

Eshoo	Lewis (GA)	Rodriguez
Etheridge	Lipinski	Rothman
Evans	Roybal-Allard	Lowey
Fattah	Lynch	Rush
Filner	Majette	Sabo
Frank (MA)	Maloney	Sanchez, Linda
Frost	Markey	T.
Gonzalez	Marshall	Sanchez, Loretta
Green (TX)	Matsui	Sanders
Grijalva	McCarthy (MO)	Schakowsky
Gutierrez	McCollum	Schiff
Harman	McDermott	Scott (VA)
Hastings (FL)	McGovern	Serrano
Hill	McNulty	Sherman
Hinchee	Meehan	Slaughter
Hoeffel	Meek (FL)	Snyder
Holden	Meeks (NY)	Solis
Holt	Menendez	Spratt
Honda	Michaud	Stark
Houghton	Millender-	Stenholm
Hoyer	McDonald	Strickland
Inslee	Miller (NC)	Stupak
Jackson (IL)	Miller, George	Tauscher
Jackson-Lee	Mollohan	Taylor (MS)
(TX)	Moore	Thompson (MS)
Jefferson	Moran (VA)	Tierney
Johnson (CT)	Murtha	Towns
Johnson, E. B.	Napolitano	Turner (TX)
Jones (OH)	Neal (MA)	Udall (CO)
Kanjorski	Oberstar	Udall (NM)
Kaptur	Obey	Van Hollen
Kennedy (RI)	Olver	Velazquez
Kildee	Ortiz	Visclosky
Kilpatrick	Owens	Waters
Kind	Pallone	Watson
Kleccka	Pascrell	Watt
Kucinich	Pastor	Waxman
Langevin	Payne	Weiner
Lantos	Pelosi	Wexler
Larson (CT)	Pomeroy	Woolsey
Leach	Price (NC)	Wu
Lee	Rangel	
Levin	Reyes	

## NOT VOTING—8

Carson (IN)	Lofgren	Smith (WA)
Conyers	Nadler	Tiberi
Gephardt	Radanovich	

## ANNOUNCEMENT BY THE SPEAKER PRO TEMPORE

The SPEAKER pro tempore (Mr. LATOURETTE) (during the vote). Members are advised 2 minutes are remaining in this vote.

□ 1531

So the bill was passed.

The result of the vote was announced as above recorded.

A motion to reconsider was laid on the table.

Stated for:

Mr. TIBERI. Mr. Speaker, on rolcall 288, The Death Tax Repeal Permanency Act, I was detained in the U.S. Capitol and unable to cast my vote. Had I been able, I would have voted "aye" on H.R. 8, The Death Tax Repeal Permanency Act.

Mr. RADANOVICH. Mr. Speaker, I missed the vote on passage of H.R. 8, but would like to state that I would have voted "aye" on final passage.

**MAKING IN ORDER DURING CONSIDERATION OF H.R. 1528, TAXPAYER PROTECTION AND IRS ACCOUNTABILITY ACT OF 2003, POSTPONEMENT OF FURTHER CONSIDERATION UNTIL A TIME DESIGNATED BY THE SPEAKER**

Mr. BLUNT. Mr. Speaker, I ask unanimous consent that during consideration of H.R. 1528 pursuant to House Resolution 282, notwithstanding the ordering of the previous question, it may be in order at any time for the Chair to postpone further consideration of the bill until a later time to be designated by the Speaker.

The SPEAKER pro tempore (Mr. LATOURETTE). Is there objection to the request of the gentleman from Missouri?

There was no objection.

**EXPLANATION OF PURPOSE OF POSTPONEMENT OF FURTHER CONSIDERATION OF H.R. 1528, TAXPAYER PROTECTION AND IRS ACCOUNTABILITY ACT OF 2003**

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

Mr. BLUNT. Mr. Speaker, the purpose of this request to postpone votes or further consideration of the bill until a later time to be designated by the Speaker is just simply to allow the Members, and families that are in town and intend to go with them, to go to the picnic at the White House this evening. By moving these votes until tomorrow, we allow that to happen, and I hope that allows the family members who are here and intending to go to this event with Members to have as much of the evening as they anticipated having.

**REPORT ON RESOLUTION PROVIDING FOR CONSIDERATION OF H.R. 660, SMALL BUSINESS HEALTH FAIRNESS ACT OF 2003**

Mr. LINCOLN DIAZ-BALART of Florida, from the Committee on Rules, submitted a privileged report (Rept. No. 108-160) on the resolution (H. Res. 283) providing for consideration of the bill (H.R. 660) to amend title I of the Employee Retirement Income Security Act of 1974 to improve access and choice for entrepreneurs with small businesses with respect to medical care for their employees, which was referred to the House Calendar and ordered to be printed.

**TAXPAYER PROTECTION AND IRS ACCOUNTABILITY ACT OF 2003**

Mr. MCCRERY. Mr. Speaker, pursuant to House Resolution 282, I call up the bill (H.R. 1528) to amend the Internal Revenue Code of 1986 to protect taxpayers and ensure accountability of the Internal Revenue Service, and ask for its immediate consideration.

The Clerk read the title of the bill.

The SPEAKER pro tempore. Pursuant to House Resolution 282, the bill is considered read for amendment.

The text of H.R. 1528 is as follows:

H.R. 1528

*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 2003".

(b) AMENDMENT OF 1986 CODE.—Except as otherwise expressly provided, whenever in this Act an amendment or repeal is ex-

pressed 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.—

Sec. 1. Short title; etc.

**TITLE I—PENALTY AND INTEREST REFORMS**

Sec. 101. Failure to pay estimated tax penalty converted to interest charge on accumulated unpaid balance.

Sec. 102. Exclusion from gross income for interest on overpayments of income tax by individuals.

Sec. 103. Abatement of interest.

Sec. 104. Deposits made to suspend running of interest on potential underpayments.

Sec. 105. Expansion of interest netting for individuals.

Sec. 106. Waiver of certain penalties for first-time unintentional minor errors.

Sec. 107. Frivolous tax submissions.

Sec. 108. Clarification of application of Federal tax deposit penalty.

**TITLE II—FAIRNESS OF COLLECTION PROCEDURES**

Sec. 201. Partial payment of tax liability in installment agreements.

Sec. 202. Extension of time for return of property.

Sec. 203. Individuals held harmless on wrongful levy, etc., on individual retirement plan.

Sec. 204. Seven-day threshold on tolling of statute of limitations during tax review.

Sec. 205. Study of liens and levies.

**TITLE III—TAX ADMINISTRATION REFORMS**

Sec. 301. Revisions relating to termination of employment of Internal Revenue Service employees for misconduct.

Sec. 302. Confirmation of authority of tax court to apply doctrine of equitable recoupment.

Sec. 303. Jurisdiction of tax court over collection due process cases.

Sec. 304. Office of Chief Counsel review of offers in compromise.

Sec. 305. 15-day delay in due date for electronically filed individual income tax returns.

Sec. 306. Access of National Taxpayer Advocate to independent legal counsel.

Sec. 307. Payment of motor fuel excise tax refunds by direct deposit.

Sec. 308. Family business tax simplification.

Sec. 309. Health insurance costs of eligible individuals.

Sec. 310. Suspension of tax-exempt status of terrorist organizations.

**TITLE IV—CONFIDENTIALITY AND DISCLOSURE**

Sec. 401. Collection activities with respect to joint return disclosable to either spouse based on oral request.

Sec. 402. Taxpayer representatives not subject to examination on sole basis of representation of taxpayers.

Sec. 403. Disclosure in judicial or administrative tax proceedings of return and return information of persons who are not party to such proceedings.

Sec. 404. Prohibition of disclosure of taxpayer identification information with respect to disclosure of accepted offers-in-compromise.

- Sec. 405. Compliance by contractors with confidentiality safeguards.
- Sec. 406. Higher standards for requests for and consents to disclosure.
- Sec. 407. Notice to taxpayer concerning administrative determination of browsing; annual report.
- Sec. 408. Expanded disclosure in emergency circumstances.
- Sec. 409. Disclosure of taxpayer identity for tax refund purposes.
- Sec. 410. Disclosure to State officials of proposed actions related to section 501(c)(3) organizations.
- Sec. 411. Confidentiality of taxpayer communications with the Office of the Taxpayer Advocate.

#### TITLE V—MISCELLANEOUS

- Sec. 501. Clarification of definition of church tax inquiry.
- Sec. 502. Expansion of declaratory judgment remedy to tax-exempt organizations.
- Sec. 503. Employee misconduct report to include summary of complaints by category.
- Sec. 504. Annual report on awards of costs and certain fees in administrative and court proceedings.
- Sec. 505. Annual report on abatement of penalties.
- Sec. 506. Better means of communicating with taxpayers.
- Sec. 507. Explanation of statute of limitations and consequences of failure to file.
- Sec. 508. Amendment to treasury auction reforms.
- Sec. 509. Enrolled agents.
- Sec. 510. Financial management service fees.
- Sec. 511. Extension of Internal Revenue Service user fees.

#### TITLE VI—LOW-INCOME TAXPAYER CLINICS

- Sec. 601. Low-income taxpayer clinics.
- TITLE VII—FEDERAL-STATE UNEMPLOYMENT ASSISTANCE AGREEMENTS.
- Sec. 701. Applicability of certain Federal-State agreements relating to unemployment assistance.

#### TITLE I—PENALTY AND INTEREST REFORMS

##### 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 \$1,600, 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 \$1,600 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, 2003.

##### 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.

“(2) 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 0958.—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 0958, 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, 2003.

**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, 2004.

**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 is based on a position which the Secretary has identified as frivolous under subsection (c).

“(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 within 30 days 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) 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.”.

(c) 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 con-

tract) 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, 2003.

**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—TAX ADMINISTRATION REFORMS****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 ac-

cordance 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 (l).

“(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 09206; 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 returns filed with respect to taxable years beginning after December 31, 2002.

**SEC. 306. ACCESS OF NATIONAL TAXPAYER ADVOCATE TO INDEPENDENT LEGAL COUNSEL.**

Clause (i) of section 7803(c)(2)(D) (relating to personnel actions) is amended by striking “and” at the end of subclause (I), by striking the period at the end of subclause (II) and inserting “, and”, and by adding at the end the following new subclause:

“(III) appoint a counsel in the Office of the Taxpayer Advocate to report solely to the National Taxpayer Advocate.”.

**SEC. 307. PAYMENT OF MOTOR FUEL EXCISE TAX REFUNDS BY DIRECT DEPOSIT.**

(a) IN GENERAL.—Subchapter II of chapter 33 of title 31, United States Code, is amended by adding at the end the following new section:

**“1A3337. Payment of motor fuel excise tax refunds by direct deposit**

“The Secretary of the Treasury shall make payments under sections 6420, 6421, and 6427 of the Internal Revenue Code of 1986 by electronic funds transfer (as defined in section 3332(j)(1)) if the person who is entitled to the payment—

“(1) elects to receive the payment by electronic funds transfer; and

“(2) satisfies the requirements of section 3332(g) with respect to such payment at such time and in such manner as the Secretary may require.”.

(b) CLERICAL AMENDMENT.—The table of sections for subchapter II of chapter 33 of title 31, United States Code, is amended by adding at the end the following new item:

“3337. Payment of motor fuel excise tax refunds by direct deposit.”.

