (Mr. DOGGETT), to require that political organizations which are exempt from taxation under section 527 of the IRS Code to disclose their contributions and expenditures. One would think this would have been made to order for the Republicans who have argued over time that we did not need campaign finance reform, all we needed was disclosure. And now this bill foils attempts at disclosure.

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This when it was passed was a major campaign finance reform initiative adopted after abuses by the stealth PACs which ran attack ads under the tax-exempt section of the code without meaningful disclosure.

This proposal tonight would allow individuals to hide behind groups to influence the political system without disclosing who they are or where they got their money. The notion that this is simply an attempt to get rid of duplicative reporting requirements was shown to be a farce when the Republicans would not allow a proposed Democratic amendment that would have eliminated duplication but still ensures that there would be full disclosure. Instead, this bill opens up new loopholes in the 527 reporting requirement and creates potential for abuse. It is clearly an attempt by opponents of campaign finance reform to begin to erode the excellent provisions of the Shays-Meehan bill.

I urge my colleagues to reject this travesty and seriously object to the manner in which this bill was railroaded to the floor. This body spent a good deal of time focusing on campaign finance reform. We had to take extraordinary measures to get the bill heard on the floor of this Congress with a discharge petition. The bill has passed both Houses, it has been signed by the President of the United States, and it is being undermined by the proposal that the Republicans are putting on the floor today.

I urge our colleagues to vote ''no.''

Mr. THOMAS. Madam Speaker, it is my pleasure to yield 1½ minutes to the gentleman from Arizona (Mr. HAYWORTH), a member of the committee.

Mr. HAYWORTH. Madam Speaker, I listened with great interest to my friend, the distinguished minority whip from the State of California, and listened to her say vote ''no'' on this. Understand that a ''no'' vote means a lack of real reform where it counts: to allow people to pay penalties to the IRS in a reasonable and rational way; to allow

those who have inadvertently made a mistake to be recused from the wrath of a government charging them inordinately for a mistake they made in good faith.

And speaking of good faith, does it not make sense to have those who are involved in the political process report via the 527 situation there? Indeed, we see we have form 990 here. We already know that Members of Congress file a return form 1120POL which is required to be made public.

And what is interesting, do you want to have bipartisanship? Even the general counsel of the Democratic National Committee admits these additional forms are unnecessary. Joe Sandler was recently quoted as saying, ''It just doesn't make sense to require campaigns and parties to file the forms as these organizations already provide detailed disclosure of their finances.''

Full disclosure? Absolutely. Redundant disclosure targeting those who are not even involved in the political process? Of course not. That is what this bill does. That is why we should support it, in the spirit of real reform and rational regulation, not bureaucratic overkill and other alternative consequences.

Mr. THOMAS. Madam Speaker, it is my pleasure to yield 1–3/4 minutes to the gentleman from Illinois (Mr. WELLER).

Mr. WELLER. Madam Speaker, I commend the chairman for bringing to the floor a bill which received bipartisan support in the Committee on Ways and Means, a bill which was supported by two-thirds of the members of the committee, both Democrat and Republican. It is taxpayer protection, it is IRS accountability, it is IRS reform.

I would note the tax administration reforms that are included in this are good. We are all interested in improving electronic filing and our goal is 80 percent by the year 2007. Today, the IRS Commissioner noted that the reforms regarding electronic filing today will help them achieve that goal by allowing an extra 15 days for those who file electronically.

But because so much of the discussion in this room has focused on the 527 provisions, I thought I would focus on them as well. Two years ago, this House passed 527 reforms, legislation that was well intentioned. We gave some surprises for some folks back home, our local officials and our State legislators, and some local organizations who discovered all of a sudden that the heavy hand of the IRS was targeted at them. They were told that even though they are already reporting to the county clerk in Grundy County, my home county, and they are already reporting to the Illinois State Board of Elections, that they also have to fill out a form to the IRS, and if they fail, even if they were unaware of this law, that they faced IRS penalty.

I would note that this legislation eliminates double reporting by State and local organizations and also allows the IRS to waive penalties for unintentional violations. The opponents of this legislation feel that is still okay. But here are the facts. If you are run by a Member of Congress or you play a role in Federal campaigns, you still have to file with the IRS. If you are solely a State or local organization and only get involved in State or local issues, you file as you currently do with the State board of elections or the local county clerk. Why should someone who only has activity in Illinois file with the IRS in Washington? Why should they not be allowed to do what they have already done and file with the folks in Springfield?

