

104<sup>TH</sup> CONGRESS  
1<sup>ST</sup> SESSION

# S. 258

To amend the Internal Revenue Code of 1986 to provide additional safeguards to protect taxpayer rights.

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## IN THE SENATE OF THE UNITED STATES

JANUARY 23 (legislative day, JANUARY 10), 1995

Mr. PRYOR (for himself, Mr. GRASSLEY, Mr. REID, Mr. BRYAN, Mr. HATCH, Mr. BAUCUS, Mr. MURKOWSKI, Mr. BREAUX, Mr. NICKLES, Mr. EXON, Mr. COCHRAN, Mr. GLENN, Mr. COHEN, Mr. JOHNSTON, Mr. LOTT, Mr. KERRY, Mr. SMITH, Ms. MIKULSKI, Mr. SARBANES, and Mr. SIMON) introduced the following bill; which was read twice and referred to the Committee on Finance

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## A BILL

To amend the Internal Revenue Code of 1986 to provide additional safeguards to protect taxpayer rights.

1 *Be it enacted by the Senate and House of Representa-*  
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE; AMENDMENT OF 1986 CODE;**

4 **TABLE OF CONTENTS.**

5 (a) SHORT TITLE.—This Act may be cited as the  
6 “Taxpayer Bill of Rights 2”.

7 (b) AMENDMENT OF 1986 CODE.—Except as other-  
8 wise expressly provided, whenever in this Act an amend-

1 ment or repeal is expressed in terms of an amendment  
 2 to, or repeal of, a section or other provision, the reference  
 3 shall be considered to be made to a section or other provi-  
 4 sion of the Internal Revenue Code of 1986.

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

Sec. 1. Short title; amendment of 1986 Code; table of contents.

#### TITLE I—TAXPAYER ADVOCATE

Sec. 101. Establishment of position of Taxpayer Advocate within Internal Revenue Service.

Sec. 102. Expansion of authority to issue taxpayer assistance orders.

#### TITLE II—MODIFICATIONS TO INSTALLMENT AGREEMENT PROVISIONS

Sec. 201. Taxpayer's right to installment agreement.

Sec. 202. Running of failure to pay penalty suspended during period installment agreement in effect.

Sec. 203. Notification of reasons for termination or denial of installment agreements.

Sec. 204. Administrative review of denial of request for, or termination of, installment agreement.

#### TITLE III—INTEREST

Sec. 301. Expansion of authority to abate interest.

Sec. 302. Extension of interest-free period for payment of tax after notice and demand.

#### TITLE IV—JOINT RETURNS

Sec. 401. Disclosure of collection activities.

Sec. 402. Joint return may be made after separate returns without full payment of tax.

#### TITLE V—COLLECTION ACTIVITIES

Sec. 501. Modifications to lien and levy provisions.

Sec. 502. Offers-in-compromise.

Sec. 503. Notification of examination.

Sec. 504. Increase in limit on recovery of civil damages for unauthorized collection actions.

Sec. 505. Safeguards relating to designated summons.

#### TITLE VI—INFORMATION RETURNS

Sec. 601. Phone number of person providing payee statements required to be shown on such statement.

Sec. 602. Civil damages for fraudulent filing of information returns.

Sec. 603. Requirement to conduct reasonable investigations of information returns.

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

Sec. 701. Preliminary notice requirement.

Sec. 702. Disclosure of certain information where more than 1 person subject to penalty.

Sec. 703. Penalties under section 6672.

TITLE VIII—AWARDING OF COSTS AND CERTAIN FEES

Sec. 801. Motion for disclosure of information.

Sec. 802. Increased limit on attorney fees.

Sec. 803. Failure to agree to extension not taken into account.

Sec. 804. Authority for court to award reasonable administrative costs.

Sec. 805. Effective date.

TITLE IX—OTHER PROVISIONS

Sec. 901. Required content of certain notices.

Sec. 902. Treatment of substitute returns under section 6651.

Sec. 903. Relief from retroactive application of Treasury Department regulations.

Sec. 904. Required notice of certain payments.

Sec. 905. Unauthorized enticement of information disclosure.

TITLE X—FORM MODIFICATIONS; STUDIES

Sec. 1000. Definitions.