**SEC. 308. FAMILY BUSINESS TAX SIMPLIFICATION.**

(a) IN GENERAL.—Section 761 (defining terms for purposes of partnerships) is amended by redesignating subsection (f) as subsection (g) and by inserting after subsection (e) the following new subsection:

“(f) QUALIFIED JOINT VENTURE.—

“(1) IN GENERAL.—In the case of a qualified joint venture conducted by a husband and wife who file a joint return for the taxable year, for purposes of this title—

“(A) such joint venture shall not be treated as a partnership.

“(B) all items of income, gain, loss, deduction, and credit shall be divided between the spouses in accordance with their respective interests in the venture, and

“(C) each spouse shall take into account such spouse’s respective share of such items as if they were attributable to a trade or business conducted by such spouse as a sole proprietor.

“(2) QUALIFIED JOINT VENTURE.—For purposes of paragraph (1), the term ‘qualified joint venture’ means any joint venture involving the conduct of a trade or business if—

“(A) the only members of such joint venture are a husband and wife,

“(B) both spouses materially participate (within the meaning of section 469(h) without regard to paragraph (5) thereof) in such trade or business, and

“(C) both spouses elect the application of this subsection.”.

**(b) NET EARNINGS FROM SELF-EMPLOYMENT.—**

(1) Subsection (a) of section 1402 (defining net earnings from self-employment) is amended by striking “and” at the end of paragraph (14), by striking the period at the end of paragraph (15) and inserting “; and”, and by inserting after paragraph (15) the following new paragraph:

“(16) notwithstanding the preceding provisions of this subsection, each spouse’s share of income or loss from a qualified joint venture shall be taken into account as provided in section 761(f) in determining net earnings from self-employment of such spouse.”.

(2) Subsection (a) of section 211 of the Social Security Act (defining net earnings from self-employment) is amended by striking “and” at the end of paragraph (14), by striking the period at the end of paragraph (15) and inserting “; and”, and by inserting after paragraph (15) the following new paragraph:

“(16) Notwithstanding the preceding provisions of this subsection, each spouse’s share of income or loss from a qualified joint venture shall be taken into account as provided in section 761(f) of the Internal Revenue Code of 1986 in determining net earnings from self-employment of such spouse.”.

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

**SEC. 309. HEALTH INSURANCE COSTS OF ELIGIBLE INDIVIDUALS.**

(a) CONSUMER OPTIONS.—Paragraph (2) of section 35(e) is amended by inserting at the end the following new subparagraph:

“(C) WAIVER BY ELIGIBLE INDIVIDUALS.—With respect to any month which ends before January 1, 2006, this paragraph shall not apply with respect to any eligible individual and such individual’s qualifying family members if such eligible individual elects to waive the application of this paragraph with respect to such month.”.

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

**SEC. 310. SUSPENSION OF TAX-EXEMPT STATUS OF TERRORIST ORGANIZATIONS.**

(a) IN GENERAL.—Section 501 (relating to exemption from tax on corporations, certain trusts, etc.) is amended by redesignating subsection (p) as subsection (q) and by inserting after subsection (o) the following new subsection:

“(p) SUSPENSION OF TAX-EXEMPT STATUS OF TERRORIST ORGANIZATIONS.—

“(1) IN GENERAL.—The exemption from tax under subsection (a) with respect to any organization described in paragraph (2), and the eligibility of any organization described in paragraph (2) to apply for recognition of exemption under subsection (a), shall be suspended during the period described in paragraph (3).

“(2) TERRORIST ORGANIZATIONS.—An organization is described in this paragraph if such organization is designated or otherwise individually identified—

“(A) under section 212(a)(3)(B)(vi)(II) or 219 of the Immigration and Nationality Act as a terrorist organization or foreign terrorist organization,

“(B) in or pursuant to an Executive order which is related to terrorism and issued under the authority of the International Emergency Economic Powers Act or section 5 of the United Nations Participation Act of 1945 for the purpose of imposing on such organization an economic or other sanction, or

“(C) in or pursuant to an Executive order issued under the authority of any Federal law if—

“(i) the organization is designated or otherwise individually identified in or pursuant to such Executive order as supporting or engaging in terrorist activity (as defined in section 212(a)(3)(B) of the Immigration and Nationality Act) or supporting terrorism (as defined in section 140(d)(2) of the Foreign Relations Authorization Act, Fiscal Years 1988 and 1989); and

“(ii) such Executive order refers to this subsection.

“(3) PERIOD OF SUSPENSION.—With respect to any organization described in paragraph (2), the period of suspension—

“(A) begins on the later of—

“(i) the date of the first publication of a designation or identification described in paragraph (2) with respect to such organization, or

“(ii) the date of the enactment of this subsection, and

“(B) ends on the first date that all designations and identifications described in paragraph (2) with respect to such organization are rescinded pursuant to the law or Executive order under which such designation or identification was made.

“(4) DENIAL OF DEDUCTION.—No deduction shall be allowed under section 170, 545(b)(2), 556(b)(2), 642(c), 2055, 2106(a)(2), or 2522 for any contribution to an organization described in paragraph (2) during the period described in paragraph (3).

“(5) DENIAL OF ADMINISTRATIVE OR JUDICIAL CHALLENGE OF SUSPENSION OR DENIAL OF DEDUCTION.—Notwithstanding section 7428 or any other provision of law, no organization or other person may challenge a suspension under paragraph (1), a designation or identification described in paragraph (2), the period of suspension described in paragraph (3), or a denial of a deduction under paragraph (4) in any administrative or judicial proceeding relating to the Federal tax liability of such organization or other person.

“(6) ERRONEOUS DESIGNATION.—

“(A) IN GENERAL.—If—

“(i) the tax exemption of any organization described in paragraph (2) is suspended under paragraph (1),

“(ii) each designation and identification described in paragraph (2) which has been made with respect to such organization is determined to be erroneous pursuant to the law or Executive order under which such designation or identification was made, and

“(iii) the erroneous designations and identifications result in an overpayment of income tax for any taxable year by such organization,

credit or refund (with interest) with respect to such overpayment shall be made.

“(B) WAIVER OF LIMITATIONS.—If the credit or refund of any overpayment of tax described in subparagraph (A)(iii) is prevented at any time by the operation of any law or rule of law (including res judicata), such credit or refund may nevertheless be allowed or made if the claim therefor is filed before the close of the 1-year period beginning on the date of the last determination described in subparagraph (A)(ii).

“(7) NOTICE OF SUSPENSIONS.—If the tax exemption of any organization is suspended under this subsection, the Internal Revenue Service shall update the listings of tax-exempt organizations and shall publish appropriate notice to taxpayers of such suspension and of the fact that contributions to such organization are not deductible during the period of such suspension.”

(b) EFFECTIVE DATE.—The amendments made by this section shall apply to designations made before, on, or after the date of the enactment of this Act.

**TITLE IV—CONFIDENTIALITY AND DISCLOSURE**

**SEC. 401. COLLECTION ACTIVITIES WITH RESPECT TO JOINT RETURN DISCLOSEABLE 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.—Paragraph (1) of section 6103(h) (relating to disclosure to certain Federal officers and employees for purposes of tax administration, etc.) is amended—

(1) by striking “Returns” and inserting the following:

“(A) IN GENERAL.—Returns”, and

(2) by adding at the end the following new subparagraph:

“(B) TAXPAYER REPRESENTATIVES.—Notwithstanding subparagraph (A), 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 which is 180 days after 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 Fed-

eral 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) 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 AND OTHER AGENTS.—Notwithstanding any other provision of this section, no return or return information shall be disclosed to any contractor or other agent of a Federal, State, or local agency unless such agency, to the satisfaction of the Secretary—

“(A) has requirements in effect which require each such contractor or other agent 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 such contractor or other agent 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 each such contractor or other agent is in compliance with all such requirements.

The certification required by subparagraph (D) shall include the name and address of each contractor and other agent, a description of the contract of the contractor or other agent with the agency, 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, 2003.

(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 2004.

**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, sections 7213, 7213A, and 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 AMENDMENTS.—

(1) Section 6103(c) is amended by striking “TAXPAYER.—The Secretary” and inserting “TAXPAYER.—

“(1) IN GENERAL.—The Secretary”.

(2) Section 7213(a)(1) is amended by striking “section 6103(n)” and inserting “subsections (c) and (n) of section 6103”.

(3) Section 7213A(a)(1)(B) is amended by striking “subsection (l)(18) or (n) of section 6103” and inserting “subsection (c), (l)(18), or (n) of section 6103”.

(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 substantiates 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, addresses, 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 a person other than the appropriate State officer if such person is an officer or employee of the State and is designated by the appropriate State officer to receive the returns or return information under this paragraph on behalf of the appropriate State 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 or Federal issues relating to the tax-exempt status of such organization.

“(3) USE IN ADMINISTRATIVE AND JUDICIAL CIVIL PROCEEDINGS.—Returns and return information disclosed pursuant to this subsection may be disclosed in administrative and judicial civil 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) any other State official charged with overseeing organizations of the type described in section 501(c)(3).”

(b) CONFORMING AMENDMENTS.—

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

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

(A) in the matter preceding subparagraph (A), by inserting “, or any appropriate State officer (as defined in section 6104(c)),” before “or any other person”;

(B) in subparagraph (F)(i), by inserting “or any appropriate State officer (as defined in section 6104(c)),” before “or any other person”;

(C) in the matter following subparagraph (F), by inserting “, an appropriate State officer (as defined in section 6104(c)),” after “including an agency” each place it appears.

(3) Paragraph (2) of section 7213(a) is amended by inserting “or under section 6104(c)” after “6103”.

(4) Paragraph (2) of section 7213A(a) is amended by inserting “or 6104(c)” after “6103”.

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

(c) 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.

**SEC. 411. CONFIDENTIALITY OF TAXPAYER COMMUNICATIONS WITH THE OFFICE OF THE TAXPAYER ADVOCATE.**

(a) IN GENERAL.—Subsection (c) of section 7803 is amended by adding at the end the following new paragraph:

“(5) CONFIDENTIALITY OF TAXPAYER INFORMATION.—

“(A) IN GENERAL.—To the extent authorized by the National Taxpayer Advocate or pursuant to guidance issued under subparagraph (B), any officer or employee of the Office of the Taxpayer Advocate may withhold from the Internal Revenue Service and the Department of Justice any information provided by, or regarding contact with, any taxpayer.

“(B) ISSUANCE OF GUIDANCE.—In consultation with the Chief Counsel for the Internal Revenue Service and subject to the approval of the Commissioner of Internal Revenue, the National Taxpayer Advocate may issue guidance regarding the circumstances (including with respect to litigation) under which, and the persons to whom, employees of the Office of the Taxpayer Advocate shall not disclose information obtained from a taxpayer. To the extent to which any provision of the Internal Revenue Manual would require greater disclosure by employees of the Office of the Taxpayer Advocate than the disclosure required under such guidance, such provision shall not apply.

“(C) EMPLOYEE PROTECTION.—Section 7214(a)(8) shall not apply to any failure to report knowledge or information if—

“(i) such failure to report is authorized under subparagraph (A), and

“(ii) such knowledge or information is not of fraud committed by a person against the United States under any revenue law.”