Mr. THOMAS. Madam Speaker, it is my pleasure to yield 2 minutes to the gentleman from Texas (Mr. BRADY).

Mr. BRADY of Texas. Madam Speaker, one of the tenets in Washington is if your argument does not have substance, describe it as a loophole. The fact of the matter is Congress hates to admit its mistakes, and this debate tonight is proof.

When Congress targeted unreported Federal PACs, stealth PACs, 2 years ago in the bill that I supported, we unintentionally fired into the crowd, putting new and burdensome Federal reporting requirements on a lot of people we should have never done it to, these people like local legislators, school board candidates, school bond issues, local sheriffs, who have nothing to do with stealth PACs. It turned out to be more like stealth legislation. They had no idea they got caught up as innocent victims in this bill and are facing heavy penalties for unknowingly violating Federal law.

Without Congress acting responsibly now to correct our mistake, finding the true stealth PACs among the more than 13,000 unnecessary reports is akin to searching for a needle in a haystack. You have to ask yourself, what national policy interest is served by forcing local candidates to report to Washington what they spent to buy the highest bidder at the local county fair? We are trying to scrutinize stealth PACs, not stealth FAA supporters. We took great care to follow the intent of the law and everyone who files today will file tomorrow because we have created no loopholes. In fact, we have strengthened campaign finance reform by putting a spotlight on true stealth PACs and relieving the mistaken, innocent victims from reporting in the future.

This bill is a win-win because it relieves those non-Federal candidates and it is a bright white light on our stealth Federal PACs. They will receive that greater scrutiny they deserve; that is, if Congress is willing to own up to its mistake.

Mr. RANGEL. Madam Speaker, I yield 2 minutes to the gentleman from Connecticut (Mr. SHAYS) who has displayed bipartisan leadership on the question of campaign finance reform. We all are proud of him as a Member.

Mr. SHAYS. Madam Speaker, I thank the gentleman for yielding me this time. One of the problems when a bill has a name after you, it personalizes the debate and it disguises really what is at issue. I think that the one thing that unites opponents and proponents of campaign finance reform is disclosure. We all said we were for it. There is duplicative filing that needs to be addressed. But I really believe that the 527 provision that is put in this bill, substantially similar, defined by the States, is a loophole. It is not the camel's head under the tent, something that can be a bigger problem in the future. It will be a problem immediately.

The one thing we know with our campaign finance reform bill is 527s are going to proliferate. We know that. Special interests will have a greater say. We know that. That is what people on both sides of the aisle argued for: Let the Americans have their say. But if you do not disclose it, you have got a gigantic problem. And if you allow the States to define ''substantially similar,'' you have a loophole. What will happen is people will go to the State that has the biggest loophole to disguise their expenditures and their contributions.

I really regret that this is in a good bill. But this provision is deadly, I think, to disclosure. Therefore, we have no choice but to oppose the bill and hopefully if it is defeated, it will be brought out without this provision and then we can get a provision that will work.

The SPEAKER pro tempore (Mrs. BIGGERT). The gentleman from California (Mr. THOMAS) has 4 minutes and the gentleman from New York (Mr. RANGEL) has 2½ minutes.

Mr. RANGEL. I have one speaker left.

Mr. THOMAS. Madam Speaker, it is my pleasure to yield 2 minutes to the gentleman from Louisiana (Mr. VITTER) who has been focusing on this issue since the time that he arrived in Congress.

Mr. VITTER. Madam Speaker, I stand to strongly support this bill and particularly the 527 provisions. I support it because I am a strong advocate of reform and have a strong reform record, both in the Congress and in the State legislature.

The gentleman from Connecticut (Mr. SHAYS) made some points, but I think the logical extension of all of his comments is that we should federalize every aspect of disclosure around the country and not have any State systems State by State, because a political action committee only qualifies for this exemption if they do not spend a penny on Federal races. If they have any involvement in any Federal race whatsoever, then they are still obligated to file under Federal law. This exemption only applies to them if they are active purely on the local and State level. Furthermore, even if that is the case, if a Federal official is involved in a meaningful way in their activity, then the exemption still does not apply for them.

Duplicative filing is not reform. It is the enemy of reform. Mounds and mounds of useless paper is not productive for disclosure. It is the enemy of disclosure. Therefore, making this corrective action is very much consistent in promoting reform. And duplicative filing, burdensome regulations, federalizing all campaign finance disclosure, that is not reform, that is moving in the wrong direction. That is why I strongly support this corrective legislation, the 527 provisions in this bill.