Subtitle A—Form Modifications

Sec. 1001. Explanation of certain provisions.

Sec. 1002. Improved procedures for notifying service of change of address or name.

Sec. 1003. Rights and responsibilities of divorced individuals.

Subtitle B—Studies

Sec. 1011. Pilot program for appeal of enforcement actions.

Sec. 1012. Study on taxpayers with special needs.

Sec. 1013. Reports on taxpayer-rights education program.

Sec. 1014. Biennial reports on misconduct by Internal Revenue Service employees.

Sec. 1015. Study of notices of deficiency.

Sec. 1016. Notice and form accuracy study.

1 **TITLE I—TAXPAYER ADVOCATE**

2 **SEC. 101. ESTABLISHMENT OF POSITION OF TAXPAYER AD-**  
 3 **VOCATE WITHIN INTERNAL REVENUE SERV-**  
 4 **ICE.**

5 (a) GENERAL RULE.—Section 7802 (relating to  
 6 Commissioner of Internal Revenue; Assistant Commis-  
 7 sioner (Employee Plans and Exempt Organizations)) is  
 8 amended by adding at the end the following new sub-  
 9 section:

10 “(d) OFFICE OF TAXPAYER ADVOCATE.—

11 “(1) IN GENERAL.—There is established in the  
 12 Internal Revenue Service an office to be known as  
 13 the ‘Office of the Taxpayer Advocate’. Such office,  
 14 including all problem resolution officers, shall be  
 15 under the supervision and direction of an official to  
 16 be known as the ‘Taxpayer Advocate’ who shall re-  
 17 port directly to the Commissioner of Internal Reve-  
 18 nue. The Taxpayer Advocate shall be entitled to  
 19 compensation at the same rate as the Chief Counsel  
 20 for the Internal Revenue Service.

21 “(2) FUNCTIONS OF OFFICE.—

22 “(A) IN GENERAL.—It shall be the func-  
 23 tion of the Office of Taxpayer Advocate to—

24 “(i) assist taxpayers in resolving prob-  
 25 lems with the Internal Revenue Service,

1           “(ii) identify areas in which taxpayers  
2           have problems in dealings with the Internal  
3           Revenue Service,

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

8           “(iv) identify potential legislative  
9           changes which may be appropriate to miti-  
10          gate such problems.

11          “(B) ANNUAL REPORTS.—

12           “(i) OBJECTIVES.—Not later than  
13           June 30 of each calendar year after 1994,  
14           the Taxpayer Advocate shall report to the  
15           Committee on Ways and Means of the  
16           House of Representatives and the Commit-  
17           tee on Finance of the Senate on the objec-  
18           tives of the Taxpayer Advocate for the fis-  
19           cal year beginning in such calendar year.  
20           Any such report shall contain full and sub-  
21           stantive analysis, in addition to statistical  
22           information.

23           “(ii) ACTIVITIES.—Not later than De-  
24           cember 31 of each calendar year after  
25           1994, the Taxpayer Advocate shall report

1 to the Committee on Ways and Means of  
2 the House of Representatives and the  
3 Committee on Finance of the Senate on  
4 the activities of the Taxpayer Advocate  
5 during the fiscal year ending during such  
6 calendar year. Any such report shall con-  
7 tain full and substantive analysis, in addi-  
8 tion to statistical information, and shall—

9 “(I) identify the initiatives the  
10 Taxpayer Advocate has taken on im-  
11 proving taxpayer services and Internal  
12 Revenue Service responsiveness,

13 “(II) contain recommendations  
14 received from individuals with the au-  
15 thority to issue taxpayer assistance  
16 orders under section 7811,

17 “(III) contain a summary of at  
18 least 20 of the most serious problems  
19 encountered by taxpayers, including a  
20 description of the nature of such prob-  
21 lems,

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

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

7           “(VI) contain an inventory of the  
8 items described in subclauses (II) and  
9 (III) for which no action has been  
10 taken, the period during which each  
11 item has remained on such inventory,  
12 the reasons for the inaction, and iden-  
13 tify any Internal Revenue Service offi-  
14 cial who is responsible for such inac-  
15 tion,

16           “(VII) identify any Taxpayer As-  
17 sistance Order which was not honored  
18 by the Internal Revenue Service in a  
19 timely manner, as specified under sec-  
20 tion 7811(b),

21           “(VIII) contain recommendations  
22 for such administrative and legislative  
23 action as may be appropriate to re-  
24 solve problems encountered by tax-  
25 payers, and

1           “(IX) include such other infor-  
2           mation as the Taxpayer Advocate may  
3           deem advisable.