(b) CONFORMING AMENDMENT.—Subparagraph (A) of section 7803(c)(4) is amended by inserting “and” at the end of clause (ii), by striking “; and” at the end of clause (iii) and inserting a period, and by striking clause (iv).

**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 subsection (c) (other than paragraph (3)) or (d) of section 501 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 2003, 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 2003, 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 2002 (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. 7528. 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. 7528. 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. EXTENSION OF INTERNAL REVENUE SERVICE USER FEES.**

(a) IN GENERAL.—Chapter 77 (relating to miscellaneous provisions), as amended by section 509, is further amended by adding at the end the following new section:

**“SEC. 7529. INTERNAL REVENUE SERVICE USER FEES.**

“(a) GENERAL RULE.—The Secretary shall establish a program requiring the payment of user fees for—

“(1) requests to the Internal Revenue Service for ruling letters, opinion letters, and determination letters, and

“(2) other similar requests.

“(b) PROGRAM CRITERIA.—

“(1) IN GENERAL.—The fees charged under the program required by subsection (a)—

“(A) shall vary according to categories (or subcategories) established by the Secretary,

“(B) shall be determined after taking into account the average time for (and difficulty of) complying with requests in each category (and subcategory), and

“(C) shall be payable in advance.

“(2) EXEMPTIONS, ETC.—

“(A) IN GENERAL.—The Secretary shall provide for such exemptions (and reduced fees) under such program as the Secretary determines to be appropriate.

“(B) EXEMPTION FOR CERTAIN REQUESTS REGARDING PENSION PLANS.—The Secretary shall not require payment of user fees under such program for requests for determination letters with respect to the qualified status of a pension benefit plan maintained solely by 1 or more eligible employers or any trust which is part of the plan. The preceding sentence shall not apply to any request—

“(i) made after the later of—

“(I) the fifth plan year the pension benefit plan is in existence, or

“(II) the end of any remedial amendment period with respect to the plan beginning within the first 5 plan years, or

“(ii) made by the sponsor of any prototype or similar plan which the sponsor intends to market to participating employers.

“(C) DEFINITIONS AND SPECIAL RULES.—For purposes of subparagraph (B)—

“(i) PENSION BENEFIT PLAN.—The term ‘pension benefit plan’ means a pension, profit-sharing, stock bonus, annuity, or employee stock ownership plan.

“(ii) ELIGIBLE EMPLOYER.—The term ‘eligible employer’ means an eligible employer (as defined in section 408(p)(2)(C)(i)(I)) which has

at least 1 employee who is not a highly compensated employee (as defined in section 414(q)) and is participating in the plan. The determination of whether an employer is an eligible employer under subparagraph (B) shall be made as of the date of the request described in such subparagraph.

“(iii) DETERMINATION OF AVERAGE FEES CHARGED.—For purposes of any determination of average fees charged, any request to which subparagraph (B) applies shall not be taken into account.

“(3) AVERAGE FEE REQUIREMENT.—The average fee charged under the program required by subsection (a) shall not be less than the amount determined under the following table:

Category	Average Fee
Employee plan ruling and opinion ..	\$250
Exempt organization ruling .....	\$350
Employee plan determination .....	\$300
Exempt organization determination.	\$275
Chief counsel ruling .....	\$200.

“(c) TERMINATION.—No fee shall be imposed under this section with respect to requests made after September 30, 2013.”

(b) CONFORMING AMENDMENTS.—

(1) The table of sections for chapter 77 is amended by adding at the end the following new item:

“Sec. 7529. Internal Revenue Service user fees.”

(2) Section 10511 of the Revenue Act of 1987 is repealed.

(3) Section 620 of the Economic Growth and Tax Relief Reconciliation Act of 2001 is repealed.

(c) LIMITATIONS.—Notwithstanding any other provision of law, any fees collected pursuant to section 7527 of the Internal Revenue Code of 1986, as added by subsection (a), shall not be expended by the Internal Revenue Service unless provided by an appropriations Act.

(d) EFFECTIVE DATE.—The amendments made by this section shall apply to requests made 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 2004, \$12,000,000 for 2005, and \$15,000,000 for each year thereafter”.

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

“(6) 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.”

(c) USE OF GRANTS FOR OVERHEAD EXPENSES PROHIBITED.—Section 7526(c), as amended by subsection (b), is further amended by adding at the end the following new paragraph:

“(7) USE OF GRANTS FOR OVERHEAD EXPENSES PROHIBITED.—No grant made under this section may be used for the general overhead expenses of any institution sponsoring a qualified low-income taxpayer clinic.”

(d) ELIGIBLE CLINICS.—

(1) IN GENERAL.—Paragraph (2) of section 7526(b) is amended to read as follows:

“(2) ELIGIBLE CLINIC.—The term ‘eligible clinic’ means—

“(A) any clinical program at an accredited law, business, or accounting school in which students represent low-income taxpayers in controversies arising under this title; and

“(B) any organization described in section 501(c) and exempt from tax under section 501(a) which satisfies the requirements of paragraph (1) through representation of taxpayers or referral of taxpayers to qualified representatives.”

(2) CONFORMING AMENDMENT.—Subparagraph (A) of section 7526(b)(1) is amended by striking “means a clinic” and inserting “means an eligible clinic”.

**TITLE VII—FEDERAL-STATE UNEMPLOYMENT ASSISTANCE AGREEMENTS**

**SEC. 701. APPLICABILITY OF CERTAIN FEDERAL-STATE AGREEMENTS RELATING TO UNEMPLOYMENT ASSISTANCE.**

Effective as of May 25, 2003, section 208 of Public Law 107 09147 is amended—

(1) in subsection (a)(2), by inserting “or” after “ending”; and

(2) in subsection (b), by striking “May 31” each place it appears and inserting “June 1”.

The SPEAKER pro tempore. Pursuant to House Resolution 282, the amendment in the nature of a substitute printed in the bill, modified by the amendment printed in part A of House Report 108-158, is adopted.

The text of H.R. 1528, as amended, as modified, is as follows:

H.R. 1528

*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 2003”.

(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.—

Sec. 1. Short title; etc.

**TITLE I—PENALTY AND INTEREST REFORMS**

Sec. 101. Failure to pay estimated tax penalty converted to interest charge on accumulated unpaid balance.

Sec. 102. Exclusion from gross income for interest on overpayments of income tax by individuals.

Sec. 103. Abatement of interest.

Sec. 104. Deposits made to suspend running of interest on potential underpayments.

Sec. 105. Expansion of interest netting for individuals.

Sec. 106. Waiver of certain penalties for first-time unintentional minor errors.

Sec. 107. Frivolous tax submissions.

Sec. 108. Clarification of application of Federal tax deposit penalty.

**TITLE II—FAIRNESS OF COLLECTION PROCEDURES**

Sec. 201. Partial payment of tax liability in installment agreements.

Sec. 202. Extension of time for return of property.

Sec. 203. Individuals held harmless on wrongful levy, etc., on individual retirement plan.

Sec. 204. Seven-day threshold on tolling of statute of limitations during tax review.

Sec. 205. Study of liens and levies.

**TITLE III—TAX ADMINISTRATION REFORMS**

Sec. 301. Revisions relating to termination of employment of Internal Revenue Service employees for misconduct.

Sec. 302. Confirmation of authority of tax court to apply doctrine of equitable recoupment.

- Sec. 303. Jurisdiction of tax court over collection due process cases.
- Sec. 304. Office of Chief Counsel review of offers in compromise.
- Sec. 305. 15-day delay in due date for electronically filed individual income tax returns.
- Sec. 306. Access of National Taxpayer Advocate to independent legal counsel.
- Sec. 307. Payment of motor fuel excise tax refunds by direct deposit.
- Sec. 308. Family business tax simplification.
- Sec. 309. Health insurance costs of eligible individuals.
- Sec. 310. Suspension of tax-exempt status of terrorist organizations.
- Sec. 311. Extension of joint review of strategic plans and budget for the Internal Revenue Service.

#### TITLE IV—CONFIDENTIALITY AND DISCLOSURE

- Sec. 401. Collection activities with respect to joint return disclosable to either spouse based on oral request.
- Sec. 402. Taxpayer representatives not subject to examination on sole basis of representation of taxpayers.
- Sec. 403. Disclosure in judicial or administrative tax proceedings of return and return information of persons who are not party to such proceedings.
- Sec. 404. Prohibition of disclosure of taxpayer identification information with respect to disclosure of accepted offers-in-compromise.
- Sec. 405. Compliance by contractors with confidentiality safeguards.
- Sec. 406. Higher standards for requests for and consents to disclosure.
- Sec. 407. Notice to taxpayer concerning administrative determination of browsing; annual report.
- Sec. 408. Expanded disclosure in emergency circumstances.
- Sec. 409. Disclosure of taxpayer identity for tax refund purposes.
- Sec. 410. Disclosure to State officials of proposed actions related to section 501(c)(3) organizations.
- Sec. 411. Confidentiality of taxpayer communications with the Office of the Taxpayer Advocate.

#### TITLE V—MISCELLANEOUS

- Sec. 501. Clarification of definition of church tax inquiry.
- Sec. 502. Expansion of declaratory judgment remedy to tax-exempt organizations.
- Sec. 503. Employee misconduct report to include summary of complaints by category.
- Sec. 504. Annual report on awards of costs and certain fees in administrative and court proceedings.
- Sec. 505. Annual report on abatement of penalties.
- Sec. 506. Better means of communicating with taxpayers.
- Sec. 507. Explanation of statute of limitations and consequences of failure to file.
- Sec. 508. Amendment to treasury auction reforms.
- Sec. 509. Enrolled agents.
- Sec. 510. Financial management service fees.
- Sec. 511. Extension of Internal Revenue Service user fees.

#### TITLE VI—LOW-INCOME TAXPAYER CLINICS

- Sec. 601. Low-income taxpayer clinics.

#### TITLE VII—FEDERAL-STATE UNEMPLOYMENT ASSISTANCE AGREEMENTS.

- Sec. 701. Applicability of certain Federal-State agreements relating to unemployment assistance.

#### TITLE I—PENALTY AND INTEREST REFORMS

##### 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 \$1,600, 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 \$1,600 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, 2003.

##### 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.

“(2) 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, 2003.

#### 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, 2004.

#### 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 is based on a position which the Secretary has identified as frivolous under subsection (c).

“(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 within 30 days 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)(I).

“(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) 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.”.

(c) 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 lev-

ied 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, 2003.

**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—TAX ADMINISTRATION REFORMS**

**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.

“(4) TERMINATION.—This subsection shall not apply to any return filed with respect to a taxable year which begins after December 31, 2005.”

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to returns filed with respect to taxable years beginning after December 31, 2002.

**SEC. 306. ACCESS OF NATIONAL TAXPAYER ADVOCATE TO INDEPENDENT LEGAL COUNSEL.**

Clause (i) of section 7803(c)(2)(D) (relating to personnel actions) is amended by striking “and” at the end of subclause (I), by striking the period at the end of subclause (II) and inserting “, and”, and by adding at the end the following new subclause:

“(III) appoint a counsel in the Office of the Taxpayer Advocate to report solely to the National Taxpayer Advocate.”