Mr. RANGEL. Madam Speaker, I yield the balance of my time to the gentleman from Texas (Mr. DOGGETT), this outstanding member of the Committee on Ways and Means, to close our debate. Since he led the fight for reform in the tax committee, I think he can most eloquently explain our position.

The SPEAKER pro tempore. The gentleman from Texas (Mr. DOGGETT) is recognized for 2½ minutes.

Mr. DOGGETT. Madam Speaker, I thank the gentleman for yielding time.

This has been a truly historic year for reform, for genuine campaign finance reform, for cleaning up our political system. It is so troubling that at the very moment that the bipartisan Shays-Meehan, McCain-Feingold bill was being approved across the Capitol, that here in the House, some of those who have been the most effective in delaying that reform from becoming a reality were working to undermine it before it could even be signed into law with the approval of this legislation.

When we banned soft money in that bipartisan reform, we knew that the soft money would be out searching for a new home. What we did not know was that the ''for rent'' sign for that new home would be up before the reform law was even signed into being. It just goes to show that you can dead-bolt the front door, but reform opponents will always be seeking ways to get the money in the back window.

The 527 language in this bill does not require that each and every contribution and expenditure be reported anywhere. That is a loophole. The 527 language in this bill terminates all Federal disclosure, even when Federal candidates and officeholders are actively participating in raising funds. That is a loophole. I believe we need bipartisan solutions on this issue, just like every other one that concerns campaign finance. That is why the Senate agreed on a bipartisan answer to the duplicative filing issue, put it in the President's tax bill, and the conference committee, chaired by the gentleman from California (Mr. THOMAS), removed it last year from that tax bill.

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That is why the language that I offered as an alternative to deal with duplicative filing in the committee-tracked language that Mr. LIEBERMAN and my Senator, KAY BAILEY HUTCHISON, proposed. They have now proposed some further improvement on that language, and I plan to introduce the very same language and seek bipartisan support for it here in the House, because some State and local officials do have legitimate concern, and we ought to eliminate duplicative filing, but we ought to do it without creating new gaps in the reform law that was just signed by the President.

This morning, at a public citizen press conference that highlighted how really extensive 527s are being used to abuse and funnel millions into campaigns, JOHN MCCAIN, JOE LIEBERMAN, and RUSS FEINGOLD said this proposal will never become law. Let us save them the time, and disapprove it this evening.

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

Madam Speaker, it is really amazing when you listen to the individuals argue why they do not want this to become law, the argument that there is some duplication and that we ought to correct it. The gentleman from Texas who just spoke did not spend too much time talking about his suggested amendment which was defeated in committee, because it will give you an idea of what they mean by duplicate. His amendment said that any State or local government would be exempt from reporting to the Federal level if the law they had in place was exactly identical to the Federal law.

You heard the gentleman in the well on our side say that the only way you are ever going to carry these arguments to their logical conclusion is to make everything Federal, require everyone to report to the Federal level.

The gentleman from New York wanted to know why this was included in a bill which was labeled ''Taxpayer Protection and IRS Accountability.'' I can tell you why: Because the burden placed on these individuals is to file Internal Revenue Service papers. They are irrelevant to the activities at the Federal level that are carried on in the State and local governments.

The Texas Funeral Directors Association, no Federal involvement, has to file. The New York Physical Therapy Association, no Federal involvement, has to file. The Baltimore Sitting Judges Committee, no Federal involvement, has to file. Why? Because the law says they have to file, not because they are involved in any way in Federal elections.

Let me underscore this point, because our opponents do not seem to understand this. If you are involved, if you are dealing directly with Federal elections, you are going to be required to continue to report at the Federal level. If you are not, you will report to those reporting requirements that are in place in the State and local level. That is the sum and substance of this adjustment.

But if you really read Senator MCCAIN and Senator LIEBERMAN's statements carefully, they do not even like the current law. What they want is more intrusive specific reporting when you are not involved at the Federal level. Disclosure only works if people believe it is appropriate disclosure.

The gentleman from Connecticut's example was an example of someone violating the law; not that this is a loophole. The activity that he discussed, which said it was a loophole, is violating the law. It is violating the law under current law, it would violating the law under this amendment if it becomes law.