4           “(iii) REPORT TO BE SUBMITTED DI-  
5           RECTLY.—Each report required under this  
6           subparagraph shall be provided directly to  
7           the Committees referred to in clauses (i)  
8           and (ii) without any prior review or com-  
9           ment from the Commissioner of the Inter-  
10          nal Revenue Service, the Secretary of the  
11          Treasury, any other officer or employee of  
12          the Department of the Treasury, or the  
13          Office of Management and Budget.

14          “(3) RESPONSIBILITIES OF COMMISSIONER OF  
15          INTERNAL REVENUE SERVICE.—The Commissioner  
16          of Internal Revenue shall establish procedures re-  
17          quiring a formal response to all recommendations  
18          submitted to the Commissioner by the Taxpayer  
19          Advocate.”

20          (b) CONFORMING AMENDMENTS.—

21                 (1) Section 7811 (relating to taxpayer assist-  
22                 ance orders) is amended—

23                         (A) by striking “the Office of Ombuds-  
24                         man” in subsection (a) and inserting “the Of-  
25                         fice of the Taxpayer Advocate”, and

1 (B) by striking “Ombudsman” each place  
 2 it appears (including in the headings of sub-  
 3 sections (e) and (f)) and inserting “Taxpayer  
 4 Advocate”.

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

7 **“SEC. 7802. COMMISSIONER OF INTERNAL REVENUE; AS-**  
 8 **SISTANT COMMISSIONERS; TAXPAYER ADVO-**  
 9 **CATE.”**

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

“Sec. 7802. Commissioner of Internal Revenue; Assistant Com-  
 missioners; Taxpayer Advocate.”

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

17 **SEC. 102. EXPANSION OF AUTHORITY TO ISSUE TAXPAYER**  
 18 **ASSISTANCE ORDERS.**

19 (a) TAXPAYER’S HARDSHIP.—Section 7811(a) (relat-  
 20 ing to authority to issue) is amended by striking “signifi-  
 21 cant”.

22 (b) TERMS OF ORDERS.—Subsection (b) of section  
 23 7811 (relating to terms of taxpayer assistance orders) is  
 24 amended—

1 (1) by inserting “within a specified time pe-  
2 riod” after “the Secretary”, and

3 (2) by inserting “take any action as permitted  
4 by law,” after “cease any action,”.

5 (c) LIMITATION ON AUTHORITY TO MODIFY OR RE-  
6 SCIND.—Section 7811(c) (relating to authority to modify  
7 or rescind) is amended to read as follows:

8 “(c) AUTHORITY TO MODIFY OR RESCIND.—Any  
9 Taxpayer Assistance Order issued by the Taxpayer Advo-  
10 cate under this section may be modified or rescinded only  
11 by the Taxpayer Advocate, the Commissioner, or any supe-  
12 rior of either.”

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

16 **TITLE II—MODIFICATIONS TO**  
17 **INSTALLMENT AGREEMENT**  
18 **PROVISIONS**

19 **SEC. 201. TAXPAYER’S RIGHT TO INSTALLMENT AGREE-**  
20 **MENT.**

21 (a) IN GENERAL.—Subsection (a) of section 6159  
22 (relating to agreements for payment of tax liability in in-  
23 stallments) is amended to read as follows:

24 “(a) IN GENERAL.—

1           “(1) AUTHORIZATION OF AGREEMENTS.—The  
2 Secretary is authorized to enter into written agree-  
3 ments with any taxpayer under which such taxpayer  
4 is allowed to satisfy liability for payment of any tax  
5 in installment payments if the Secretary determines  
6 that such agreement will facilitate collection of such  
7 liability.

8           “(2) AGREEMENT AS A MATTER OF RIGHT.—In  
9 the case of any taxpayer other than a corporation,  
10 the Secretary shall enter into such an agreement  
11 if—

12                   “(A) the taxpayer requests such an agree-  
13 ment,

14                   “(B) the tax liability is attributable to the  
15 tax imposed under chapter 1 and is less than  
16 \$10,000, and

17                   “(C) the taxpayer has paid any tax liability  
18 for the 3 preceding taxable years at the time  
19 such liability was due.