**SEC. 307. PAYMENT OF MOTOR FUEL EXCISE TAX REFUNDS BY DIRECT DEPOSIT.**

(a) IN GENERAL.—Subchapter II of chapter 33 of title 31, United States Code, is amended by adding at the end the following new section:

“§3337. Payment of motor fuel excise tax refunds by direct deposit

“The Secretary of the Treasury shall make payments under sections 6420, 6421, and 6427 of the Internal Revenue Code of 1986 by electronic funds transfer (as defined in section 3332(j)(1)) if the person who is entitled to the payment—

“(1) elects to receive the payment by electronic funds transfer; and

“(2) satisfies the requirements of section 3332(g) with respect to such payment at such time and in such manner as the Secretary may require.”

(b) CLERICAL AMENDMENT.—The table of sections for subchapter II of chapter 33 of title 31, United States Code, is amended by adding at the end the following new item:

“3337. Payment of motor fuel excise tax refunds by direct deposit.”

**SEC. 308. FAMILY BUSINESS TAX SIMPLIFICATION.**

(a) IN GENERAL.—Section 761 (defining terms for purposes of partnerships) is amended by redesignating subsection (f) as subsection (g) and by inserting after subsection (e) the following new subsection:

“(f) QUALIFIED JOINT VENTURE.—

“(1) IN GENERAL.—In the case of a qualified joint venture conducted by a husband and wife who file a joint return for the taxable year, for purposes of this title—

“(A) such joint venture shall not be treated as a partnership,

“(B) all items of income, gain, loss, deduction, and credit shall be divided between the spouses in accordance with their respective interests in the venture, and

“(C) each spouse shall take into account such spouse’s respective share of such items as if they were attributable to a trade or business conducted by such spouse as a sole proprietor.

“(2) QUALIFIED JOINT VENTURE.—For purposes of paragraph (1), the term ‘qualified joint venture’ means any joint venture involving the conduct of a trade or business if—

“(A) the only members of such joint venture are a husband and wife,

“(B) both spouses materially participate (within the meaning of section 469(h) without regard to paragraph (5) thereof) in such trade or business, and

“(C) both spouses elect the application of this subsection.”

(b) NET EARNINGS FROM SELF-EMPLOYMENT.—

(1) Subsection (a) of section 1402 (defining net earnings from self-employment) is amended by striking “and” at the end of paragraph (14), by striking the period at the end of paragraph (15) and inserting “; and”, and by inserting after paragraph (15) the following new paragraph:

“(16) notwithstanding the preceding provisions of this subsection, each spouse’s share of income or loss from a qualified joint venture shall be taken into account as provided in section 761(f) in determining net earnings from self-employment of such spouse.”

(2) Subsection (a) of section 211 of the Social Security Act (defining net earnings from self-employment) is amended by striking “and” at the end of paragraph (14), by striking the period at the end of paragraph (15) and inserting “; and”, and by inserting after paragraph (15) the following new paragraph:

“(16) Notwithstanding the preceding provisions of this subsection, each spouse’s share of income or loss from a qualified joint venture shall be taken into account as provided in section 761(f) of the Internal Revenue Code of 1986 in determining net earnings from self-employment of such spouse.”

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

**SEC. 309. HEALTH INSURANCE COSTS OF ELIGIBLE INDIVIDUALS.**

(a) CONSUMER OPTIONS.—

(1) IN GENERAL.—Paragraph (2) of section 35(e) is amended by adding at the end the following new subparagraphs:

“(C) WAIVER BY ELIGIBLE INDIVIDUALS.—With respect to any month, clauses (i) and (ii) of subparagraph (A) shall not apply with respect to any eligible individual and such individual’s qualifying family members if such individual—

“(i) does not reside in a State which the Secretary has identified by regulation, guidance, or otherwise as a State in which any coverage which—

“(I) is described in any of subparagraphs (C) through (H) of paragraph (1), and

“(II) meets the requirements of subparagraphs (A) and (B) of this paragraph,

is available to eligible individuals (and their qualifying family members) residing in the State, and

“(i) elects to waive the application of clauses (i) and (ii) of subparagraph (A) of this paragraph.

“(D) ELECTION.—Any election made under subparagraph (C)(ii) shall be effective for the month for which such election is made and for all subsequent months.

“(E) TERMINATION.—Subparagraphs (C) and (D) shall not apply to any month beginning after December 31, 2004.”.

(2) NO IMPACT ON STATE CONSUMER PROTECTIONS.—Nothing in the amendment made by paragraph (1) supercedes or otherwise affects the application of State law relating to consumer insurance protections (including State law implementing the requirements of part B of title XXVII of the Public Health Service Act).

(b) STATE-BASED CONTINUATION COVERAGE NOT SUBJECT TO REQUIREMENTS.—Subparagraphs (A) and (B)(i) of section 35(e)(2) are each amended by striking “subparagraphs (B) through (H)” and inserting “subparagraphs (C) through (H)”.

(c) EFFECTIVE DATE.—

(1) CONSUMER OPTIONS.—The amendment made by subsection (a) shall apply to months beginning after the date of the enactment of this Act.

(2) STATE-BASED CONTINUATION COVERAGE.—The amendments made by subsection (b) shall take effect as if included in section 201(a) of the Trade Act of 2002.

#### SEC. 310. SUSPENSION OF TAX-EXEMPT STATUS OF TERRORIST ORGANIZATIONS.

(a) IN GENERAL.—Section 501 (relating to exemption from tax on corporations, certain trusts, etc.) is amended by redesignating subsection (p) as subsection (q) and by inserting after subsection (o) the following new subsection:

“(p) SUSPENSION OF TAX-EXEMPT STATUS OF TERRORIST ORGANIZATIONS.—

“(1) IN GENERAL.—The exemption from tax under subsection (a) with respect to any organization described in paragraph (2), and the eligibility of any organization described in paragraph (2) to apply for recognition of exemption under subsection (a), shall be suspended during the period described in paragraph (3).

“(2) TERRORIST ORGANIZATIONS.—An organization is described in this paragraph if such organization is designated or otherwise individually identified—

“(A) under section 212(a)(3)(B)(vi)(II) or 219 of the Immigration and Nationality Act as a terrorist organization or foreign terrorist organization,

“(B) in or pursuant to an Executive order which is related to terrorism and issued under the authority of the International Emergency Economic Powers Act or section 5 of the United Nations Participation Act of 1945 for the purpose of imposing on such organization an economic or other sanction, or

“(C) in or pursuant to an Executive order issued under the authority of any Federal law if—

“(i) the organization is designated or otherwise individually identified in or pursuant to such Executive order as supporting or engaging in terrorist activity (as defined in section 212(a)(3)(B) of the Immigration and Nationality Act) or supporting terrorism (as defined in section 140(d)(2) of the Foreign Relations Authorization Act, Fiscal Years 1988 and 1989); and

“(ii) such Executive order refers to this subsection.

“(3) PERIOD OF SUSPENSION.—With respect to any organization described in paragraph (2), the period of suspension—

“(A) begins on the later of—

“(i) the date of the first publication of a designation or identification described in paragraph (2) with respect to such organization, or

“(ii) the date of the enactment of this subsection, and

“(B) ends on the first date that all designations and identifications described in paragraph (2) with respect to such organization are re-

scinded pursuant to the law or Executive order under which such designation or identification was made.

“(4) DENIAL OF DEDUCTION.—No deduction shall be allowed under section 170, 545(b)(2), 556(b)(2), 642(c), 2055, 2106(a)(2), or 2522 for any contribution to an organization described in paragraph (2) during the period described in paragraph (3).

“(5) DENIAL OF ADMINISTRATIVE OR JUDICIAL CHALLENGE OF SUSPENSION OR DENIAL OF DEDUCTION.—Notwithstanding section 7428 or any other provision of law, no organization or other person may challenge a suspension under paragraph (1), a designation or identification described in paragraph (2), the period of suspension described in paragraph (3), or a denial of a deduction under paragraph (4) in any administrative or judicial proceeding relating to the Federal tax liability of such organization or other person.

“(6) ERRONEOUS DESIGNATION.—

“(A) IN GENERAL.—If—

“(i) the tax exemption of any organization described in paragraph (2) is suspended under paragraph (1),

“(ii) each designation and identification described in paragraph (2) which has been made with respect to such organization is determined to be erroneous pursuant to the law or Executive order under which such designation or identification was made, and

“(iii) the erroneous designations and identifications result in an overpayment of income tax for any taxable year by such organization, credit or refund (with interest) with respect to such overpayment shall be made.

“(B) WAIVER OF LIMITATIONS.—If the credit or refund of any overpayment of tax described in subparagraph (A)(iii) is prevented at any time by the operation of any law or rule of law (including *res judicata*), such credit or refund may nevertheless be allowed or made if the claim therefor is filed before the close of the 1-year period beginning on the date of the last determination described in subparagraph (A)(ii).

“(7) NOTICE OF SUSPENSIONS.—If the tax exemption of any organization is suspended under this subsection, the Internal Revenue Service shall update the listings of tax-exempt organizations and shall publish appropriate notice to taxpayers of such suspension and of the fact that contributions to such organization are not deductible during the period of such suspension.”.

(b) EFFECTIVE DATE.—The amendments made by this section shall apply to designations made before, on, or after the date of the enactment of this Act.

#### SEC. 311. EXTENSION OF JOINT REVIEW OF STRATEGIC PLANS AND BUDGET FOR THE INTERNAL REVENUE SERVICE.

(a) IN GENERAL.—Paragraph (2) of section 8021(f) (relating to joint reviews) is amended by striking “2004” and inserting “2009”.

(b) REPORT.—Subparagraph (C) of section 8022(3) (regarding reports) is amended—

(1) by striking “2004” and inserting “2009”, and

(2) by striking “with respect to—” and all that follows and inserting “with respect to the matters addressed in the joint review referred to in section 8021(f)(2).”.

#### TITLE IV—CONFIDENTIALITY AND DISCLOSURE

#### SEC. 401. COLLECTION ACTIVITIES WITH RESPECT TO JOINT RETURN DISCLOSED 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.—Paragraph (1) of section 6103(h) (relating to disclosure to certain Federal officers and employees for purposes of tax administration, etc.) is amended—

(1) by striking “Returns” and inserting the following:

“(A) IN GENERAL.—Returns”, and

(2) by adding at the end the following new subparagraph:

“(B) TAXPAYER REPRESENTATIVES.—Notwithstanding subparagraph (A), 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 which is 180 days after 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 by moving such clauses 2 ems to the right; 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-COM-PROMISE.**

(a) **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 AND OTHER AGENTS.**—Notwithstanding any other provision of this section, no return or return information shall be disclosed to any contractor or other agent of a Federal, State, or local agency unless such agency, to the satisfaction of the Secretary—

“(A) has requirements in effect which require each such contractor or other agent 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 such contractor or other agent 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 each such contractor or other agent is in compliance with all such requirements.

The certification required by subparagraph (D) shall include the name and address of each contractor and other agent, a description of the contract of the contractor or other agent with the agency, 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, 2003.

(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 2004.

**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, sections 7213, 7213A, and 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 AMENDMENTS.**—

(1) Section 6103(c) is amended by striking “TAXPAYER.—The Secretary” and inserting “TAXPAYER.—

“(1) **IN GENERAL.**—The Secretary”.