If you look at the good taxpayer provisions in this measure, including removing duplication, this is a bill worth voting for, as 34 Members of the Committee on Ways and Means did, and I ask your support.

Madam Speaker, I include for the RECORD correspondence between the Committee on Ways and Means and the Committee on Government Reform regarding the jurisdictional matters on H.R. 3991.

CONGRESS OF THE UNITED STATES,
HOUSE OF REPRESENTATIVES, COMMITTEE ON GOVERNMENT REFORM,
WASHINGTON, DC, APRIL 9, 2002.

Hon. J. DENNIS HASTERT,
Speaker, House of Representatives, Washington, DC.

DEAR MR. SPEAKER: On March 20, 2002, the Committee on Ways and Means ordered reported H.R. 3991, the ''Taxpayer Protection and IRS Accountability Act of 2002,'' as amended. The bill was subsequently referred to the Committee on Government Reform because section 301 of the amended bill addressed matters that are within the jurisdiction of the Committee on Government Reform under House Rule X, clause 1(h)(1).

After examining the amended bill and consulting with the Committee on Ways and Means, the Committee on Government Reform will not take any action on the bill in order to expedite its consideration on the floor. This does not constitute waiver of the Committee's jurisdiction over H.R. 3991. Furthermore, the Committee reserves its authority to seek conferees on any provisions of the bill that fall within the Committee's jurisdiction during any House-Senate conference that may be convened on this legislation.

Sincerely,

DAN BURTON,
Chairman.

CONGRESS OF THE UNITED STATES,
HOUSE OF REPRESENTATIVES, COMMITTEE ON WAYS AND MEANS,
WASHINGTON, DC, APRIL 9, 2002.

Hon. DAN BURTON,
Chairman, Committee on Government Reform, Washington, DC.

DEAR CHAIRMAN BURTON: Thank you for your letter regarding H.R. 3991, the ''Taxpayer Protection and IRS Accountability Act of 2002.''

As you have noted, the Committee on Ways and Means has ordered favorably reported H.R. 3991, the ''Taxpayer Protection and IRS Accountability Act of 2002.'' I appreciate your agreement to expedite the passage of this legislation despite affecting provisions within the jurisdiction of the Committee on Government Reform. I acknowledge your decision to forego further action on the bill was based on our mutual understanding that it will not prejudice the Committee on Government Reform with respect to the appointment of conferees or its jurisdictional prerogatives on this or similar legislation.

Finally, I will include in the Congressional Record a copy of our exchange of letters on

this matter. Thank you for your assistance and cooperation. We look forward to working with you in the future.

Best regards,

BILL THOMAS,
Chairman.

The SPEAKER pro tempore (Mrs. BIGGERT). The question is on the motion offered by the gentleman from California (Mr. THOMAS) that the House suspend the rules and pass the bill, H.R. 3991, as amended.

The question was taken.

The SPEAKER pro tempore. In the opinion of the Chair, two-thirds of those present have voted in the affirmative.

Mr. RANGEL. Madam 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 8, rule XX and the Chair's prior announcement, further proceedings on this motion will be postponed.

The point of no quorum is considered withdrawn.

GENERAL LEAVE

Mr. WELDON of Florida. Madam Speaker, I ask unanimous consent that all Members may have 5 legislative days within which to revise and extend their remarks and include extraneous material on H.R. 3991, as amended.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from Florida?

There was no objection.

PLAN COLOMBIA SEMI-ANNUAL OBLIGATION REPORT—MESSAGE FROM THE PRESIDENT OF THE UNITED STATES (H. DOC. NO. 107–198)

The SPEAKER pro tempore laid before the House the following message from the President of the United States; which was read and, together with the accompanying papers, without objection, referred to the Committee on Appropriations and the Committee on International Relations and ordered to be printed:

To the Congress of the United States:

Pursuant to section 3204(e), of Public Law 106–246, I am providing a report prepared by my Administration detailing the progress of spending by the executive branch during the last two quarters of Fiscal Year 2001 in support of Plan Colombia.

GEORGE W. BUSH.
THE WHITE HOUSE, *April 9, 2002.*

SCIENCE AND ENGINEERING INDICATORS 2002—MESSAGE FROM THE PRESIDENT OF THE UNITED STATES

The SPEAKER pro tempore laid before the House the following message from the President of the United States; which was read and, together with the accompanying papers, without objection, referred to the Committee on Science:

To the Congress of the United States:

As required by 42 U.S.C. 1863(j)(1), I am pleased to submit to the Congress a report prepared by the National Science Board entitled, ''Science and Engineering Indicators—2002.'' This report represents the fifteenth in the series examining key aspects of the status of science and engineering in the United States.