20           “(3) NOTICE.—The Secretary shall include in  
21 the instructions for returns of the tax imposed under  
22 chapter 1 the rights of taxpayers under this sub-  
23 section and the steps necessary to exercise those  
24 rights.”

1 (b) EFFECTIVE DATE.—The amendment made by  
2 subsection (a) shall take effect on the date of the enact-  
3 ment of this Act.

4 **SEC. 202. RUNNING OF FAILURE TO PAY PENALTY SUS-**  
5 **PENDED DURING PERIOD INSTALLMENT**  
6 **AGREEMENT IN EFFECT.**

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

10 “(g) TREATMENT OF INSTALLMENT AGREEMENTS  
11 UNDER SECTION 6159.—If—

12 “(1) an agreement is entered into under section  
13 6159 for the payment of any tax in installments,  
14 and

15 “(2) the taxpayer requested the Secretary to  
16 enter into the agreement on or before the due date  
17 (including extensions) for the return of the tax,  
18 the period during which such agreement is in effect shall  
19 be disregarded in determining the amount of any addition  
20 under paragraph (2) or (3) of subsection (a) with respect  
21 to such tax.”

22 (b) EFFECTIVE DATE.—The amendment made by  
23 subsection (a) shall apply to installment agreements en-  
24 tered into after the date of the enactment of this Act.

1 **SEC. 203. NOTIFICATION OF REASONS FOR TERMINATION**  
2 **OR DENIAL OF INSTALLMENT AGREEMENTS.**

3 (a) TERMINATIONS.—Subsection (b) of section 6159  
4 (relating to extent to which agreements remain in effect)  
5 is amended by adding at the end the following new para-  
6 graph:

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

10 “(A) a notice of such action is provided to  
11 the taxpayer not later than the day 30 days be-  
12 fore the date of such action, and

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

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

19 (b) DENIALS.—Section 6159 (relating to agreements  
20 for payment of tax liability in installments) is amended  
21 by adding at the end the following new subsection:

22 “(c) NOTICE REQUIREMENTS FOR DENIALS.—The  
23 Secretary may not deny any request for an installment  
24 agreement under this section unless—

1           “(1) a notice of the proposed denial is provided  
2           to the taxpayer not later than the day 30 days be-  
3           fore the date of such denial,

4           “(2) such notice includes an explanation why  
5           the Secretary intends to deny such request, and

6           “(3) such notice includes a statement of the  
7           taxpayer’s right to administrative review under sub-  
8           section (d).

9           The preceding sentence shall not apply in any case in  
10          which the Secretary believes that collection of any tax to  
11          which a request for an agreement under this section re-  
12          lates is in jeopardy.”

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

15                 “(3) SUBSEQUENT CHANGE IN FINANCIAL CON-  
16                 DITIONS.—If the Secretary makes a determination  
17                 that the financial condition of a taxpayer with whom  
18                 the Secretary has entered into an agreement under  
19                 subsection (a) has significantly changed, the Sec-  
20                 retary may alter, modify, or terminate such agree-  
21                 ment.”

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

1 **SEC. 204. ADMINISTRATIVE REVIEW OF DENIAL OF RE-**  
 2 **QUEST FOR, OR TERMINATION OF, INSTALL-**  
 3 **MENT AGREEMENT.**

4 (a) GENERAL RULE.—Section 6159 (relating to  
 5 agreements for payment of tax liability in installments),  
 6 as amended by section 203(b), is amended by adding at  
 7 the end the following new subsection:

8 “(d) ADMINISTRATIVE REVIEW.—The Secretary shall  
 9 establish procedures for an independent administrative re-  
 10 view of denials of requests for, or terminations of, install-  
 11 ment agreements under this section.”

12 (b) EFFECTIVE DATE.—The amendment made by  
 13 subsection (a) shall take effect on January 1, 1996.