(2) Section 7213(a)(1) is amended by striking “section 6103(n)” and inserting “subsections (c) and (n) of section 6103”.

(3) Section 7213A(a)(1)(B) is amended by striking “subsection (l)(18) or (n) of section 6103” and inserting “subsection (c), (l)(18), or (n) of section 6103”.

(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 substantiates 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, addresses, 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 a person other than the appropriate State officer if such person is an officer or employee of the State and is designated by the appropriate State officer to receive the returns or return information under this paragraph on behalf of the appropriate State 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 or Federal issues relating to the tax-exempt status of such organization.

**(3) USE IN ADMINISTRATIVE AND JUDICIAL CIVIL PROCEEDINGS.**—Returns and return information disclosed pursuant to this subsection may be disclosed in administrative and judicial civil 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)** any other State official charged with overseeing organizations of the type described in section 501(c)(3).’.

**(b) CONFORMING AMENDMENTS.**—

**(1)** Subparagraph (A) of section 6103(p)(3) is amended by inserting ‘and section 6104(c)’ after ‘section’ in the first sentence.

**(2)** Paragraph (4) of section 6103(p) is amended—

**(A)** in the matter preceding subparagraph (A), by inserting ‘, or any appropriate State officer (as defined in section 6104(c)),’ before ‘or any other person’;

**(B)** in subparagraph (F)(i), by inserting ‘or any appropriate State officer (as defined in section 6104(c)),’ before ‘or any other person’; and

**(C)** in the matter following subparagraph (F), by inserting ‘, an appropriate State officer (as defined in section 6104(c)),’ after ‘including an agency’ each place it appears.

**(3)** Paragraph (2) of section 7213(a) is amended by striking ‘6103.’ and inserting ‘6103 or under section 6104(c).’.

**(4)** Paragraph (2) of section 7213A(a) is amended by inserting ‘or 6104(c)’ after ‘6103’.

**(5)** Paragraph (2) of section 7431(a) is amended by inserting ‘(including any disclosure in violation of section 6104(c))’ after ‘6103’.

**(c) 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.

**SEC. 411. CONFIDENTIALITY OF TAXPAYER COMMUNICATIONS WITH THE OFFICE OF THE TAXPAYER ADVOCATE.**

**(a) IN GENERAL.**—Subsection (c) of section 7803 is amended by adding at the end the following new paragraph:

**(5) CONFIDENTIALITY OF TAXPAYER INFORMATION.**—

**(A) IN GENERAL.**—To the extent authorized by the National Taxpayer Advocate or pursuant to guidance issued under subparagraph (B), any officer or employee of the Office of the Taxpayer Advocate may withhold from the Internal Revenue Service and the Department of Justice any information provided by, or regarding contact with, any taxpayer.

**(B) ISSUANCE OF GUIDANCE.**—In consultation with the Chief Counsel for the Internal Revenue Service and subject to the approval of the Commissioner of Internal Revenue, the National Taxpayer Advocate may issue guidance regarding the circumstances (including with respect to litigation) under which, and the persons to whom, employees of the Office of the Taxpayer Advocate shall not disclose information obtained

from a taxpayer. To the extent to which any provision of the Internal Revenue Manual would require greater disclosure by employees of the Office of the Taxpayer Advocate than the disclosure required under such guidance, such provision shall not apply.

**(C) EMPLOYEE PROTECTION.**—Section 7214(a)(8) shall not apply to any failure to report knowledge or information if—

**(i)** such failure to report is authorized under subparagraph (A), and

**(ii)** such knowledge or information is not of fraud committed by a person against the United States under any revenue law.’.

**(b) CONFORMING AMENDMENT.**—Subparagraph (A) of section 7803(c)(4) is amended by inserting ‘and’ at the end of clause (ii), by striking ‘; and’ at the end of clause (iii) and inserting a period, and by striking clause (iv).

**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 subsection (c) (other than paragraph (3)) or (d) of section 501 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 2003, 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 2003, 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 2002 (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. 7528. 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) here-in shall be allowed to use the credentials or designation as ‘enrolled agent’, ‘EA’, or ‘E.A.’.

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

“Sec. 7528. 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. EXTENSION OF INTERNAL REVENUE SERVICE USER FEES.**

(a) **IN GENERAL.**—Chapter 77 (relating to miscellaneous provisions), as amended by section 509, is further amended by adding at the end the following new section:

**“SEC. 7529. INTERNAL REVENUE SERVICE USER FEES.**

**“(a) GENERAL RULE.**—The Secretary shall establish a program requiring the payment of user fees for—

**“(1) requests to the Internal Revenue Service for ruling letters, opinion letters, and determination letters, and**

**“(2) other similar requests.**

**“(b) PROGRAM CRITERIA.**—

**“(1) IN GENERAL.**—The fees charged under the program required by subsection (a)—

**“(A) shall vary according to categories (or subcategories) established by the Secretary,**

**“(B) shall be determined after taking into account the average time for (and difficulty of) complying with requests in each category (and subcategory), and**

**“(C) shall be payable in advance.**

**“(2) EXEMPTIONS, ETC.**—

**“(A) IN GENERAL.**—The Secretary shall provide for such exemptions (and reduced fees) under such program as the Secretary determines to be appropriate.

**“(B) EXEMPTION FOR CERTAIN REQUESTS REGARDING PENSION PLANS.**—The Secretary shall not require payment of user fees under such program for requests for determination letters with respect to the qualified status of a pension benefit plan maintained solely by 1 or more eligible employers or any trust which is part of the plan. The preceding sentence shall not apply to any request—

**“(i) made after the later of—**

**“(I) the fifth plan year the pension benefit plan is in existence, or**

**“(II) the end of any remedial amendment period with respect to the plan beginning within the first 5 plan years, or**

**“(ii) made by the sponsor of any prototype or similar plan which the sponsor intends to market to participating employers.**

**“(C) DEFINITIONS AND SPECIAL RULES.**—For purposes of subparagraph (B)—

**“(i) PENSION BENEFIT PLAN.**—The term ‘pension benefit plan’ means a pension, profit-sharing, stock bonus, annuity, or employee stock ownership plan.

**“(ii) ELIGIBLE EMPLOYER.**—The term ‘eligible employer’ means an eligible employer (as defined

in section 408(p)(2)(C)(i)(I)) which has at least 1 employee who is not a highly compensated employee (as defined in section 414(q)) and is participating in the plan. The determination of whether an employer is an eligible employer under subparagraph (B) shall be made as of the date of the request described in such subparagraph.

**“(iii) DETERMINATION OF AVERAGE FEES CHARGED.**—For purposes of any determination of average fees charged, any request to which subparagraph (B) applies shall not be taken into account.

**“(3) AVERAGE FEE REQUIREMENT.**—The average fee charged under the program required by subsection (a) shall not be less than the amount determined under the following table:

Category	Average Fee
Employee plan ruling and opinion .....	\$250
Exempt organization ruling .....	\$350
Employee plan determination .....	\$300
Exempt organization determination ...	\$275
Chief counsel ruling .....	\$200.

**“(c) TERMINATION.**—No fee shall be imposed under this section with respect to requests made after September 30, 2013.”

**(b) CONFORMING AMENDMENTS.**—

**(1) The table of sections for chapter 77 is amended by adding at the end the following new item:**

**“Sec. 7529. Internal Revenue Service user fees.”.**

**(2) Section 10511 of the Revenue Act of 1987 is repealed.**

**(3) Section 620 of the Economic Growth and Tax Relief Reconciliation Act of 2001 is repealed.**

**(c) LIMITATIONS.**—Notwithstanding any other provision of law, any fees collected pursuant to section 7527 of the Internal Revenue Code of 1986, as added by subsection (a), shall not be expended by the Internal Revenue Service unless provided by an appropriations Act.

**(d) EFFECTIVE DATE.**—The amendments made by this section shall apply to requests made 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 2004, \$12,000,000 for 2005, and \$15,000,000 for each year thereafter”.

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

**“(6) 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.”.

**(c) USE OF GRANTS FOR OVERHEAD EXPENSES PROHIBITED.**—Section 7526(c), as amended by subsection (b), is further amended by adding at the end the following new paragraph:

**“(7) USE OF GRANTS FOR OVERHEAD EXPENSES PROHIBITED.**—No grant made under this section may be used for the general overhead expenses of any institution sponsoring a qualified low-income taxpayer clinic.”.

**(d) ELIGIBLE CLINICS.**—

**(1) IN GENERAL.**—Paragraph (2) of section 7526(b) is amended to read as follows:

**“(2) ELIGIBLE CLINIC.**—The term ‘eligible clinic’ means—

**“(A) any clinical program at an accredited law, business, or accounting school in which students represent low-income taxpayers in controversies arising under this title; and**

**“(B) any organization described in section 501(c) and exempt from tax under section 501(a) which satisfies the requirements of paragraph (1) through representation of taxpayers or referral of taxpayers to qualified representatives.”.**

**(2) CONFORMING AMENDMENT.**—Subparagraph (A) of section 7526(b)(1) is amended by striking

“means a clinic” and inserting “means an eligible clinic”.

**TITLE VII—FEDERAL-STATE UNEMPLOYMENT ASSISTANCE AGREEMENTS**

**SEC. 701. APPLICABILITY OF CERTAIN FEDERAL-STATE AGREEMENTS RELATING TO UNEMPLOYMENT ASSISTANCE.**

Effective as of May 25, 2003, section 208 of Public Law 107-147 is amended—

**(1) in subsection (a)(2), by inserting “on or” after “ending”; and**

**(2) in subsection (b), by striking “May 31” each place it appears and inserting “June 1”.**

The SPEAKER pro tempore. After 1 hour of debate on the bill, it shall be in order to consider the further amendment printed in part B of the report, if offered by the gentleman from New York (Mr. RANGEL) or his designee, which shall be considered read, and shall be debatable for 1 hour, equally divided and controlled by the proponent and an opponent.

The gentleman from Louisiana (Mr. MCCRERY) and the gentleman from North Dakota (Mr. POMEROY) each will control 30 minutes.

The Chair recognizes the gentleman from Louisiana (Mr. MCCRERY).

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

Mr. Speaker, I rise in support of the Taxpayer Protection and IRS Accountability Act. The title of this bill is a good summary for the fundamental principles contained in it. We are increasing protections for taxpayers from unfair actions by the IRS while at the same time we are making reforms in the IRS that will make the administration of our tax laws more accountable.

Let me mention just a few of the ways we increase protections for taxpayers. The bill increases the confidentiality of taxpayer communications when they seek the assistance of the Taxpayer Advocate. The bill restricts the IRS from auditing the tax returns of taxpayer representatives simply based on their having prepared the returns of other taxpayers.

And let me mention some of the ways we improve tax administration of the IRS.

The bill allows the IRS to enter into installment agreements; to let a taxpayer pay an unpaid amount over 2 or 3 years without imposing the requirement that they pay the full amount. The IRS already has the authority to settle tax debts for less than the full amount. But when it comes to installment payments, the law requires the agreement to cover 100 percent of the debt. So in some cases, instead of the taxpayer paying \$9,000 of a \$10,000 debt, let us say, giving the IRS \$500 every month, the IRS gets nothing.