GEORGE W. BUSH.
THE WHITE HOUSE, *April 9, 2002.*

SPECIAL ORDERS

The SPEAKER pro tempore. Under the Speaker's announced policy of January 3, 2001, and under a previous order of the House, the following Members will be recognized for 5 minutes each.

UNIVERSITY OF MINNESOTA MEN'S HOCKEY TEAM MAKES AMERICA'S HOCKEY STATE VERY PROUD

The SPEAKER pro tempore. Under a previous order of the House, the gentleman from Minnesota (Mr. RAMSTAD) is recognized for 5 minutes.

Mr. RAMSTAD. Madam Speaker, I rise to salute the University of Minnesota Golden Gophers men's hockey team on winning their fourth national championship Saturday night in St. Paul.

Minnesota has a long and proud hockey tradition. This weekend, as one of our newspapers put it, we experienced a ''Return to Glory.'' On Saturday night, right in our State's capital city, the University of Minnesota, my proud alma mater, added an illustrious new chapter to our State's proud hockey heritage.

Madam Speaker, in one of the most thrilling NCAA championship games ever played, the University of Minnesota defeated the University of Maine 4-to-3 in an overtime edge-of-your-seat nail-biter, a game that meant the 2002 NCAA men's ice hockey championship for the University of Minnesota. And, believe me, this was no ordinary hockey game. Both teams were fueled by powerful motivating forces that produced one of the most entertaining, hard-fought and memorable games ever played.

Last season, the Gophers lost to Maine in an overtime game in the NCAA Tournament, and that memory united this year's Gophers team and provided the motivation to fight to the very end of the season's championship game.

Maine had plenty of motivation also. The Black Bears had lost their longtime coach of 17 years, Shawn Walsh, to cancer just before the season started, and the Black Bears put forth a tremendous effort in memory of Coach Walsh.

Madam Speaker, this champion season has been a long time coming, and it sure feels great to every Minnesota hockey fan. All of Minnesota is extremely proud of this talented, never-say-die team, which rallied to tie the championship game with just 52 seconds left in regulation on a goal by Matt Koalska, a St. Paul native playing in his hometown. The Gophers and Black Bears then battled through an intense 17 minutes of overtime before realizing the dream of all Minnesota hockey fans when Grant Potulny scored that winning goal.

By tying the game in the final seconds of regulation and then winning in overtime, the University of Minnesota hockey team joins the list of legendary teams.

Madam Speaker, there have been so many stars this season for the champion Gophers. I hesitate to mention any at risk of leaving out others, but they were a true team in the real meaning of that word. They came together in pursuit of a common goal, winning a national championship. Each player, each trainer, each coach, each manager, played a pivotal role during the season, picking each other up at the crucial time.

Goalie Adam Hauser made 42 saves in the championship game. Hauser had 83 victories in his career, breaking the WCHA record. Adam also set league and school records for games played, shutouts and saves.

All-American senior Johnny Pohl of Red Wing, Minnesota, ended his college career by leading the entire Nation in scoring.

Madam Speaker, each and every one of these Gophers hockey players gave the record crowd of 19,324 great fans plenty to cheer about Saturday night, and in fact all season long. Jordan Leopold, a graduate of Armstrong High School in my district, was a big part of this season's greatness. Leopold won the Hobey Baker Award, which is college hockey's version of the Heisman Trophy, for his outstanding play. He is the fourth Gopher to win college hockey's highest honor.

Madam Speaker, I also want to commend Coach Don Lucia for an outstanding job of coaching. The history of Golden Gophers hockey is reflected by its legendary coaches, and Coach Lucia joins this respected group: John Mariucci, Glen Sonmor, Doug Woog, Herb Brooks, a guy who knows a thing or two about miracles on ice.

Madam Speaker, these hockey Gophers join the University of Minnesota's title winning teams of 1974, 1976 and 1979, and will forever be etched in the annals of the greatest Minnesota hockey teams.

This year's team played with amazing consistency. They never lost consecutive games, and finished with a record of 32 wins, 8 losses and 4 ties. The team's six seniors improved their record each and every year and provided solid senior leadership.

Madam Speaker, the 2001–2002 Gophers hockey team will be remembered forever by Minnesotans and hockey