The bill improves the so-called ten deadly sins actions for which IRS employees can be fired, by removing some of the employee versus employee cases that have bogged down the system, but adding another standard, that of unauthorized browsing of taxpayer records to the list of offenses.

Let me conclude by stressing that the health care tax credit provisions in this bill are sound, prudent and necessary. They do not overturn or weaken the State plans already in effect in

eight States, nor do they have any impact on State consumer protections. The waiver only applies to the pre-existing condition and guarantee issues. And the waiver will only be in place until the end of 2004.

We want workers who have suffered a loss of their job and their health insurance to be able to receive the tax credit for health insurance. If we pass this bill, an estimated 12,000 workers will be able to obtain health insurance. Those workers, without this bill, would not be able to get health insurance.

I support the bill, and I urge the House to support this bill.

Mr. Speaker, I would like to say that the gentleman from Maryland (Mr. CARDIN) has been instrumental in putting together the provisions of this bill, along with my colleague on the Committee on Ways and Means, the gentleman from Ohio (Mr. PORTMAN). So I want to thank both of those gentlemen for the good work they have done on this legislation.

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

Mr. POMEROY. Mr. Speaker, I yield such time as he may consume to the gentleman from Maryland (Mr. CARDIN).

Mr. CARDIN. Mr. Speaker, let me thank the gentleman for yielding me this time, and I want to acknowledge the work that both the gentleman from New York (Mr. HOUGHTON) and the gentleman from North Dakota (Mr. POMEROY) have done to develop a process in which we could look at the Taxpayer Bill of Rights with our staffs in order to make reasonable changes to protect taxpayers and their relationship with the Internal Revenue Service.

The gentleman from Ohio (Mr. PORTMAN) has been one of the leaders in the Congress of the United States on this issue, and I have worked with him on some of these matters, but the gentleman from North Dakota and the gentleman from New York, in their subcommittee of oversight, have really taken on, I think, the right process to review each of these provisions and to bring forward a group of noncontroversial changes in the Taxpayer Bill of Rights that are important to protect our constituents in their dealing with the Internal Revenue Service.

So, Mr. Speaker, I start by saying there is a lot of good provisions. Most of the provisions in the underlying bill are important provisions that we need to act on and that have gone through the vetting process, which I think is appropriate for these types of changes. My concern is the amendment that was added that was not part of the Taxpayer Bill of Rights. I think we will have a chance later in this debate to correct that through an amendment or substitute that will be offered by the gentleman from New York (Mr. RANGEL) that will incorporate all the good provisions of the underlying bill, but eliminate the provision that affects TAA.

Let me talk for moment, if I might, about that one provision that I hope we

will find a way to get out of the underlying legislation so that we can move forward with the Taxpayer Bill of Rights. That provision is a very controversial provision and a provision that I think does irreparable harm to a large number of our constituents who currently or may be without health insurance.

We provided in the trade adjustment assistance provision where we could deal with workers who have lost their health benefits and their jobs as a result of foreign trade. That could be a clear example of what has happened to the steel industry in my community, where so many Bethlehem Steel workers lost their health benefits as a result of the financial woes caused by illegally dumped steel here in the United States.

My concern with the TAA amendment that has been incorporated in the Taxpayer Bill of Rights is that it removes an important protection for these workers or retirees in getting health insurance that will cover them. In my own State of Maryland, we have taken advantage of the TAA law and the use of the Federal credit by establishing a State pool for these workers and retirees so they can get health benefits. By removing the protection that is in the law, we will be encouraging States to take away protections on preexisting conditions in underwriting.

Mr. Speaker, I think it should be the policy of this body to cover all these workers and retirees. We should not be distinguishing between those who, in their most desperate need, have preexisting conditions. The bill is working as passed by the Congress. It is working in Maryland, it is working around the Nation. There is no need now to remove the protections that were included in the TAA legislation.

So, Mr. Speaker, I will be urging my colleagues to support the substitute that will preserve the important provisions on the Taxpayer Bill of Rights but will remove this poison pill that could hurt many workers and retirees in communities' around the Nation.

Mr. MCCRERY. Mr. Speaker, I yield such time as he may consume to the gentleman from New York (Mr. HOUGHTON), the chairman of the Subcommittee on Oversight of the Committee on Ways and Means.

Mr. HOUGHTON. Mr. Speaker, I thank the gentleman for yielding me this time, and I thank also the gentleman from North Dakota.

The theme of this bill, and I, of course, support it, is to improve the IRS. Before I give a few quick examples, I do want to say that I have stood up here at least three times, and my script is getting musty because I have used the same words year after year. I hope that somehow we are going to be able to pass this legislation this year.

But, basically, some of the examples are this. We allow the IRS to waive unfair penalties for honest taxpayers who make mistakes. We allow that. For example, a taxpayer who mails his return

on April 15 with a check for \$5,000, with a balance due, and he mistakenly puts the wrong stamp on it, he is in trouble. And the IRS cannot waive any penalties to people who make an honest mistake. I know of this personally because of a friend in my area who did this; owed lots and lots of money. There was no maneuverability on it.

Another example is when the IRS erroneously assesses or levies a taxpayer's assets. There is a limited time during which the service can provide relief to the taxpayer. And this is, of course, especially unfair if the IRS ends up levying the taxpayer's retirement account.

So let us say the IRS, just to take this a little more, misapplies a tax payment and consequently levies on a taxpayer's IRA account taking away \$25,000. The IRS then later realizes its mistake, but it is unable to restore the IRA balance. That is problem we have here. Very, very inflexible rules. So the result under current laws does not make any sense at all.

Now, this bill requires the IRS to extend the time limit for taxpayers to contest levies and requires the IRS to provide relief to taxpayers whose retirement accounts are affected.

Lastly, and the gentleman from Louisiana, my good friend, also referred to the ten deadly sins that try to strike a balance between making sure that IRS employees are not engaging in improper behavior on the one hand and not placing a straitjacket on IRS employees and the commission on the other hand. These changes are strongly supported by former Commissioner Rossotti, who did an extraordinary job in reorganizing and putting more life into the IRS, and have the support of the National Treasury Employees Union.

So I guess the only thing I can say to sum up, Mr. Speaker, is that this is a good bill. I am honored to be able to join these gentlemen in urging my colleagues to support this legislation.

□ 1545

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

Mr. Speaker, I would say in response to the gentleman from New York, what a privilege I feel it is to serve as a ranking member on the subcommittee chaired by the gentleman from New York (Mr. HOUGHTON). He is an example of the leading effort in the Congress to forge bipartisan consensus and address in commonsense ways problems affecting the American people. That is precisely what the bill before us did, the bill that the gentleman from New York (Mr. HOUGHTON) and I agreed to cosponsor until the week before it was to come to the Committee on Ways and Means, at which time we learned of an extraordinarily offensive provision added into the bill. This provision significantly changes and undermines essential consumer protections that exist for displaced workers as a result of trade agreements that are looking for health insurance.

Mr. Speaker, I yield 5 minutes to the gentleman from Washington (Mr. MCDERMOTT) to elaborate on this feature of the bill and other points relative to the issue before us.

(Mr. MCDERMOTT asked and was given permission to revise and extend his remarks.)

Mr. MCDERMOTT. Mr. Speaker, the underlying bill here today is not in dispute. We had the same bill last year, and they could not get it through because they used it like they are using it this year. They used it sort of like a bun for a hotdog. Everybody wanted the bun, but they keeping sticking a poison pill into the hot dog. They did it last year with section 527, long forgotten. This year with great fanfare they passed the fast track bill. A lot of Members on this side of the aisle voted for the fast track bill. They said if we put in some protections for the workers, and Members said, oh, yes, that is right, we should give protections for the workers so that if because of trade they lose their job and they lose their health care benefits, we should provide some health care benefits for them.

The bill was barely dry from the President signing it, and they started trying to take that out. The workers have got to think there is nobody in this place who is honest with them. The first time it happened, the gentleman on the other side went to the Committee on Armed Services and stuck it into one of their bills; and he got caught, and it got dropped out in the conference committee. So it has been brought back and put in here.

Members know this bill will pass. The taxpayers deserve some relief and protection. So a bill like that is going to pass 435-0, so Members can stick in just about anything and figure it will slide by and nobody will notice it. What they have done to these workers, and I have 11,000 in my State, and there are a few thousand in every State, they are going to go out thinking I have a 65 percent tax credit on my health care benefits and all I have to do is find a place to do this.

Our State does not have a program yet, but they are working on it in the State legislature because they never put in the bill that the States have to establish programs. What is underlying here is a basic philosophic disagreement. The gentleman from Louisiana (Mr. MCCRERY) and I have been around on this a lot of times. It is the question of do people have an individual responsibility to take care of themselves, or should we take care of them collectively by developing a State program in this particular instance.

Many States have put together plans, in spite of the fact that Congress gave them no direction. We put it in the bill, and it silently went out into the ether. Some States woke up and found it. New York and New Jersey and a few other States were paying attention, but about 30 States have not found it yet. They have not put together a program, or their legislatures are not capable. I

do not know why they have not done it. But here we come with an amendment which says you States which have not done it, you cannot have the consumer protections. If your State legislature says all individual programs have to have a guaranteed issue and they have to have no preexisting condition exclusions, then you can buy a policy.

Mr. Speaker, a guy is 55 years old, he gets laid off in this trade adjustment and, he has got a little problem with his heart or kidneys or lungs. Now he has a preexisting condition, and he has a voucher in his hand and he goes to the insurance company, and they take his history. Oh, you have a kidney problem. Sorry, you have a preexisting condition. We cannot. Now many States have passed a law and said you cannot deny him. At that point he is out of luck. He has this promise of health care, and he cannot get at it.

Somehow the Republicans think that we ought to take away those protections from workers. Now wait until they try to put a trade bill through here again and tell people that we are going to protect the workers. This is where we find out what they really mean about protecting the workers. They better know they are going to have to go out in the individual market and get their health care. If it is too expensive, tough. The other side says we gave them a 65 percent tax credit. But of course in order to get it, you have to be able to pay for the insurance. No provision is made for that.

Mr. Speaker, this is a sham that was put in that fast track bill, and they have been trying to get rid of it ever since because they do not want the principle to be established that States can put together a program to take care of individuals in a group and buy group insurance. That is what is at issue here. This is not fair, and it is wrong and Members ought to vote the bill down.

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

Mr. POMEROY. Mr. Speaker, I yield 3 minutes to the gentleman from Maine (Mr. MICHAUD).

Mr. MICHAUD. Mr. Speaker, I thank the gentleman for yielding me this time.

Mr. Speaker, I rise today in opposition to the TAA health care tax credit rollback provision included in the Taxpayer Protection and IRS Accountability Act. Make no mistake, I support taxpayer protection and IRS accountability. But something is wrong, rotten in Congress today. Why would the House leadership try to slip in such a harmful provision in a noncontroversial bill?

It is clearly a sneaky attempt to destroy workers' protections and help leverage big insurance companies' profits. There is no doubt this unpopular provision would never survive unless it was tucked into a popular bill such as this. This measure would strip away the protections for dislocated workers and allow insurers to cherry pick

healthy workers and exclude those who are older or in poor health, those who need the coverage the most.

Many dislocated workers in Maine are currently enrolled in this program. Our State has been among the first approved program in the Nation. These hard-working men and women have lost their jobs; they deserve some type of health care protection. I would ask the gentleman from New York (Mr. HOUGHTON) to reconsider this provision. There are some areas in the State of Maine where unemployment is over 32 percent. There are other areas abutting that high-labor market area with double digit employment numbers because we are getting killed by imports because of our trade agreements. Granted, this is a 65 percent tax credit. However, when you are on unemployment, you have mortgage payments to make, automobile payments and health care payments. To come up with the employees' share, it is difficult. I hope Members oppose this bill until the TAA health care tax credit rollback provision is excluded.

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

(Mr. POMEROY asked and was given permission to revise and extend his remarks, and include extraneous material.)

Mr. POMEROY. Mr. Speaker, I appreciate the gentleman's outstanding work on behalf of the displaced workers in the State of Maine and throughout the country.

Let me try to put in perspective what this is all about. Let me note back in my days as the State insurance commissioner of North Dakota, I spent a lot of time working on issues, fundamental consumer protections for people buying health insurance. We believe it is critical when we have workers displaced because of trade agreements, they ought to have some assistance with the expenses they incur while looking for other careers and other ways to earn their livelihood.

As a result, we got trade adjustment assistance in that last bill, and it provided for very meaningful assistance, support in purchasing the premium as well as very strong consumer protections in the purchase of that coverage. These protections include guaranteed issues; if you are sick or have some medical condition, it does not matter. You have the right to get that coverage, no preexisting condition exclusion. What that means is, say you want to get coverage but I have some disability maybe that occurred at work. They cannot exclude all medical conditions arising from that disability; they have to cover that, too. And then premiums have to be equitable with other premiums; benefits have to be comparable with other benefits.

What the majority bill would do is allow a period where some of the most important consumer protections do not have to be offered, those providing for guaranteed issue, absolute right to get the coverage, those protecting against

having something excluded; those are also eliminated in this provision.

We have been upset by this provision; and when I say "we," I speak about a swath in the caucus that voted for the fast track trade authority and did so in part because of the protections of trade adjustment assistance.

Mr. Speaker, I include for the RECORD a Dear Colleague written by the gentlewoman from California (Mrs. TAUSCHER) and signed by 15 Democrats who voted for the trade bill, all referencing the fact that this trade adjustment protection for displaced workers was an important part of them coming to agree that we ought to pass this trade bill.

PRO-TRADE HOUSE DEMOCRATS FIGHT TO KEEP WORKER ASSISTANCE IN TRADE BILL

Today, 15 House Democrats who voted for the Trade Promotion Authority bill last year sent a strong letter to Ways and Means Chairman Bill Thomas expressing their concern about his efforts to rewrite guarantees for healthcare benefits for displaced workers that were agreed to as part of the comprehensive trade bill passed last year.

The effort to keep Trade Adjustment Assistance as part of future trade agreements is being led by Reps. Ellen Tauscher (D-Calif.), Adam Smith (D-Wash.) and Cal Dooley (D-Calif.).

JUNE 11, 2003.

Hon. WILLIAM M. THOMAS,  
Chairman, Committee on Ways  
and Means.

DEAR CHAIRMAN THOMAS: As pro-trade Democrats who supported passage of Trade Promotional Authority and the Trade Act of 2002, we write to voice our concerns with your efforts to rewrite the Trade Adjustment Assistance provision of this new law.

Inclusion of a strong and robust TAA provision was paramount to our support of TPA and the Trade Act of 2002. The commitments made during last year's debate are important to us and those we represent.

Specifically, we are very concerned that your efforts to rewrite the healthcare provisions in TAA by adding language to a non-trade related bill (Section 309; HR 1528, the Taxpayer Protection and IRS Responsibility Act) vitiates your commitments made during debate on TPA. More importantly, this undermines Congress' commitment of providing healthcare tax credits to displaced workers, regardless of their age or health status.

Under the guise of "consumer choice," your provision would eliminate key consumer protections designed to give states the flexibility to develop pools and negotiate with private insurance companies while still meeting the law's consumer protection requirements. States are in the process of developing these plans and have not indicated to Congress problems with meeting the TAA requirements. And since Congress has yet to consider a single FTA since its passage, it seems counterproductive to change TAA at this time.

The rules of TPA define Congress' role and responsibilities during negotiations on individual bilateral trade agreements. As proponents of trade, we take our oversight roles seriously. We are equally serious in our commitment to the TAA provisions of the law we worked hard to pass that provide a safety net to those Americans displaced by new trade agreements.

We are hopeful you will reconsider rewriting the healthcare provisions of TAA and remove this provision from HR 1528. We are

concerned that altering such a provision in unrelated legislation may undermine the bipartisan consensus necessary for the passage of future FTAs.

Sincerely,

Ellen O. Tauscher, Adam Smith, Cal Dooley, Susan Davis, Jim Davis, William Jefferson, Rick Larsen, Dennis Moore, Bob Etheridge, Harold Ford, Jr., Jane Harman, Norman Dicks, Ken Lucus, Jim Matheson, Jim Moran.

Mr. POMEROY. Mr. Speaker, I yield 3 minutes to the gentlewoman from Texas (Ms. JACKSON-LEE).

Ms. JACKSON-LEE of Texas. Mr. Speaker, I thank the gentleman from North Dakota (Mr. POMEROY) for his excellent work on this question and for bringing us together around this particular legislation which deals with fixing technical problems dealing with taxpayers' needs that all of us can join in. I thank the gentleman from Ohio (Mr. PORTMAN) and the chairman of the subcommittee on this particular legislation, and I would like to say, if I could, that this is a bill that I would run to the floor to support.

And the reason is because when I first came to Congress, the issue of advocacy for taxpayers was an enormous issue. In fact, we had a very serious problem in Houston, Texas, of insensitivity to taxpayers who were trying to do the right thing. So the very fact that this legislation, H.R. 1528, has 50 bipartisan and relatively noncontroversial taxpayer-rights provisions is one that I would want to support. In fact, title I of the proposed act increases the threshold in which a taxpayer would not incur penalties for underpayment. Because, in fact, my colleagues, those taxpayers are trying to pay their taxes. This is a good provision. This says if you underpay, it gives you a break to try to get in there and fix the problem.

I would like to be supportive of those kinds of very effective tax provisions. There is something else in here that I very much appreciate. The bill eliminates the \$50,000 threshold for adjustment of interest on erroneous refunds.

□ 1600

Some of us know of situations where those who tried to pay their taxes got an erroneous refund, and I believe the gentlewoman from California (Ms. LORETTA SANCHEZ) had an issue on this and worked very hard on this issue. We now protect those innocent individuals who get a refund through no fault of their own and they get penalized.

But lo and behold, I have voted for several bills dealing with enhancing trade, the African Growth and Opportunity Act, the Caribbean Basin Initiative, here we come with what we call a trade adjustment assistance health credit, and we do not know where this came from to my colleagues on the other side of the aisle, why they would put a poison pill that clearly takes away the protection. The elimination of the TAA health care program that would be imminent upon the enactment of this bill as drafted will negate consumer protections for eligible laid-

off workers and certain pensioners who seek health care coverage. States that have not made health care coverage available to laid-off workers and pensioners by August 2003 would be able to ignore the TAA consumer protections, which ensure that all applicants could get coverage.

Mr. Speaker, let me just say this. We have got a crisis in our States. We have got people being laid off, we have got 177,000 children being taken off of the CHIPs program in the State of Texas. We have got the child tax credit languishing in this body. Someone says that we cannot move that forward. People are hurting. How can we put this bill forward that has all these good provisions, clearing up the taxpayer rights, if you will, providing further help in advocating for taxpayer rights? Remember when I said taxpayer rights, that means we are helping those who pay taxes as well as those who helped build this country, and here we are penalizing them for those who may be laid off through no fault of their own.

I would ask that we correct that poison pill, take it out, and let us support a bipartisan H.R. 1528. Mr. Speaker, I oppose the bill as it presently stands.

Mr. Speaker, I rise in opposition to H.R. 1528, the House Resolution amending the Internal Revenue Code of 1986 to protect taxpayers and ensure accountability of the Internal Revenue Service (IRS). The bill's proposed changes purport to give taxpayers many improved rights and options in a bipartisan fashion. However, in operation, the bill will change the previously enacted "Trade Adjustment Assistance (TAA) health care credit" law much to the surprise of my fellow colleagues who understood it to be safely in place. I rather support the Substitute Amendment offered by Mr. RANGEL that will allow us to revamp our effort to include the relevant provisions of the Senate-passed child tax credit expansion bill.

The Resolution offers fifty bipartisan and relatively non-controversial taxpayer rights provisions that deal with rules on interest payments, penalties, installment payments, levies, first-time errors, offers in compromise, and other areas that welcome reform. Title I of the proposed Act, among other things, increases the threshold in which a taxpayer would not incur penalties for underpayment, that is, create a "safe harbor" for taxpayers. It also expands the period in which underpayment interest is applied to cover the entire underpayment period. Interest paid on overpayments of income tax would be excluded from gross income in this program. Furthermore, the bill eliminates the \$50,000 threshold for abatement of interest on erroneous refunds. Title II appears to offer taxpayers latitude by allowing the Commissioner of the IRS to enter into installment agreements with taxpayers who cannot remit payment on their obligations when due. The proposed extension from nine months to two years of the time for repayment of erroneous tax payments also appears very beneficial to taxpayers. Moreover, Title III amends the Code to give the Commissioner's rulings more finality, expands the legal purview of the Tax Court, consolidates the decision as to the proper forum for collection due process hearings, which would appear to

make the hearing process more efficient. This Title also proposes to extend the filing deadline for electronic taxpayers, protect the Office of the National Taxpayer Advocate; facilitate the payment process for motor fuel excise tax refunds; improve the tax status of husband and wife joint ventures filing joint returns; and penalizes designated terrorist organizations, among other things. Titles IV, V, VI, and VII deal with Confidentiality and Disclosure, Miscellaneous provisions, Low-Income Taxpayer Clinics, and Federal-State Unemployment Assistance Agreements.

While the above proposed provisions promise, at the surface, to help all taxpayers in a forthright fashion, it contains a very troubling "poison pill" provision that would eliminate workers' ability to obtain health coverage under the current Trade Adjustment Assistance (TAA) health care program. Furthermore, despite the myriad list of benefits to taxpayers that this bill will offer, it fails to give any relief to those working-class income taxpayers who have been marginalized by the extensive tax cuts of this Administration.

The elimination of the TAA health care program that would be imminent upon the enactment of this bill as drafted will negate consumer protections for eligible laid-off workers and certain pensioners who seek health care coverage. States that have not made health coverage available to laid-off workers and pensioners by August 2003 would be able to ignore the TAA consumer protections which assure that (1) all applicants would get coverage under State plans and (2) preclude plans from excluding coverage for pre-existing health conditions. It is a tremendous concern to me that we are proposing to abrogate existing worker protections when no dysfunction has not been identified that would warrant such a change.

Unlike the thousands of Houstonians laid off or terminated by American General, Compaq Computer Corp., Continental Airlines, Texaco and others this year, Enron's workers must contend with the company's bankruptcy filing and the threat it has posed to their remaining benefits. Although federal laws and limited insurance protect pension plans, a similar safety net does not exist for health care benefits. If an employer drops any coverage or consolidates plans for current employees, then the former workers have no rights to the old benefits and can only get what the employer offers. Furthermore, if an employer decides to stop offering health insurance altogether, the current employees and the COBRA participants will all lose their coverage. There is simply no legal obligation for employers to provide or continue health insurance. In addition, our employees are amenable to the threat of health care insurance cuts by employers who file under the bankruptcy code as this represents an attractive expense to cut. Corporations that attempt to reorganize under Chapter 11 tend to do so as a last resort because such actions undermine their abilities to retain key workers. Those with no hope of recovering from their financial troubles liquidate their assets under Chapter 7, terminate their health plans and other liabilities and cease to exist, leaving the employee with no options. For example, Bethlehem Steel Corp. and Wheeling-Pittsburgh Steel Corp., both of which are in Chapter 11 proceedings, have asked Congress and the Bush administration to pay their health-care contractual obligations to approximately

600,000 retirees of the two companies—estimated as high as \$13 billion—so they can merge with U.S. Steel. They proposed the payment of the debt through a general appropriation or a tax on steel sold in the United States.

Mr. RANGEL's Substitute Amendment does not include anti-consumer changes to the TAA health credit law as does the drafted language of this bill. We have a duty to protect those who are most vulnerable to harmful tax treatment, and this Amendment would allow us to provide a safety net. Critical to my initiatives and the initiatives of many of my colleagues, the Amendment includes the provisions of the Senate-passed child tax credit expansion bill and Senate-passed military tax relief bill. H.R. 1528 has more than adequate breadth to include these items. The Amendment also adds provisions that will serve to prevent abusive tax shelters and assist low and middle-income taxpayers in complying with the tax laws such as an Earned Income Tax Credit (EITC) simplification, a balanced IRS audit program, enhanced low-income taxpayer clinics, a prohibition on EITC pre-certifications, and limits on excessive tax refund anticipation loan interest rates. Along with the many above-mentioned bipartisan and non-controversial taxpayer provisions, this Substitute Amendment will make H.R. 1528 work for more taxpayers and for our children as well as to allow us to, at minimum, show some appreciation for the men and women who serve our Country.

I oppose H.R. 1528 for the foregoing reasons and support the Substitute Amendment offered by Mr. RANGEL. I would ask that my colleagues also vote in this fashion.

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

I am going to close debate on my side of the aisle, and I would do so with the following comments. My friend and Ways and Means colleague, the gentleman from Louisiana, raises on the question of health coverage for displaced workers the important issue of whether or not coverage is actually available for these workers or might there be because of these preexisting conditions circumstances where no coverage is available and by insisting on these protections we are actually depriving these workers of the availability to get health coverage.

I am pleased to respond to that concern by saying that negotiations at the State level are coming along very successfully, and so far 13 States have been successful at getting insurance companies to enter into an agreement to provide the coverage to these displaced workers under the consumer protections in the bill. Thirteen States. What concerns us about raising this issue at this time is that we think it sends a very bad signal from Congress to the States and the insurance companies in negotiations with them, that they might not have to comply with these consumer protections.

As an old insurance commissioner, I know darn well you give an insurance company the chance of not offering coverage to everybody, but, rather, cherry-picking, picking only the ones they want to cover as opposed to the mandate that they cover everybody,

well, they are going to want to cherry-pick. Of course they are going to want to do that. If you give insurance companies the opportunity to say, well, we'll cover you except for the disability that you have or the pre-existing health condition that you have, of course insurance companies are going to want to restrict their coverage from those medical features that are so troublesome to the displaced workers. We think that passing this bill with this provision in it is going to bring negotiations at the State level potentially to a standstill because the insurance companies are going to hold out for a sweeter deal, and what a sweet deal it would be.

We are going to have a situation where the insurance companies, under the majority proposal, would be able to exclude who they want to. Of the individuals they underwrite, they will be able to exclude the medical conditions that they want to and they are still going to get the Federal Government paying 65 percent of the premium. Let us face it, it is not often you put forward Federal tax dollars to pay private insurance premiums. We have chosen to do so at this time because these are workers that lost their jobs because of trade agreements entered by this country. That is certified by the Department of Labor.

We think under those circumstances, having lost their job through no fault of their own, because of trade agreements entered and ratified here in Congress, that those workers need some help while they get their lives back on track, get a new livelihood in place, and that help certainly includes health insurance coverage to protect them and their families. We are even going to help pay for it. Under these circumstances, let us not let the insurance companies run roughshod by excluding who they want, by excluding the medical conditions that they want. We have got to hold for the whole package, give these workers the absolute right to get the coverage they need and the absolute right to get coverage for all of their medical conditions, not just those the insurance company is going to want to pick.

Work is coming along well at the State level. Again, 13 States concluding these agreements, others still in negotiation now. Now is not the time to take the pressure off. Now is not the time to give the insurance companies a pass. Now is not the time to walk away from the health care needs of our displaced workers. Hold the consumer protections, reject the majority bill, we will take this taxpayer protection right, remove the poison pill, bring it back here, as it should have been in the first place, and get on with reforming the Tax Code in the responsible ways but not in the ways that, because of the poison pill, hurt our displaced workers.

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

Mr. MCCRERY. Mr. Speaker, I yield myself the balance of my time.

Mr. Speaker, the last point that the gentleman from North Dakota made about if this provision were to pass, then it could reduce the pressure on the States to enter into agreements which would create qualified plans under the trade bill we passed last year is a legitimate point. It is the only legitimate point he or his colleagues on the Democratic side have made today, but that is a legitimate point. We concede that. That is why we listened to the gentleman from North Dakota and his complaints earlier while the committee was considering this and we reduced the window within which unemployed workers could take advantage of this waiver.

Under the provision, as it now stands in this bill, they would only have until the end of calendar year 2004 to waive their rights under the trade bill and take advantage of the tax credit to purchase insurance for themselves and their family. So I concede that that is a legitimate point. We do not want the States to stop their efforts to create plans that would qualify for the credit under the Trade Act. We do not think the States will. In fact, of the speakers that were offered by the other side of the aisle today, Maryland, the first speaker, the State of Maryland, already has a qualified plan in place, so this provision in the bill today will not affect unemployed workers in Maryland at all; North Dakota has a provision in place, so it will not affect unemployed workers in North Dakota. Texas is very close to having a provision ready, we are told. The only State that is behind in this process is the State of Washington.

So we know that basically two-thirds of the States already either have a plan in place or are negotiating to get plans in place. The Treasury Department thinks, after researching this, that only about 20 States or so would not have plans in place by this August. So this provision in this bill would not affect all of those States that have plans in place by this August, probably not until September or October because this bill will not make it through the process before this fall.

But let us think about those States which for whatever reason, their legislatures do not meet this year, their insurance commissioner is not as adept as the gentleman from North Dakota was in getting these things done, for whatever reason, what about the unemployed workers in those States who want to use their credit to get insurance for their families and they do not have access to COBRA? They are left out in the cold.

I would say to my good friends on the other side, do you not care about these people and their families? Do you not want them to use the generous tax credit that we provided to get health insurance for their families? If you do not pass the provision that is in this bill, they cannot get insurance and utilize the credit to get it. Period. You will leave them with nothing. You will

leave them bare. They will not have insurance. That is the fact. That is what we are trying to correct. We are trying to make sure that all those unemployed workers who want to use the credit to cover their families can do so. And so we have said to the States that have not yet complied with the requirements of the Trade Act, we are going to give you one more year to do that.

And in the meantime, any of your unemployed workers who want to use the tax credit can avail themselves of that by waiving the requirements of the Trade Act. It is not compulsory, it is voluntary, we are not going to twist anybody's arm to make them waive the requirements of the Trade Act. We are going to tell them if you want to waive that, you may. And if that enables you to use the tax credit to cover yourselves and your families, by golly, that is a good thing. And CBO estimates that 12,000 workers and their families will take advantage of this provision and will get coverage and who, if this bill does not pass, would not be able to get coverage.

I think, Mr. Speaker, what we have heard today from the other side is a lot of obfuscation. The truth is they never wanted the health tax credit to be used for anything other than COBRA. That is the truth. It was we Republicans who insisted that we think about unemployed workers who did not happen to come from a big company or from a company with employment coverage that would qualify under COBRA. We said, what about the people who work for small businesses? What about the people who did not have any coverage, they had to get individual coverage? Should we not have some compassion for those unemployed workers as well, not just unionized workers? We battled and fought and scraped and finally won, got a compromise so that those workers could get some advantage from the tax credit.

But the Democrats said, okay, we'll agree to the compromise, but we're going to have to have a provision that goes even further than the Republican-passed legislation, the Health Insurance Portability and Accountability Act, HIPAA.

That was a Republican bill. Up until that time, there were no guarantees for workers changing jobs. Health insurance was not portable at all. Everybody was going to be subject to those conditions that the gentleman from North Dakota talked about, pre-existing conditions, no guaranteed issue, until Republicans passed the bill in 1996, I believe, called HIPAA, which said that if you had 18 months prior coverage in the health insurance system, then you do not have to worry about getting covered again. Insurance companies offering health insurance must guarantee you issue of that plan. And you are not subject to any pre-existing conditions clauses in those insurance plans.

We did that. We passed that. We are the ones who put those guarantees in

law. And so last year, we agreed for this small set of workers who lost their jobs because of trade actions or were covered under the Pension Benefit Guaranty Corporation that in that small set of workers, we would reduce that 18-month requirement to 3 months, so that if they only had 3 months prior coverage, they would not have to go through all the underwriting and so forth that workers used to have to go through before HIPAA. And we agreed to that. But now we find that we have large numbers of workers who are not able to avail themselves of the credit because States have not yet put into place plans that comply with that 3-month prior coverage requirement.

So in the meantime, while those States are getting those plans up and running, we say, let those individuals who want to waive that requirement, they may have had 18 months prior coverage and, therefore, they would still have those guarantees that the gentleman from North Dakota spoke about, why not let them voluntarily waive their requirements under the Trade Act, get the insurance for themselves and their families and then when all the States have these policies in place, the 3-month requirement will be there in those plans. I simply do not understand why the other side would object so strenuously to letting 12,000 families get health insurance who otherwise would not be able to get it if this provision does not pass.

I urge the House to have compassion for these workers as well as workers with COBRA coverage and pass this bill today.

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

The SPEAKER pro tempore (Mr. LATOURETTE). All time for debate on the bill has expired.

Pursuant to the order of the House of today, further proceedings on this bill will be postponed until tomorrow.

□ 1615

#### GENERAL LEAVE

Mr. MCCRERY. Mr. Speaker, I ask unanimous consent that all Members may have 5 legislative days within which to revise and extend their remarks and include extraneous material on H.R. 8.

The SPEAKER pro tempore (Mr. LATOURETTE). Is there objection to the request of the gentleman from Louisiana?

There was no objection.

#### SPECIAL ORDERS

The SPEAKER pro tempore (Mr. LATOURETTE). Under the Speaker's announced policy of January 7, 2003, and under a previous order of the House, the following Members will be recognized for 5 minutes each.