14 **TITLE III—INTEREST**

15 **SEC. 301. EXPANSION OF AUTHORITY TO ABATE INTEREST.**

16 (a) GENERAL RULE.—Paragraph (1) of section  
 17 6404(e) (relating to abatement of interest in certain cases)  
 18 is amended—

19 (1) by inserting “unreasonable” before “error”  
 20 each place it appears in subparagraphs (A) and (B),  
 21 and

22 (2) by striking “in performing a ministerial  
 23 act” each place it appears.

24 (b) MANDATORY ABATEMENT FOR SMALL TAX-  
 25 PAYERS.—The first sentence of section 6404(e)(1) is  
 26 amended by inserting “in the case of a taxpayer not de-

1 scribed in section 7430(c)(4)(A)(iii) and shall abate the  
2 assessment of such interest until the date demand for pay-  
3 ment is made in the case of a taxpayer described in section  
4 7430(c)(4)(A)(iii)” before the period at the end.

5 (c) CLERICAL AMENDMENT.—The subsection head-  
6 ing for subsection (e) of section 6404 is amended by strik-  
7 ing “Assessments” and inserting “Abatement”.

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

12 **SEC. 302. EXTENSION OF INTEREST-FREE PERIOD FOR**  
13 **PAYMENT OF TAX AFTER NOTICE AND DE-**  
14 **MAND.**

15 (a) GENERAL RULE.—Paragraph (3) of section  
16 6601(e) (relating to payments made within 10 days after  
17 notice and demand) is amended to read as follows:

18 “(3) PAYMENTS MADE WITHIN SPECIFIED PE-  
19 RIOD AFTER NOTICE AND DEMAND.—If notice and  
20 demand is made for payment of any amount and if  
21 such amount is paid within 21 days (10 days if the  
22 amount for which such notice and demand is made  
23 equals or exceeds \$100,000) after the date of such  
24 notice and demand, interest under this section on

1 the amount so paid shall not be imposed for the pe-  
2 riod after the date of such notice and demand.”

3 (b) CONFORMING AMENDMENT.—Paragraph (3) of  
4 section 6651(a) (relating to addition to tax for failure to  
5 file tax return or pay tax) is amended by striking “10  
6 days” and inserting “21 days (10 days if the amount for  
7 which such notice and demand is made equals or exceeds  
8 \$100,000)”.

9 (c) EFFECTIVE DATE.—The amendments made by  
10 this section shall apply in the case of any notice and de-  
11 mand given after December 31, 1995.

## 12 **TITLE IV—JOINT RETURNS**

### 13 **SEC. 401. DISCLOSURE OF COLLECTION ACTIVITIES.**

14 (a) GENERAL RULE.—Subsection (e) of section 6103  
15 (relating to disclosure to persons having material interest)  
16 is amended by adding at the end the following new para-  
17 graph:

18 “(8) DISCLOSURE OF COLLECTION ACTIVITIES  
19 WITH RESPECT TO JOINT RETURN.—If any defi-  
20 ciency of tax with respect to a joint return is as-  
21 sessed and the individuals filing such return are no  
22 longer married or no longer reside in the same  
23 household, upon request in writing of either of such  
24 individuals, the Secretary may disclose in writing to  
25 the individual making the request whether the Sec-



1           “(1) IN GENERAL.—The Secretary may with-  
2 draw a notice of a lien filed under this section and  
3 this chapter shall be applied as if the withdrawn no-  
4 tice had not been filed, if the Secretary determines  
5 that—

6                   “(A) the filing of such notice was pre-  
7 mature or otherwise not in accordance with ad-  
8 ministrative procedures of the Secretary,

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

14                   “(C) the withdrawal of such notice will fa-  
15 cilitate the collection of the tax liability, or

16                   “(D) with the consent of the taxpayer or  
17 the Taxpayer Advocate, the withdrawal of such  
18 notice would be in the best interests of the tax-  
19 payer (as determined by the Taxpayer Advoca-  
20 cate) and the United States.

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

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

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

14          “(d) RETURN OF PROPERTY IN CERTAIN CASES.—  
15          If—

16                 “(1) any property has been levied upon, and

17                 “(2) the Secretary determines that—

18                         “(A) the levy on such property was pre-  
19                         mature or otherwise not in accordance with ad-  
20                         ministrative procedures of the Secretary,

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

1           “(C) the return of such property will facili-  
2           tate the collection of the tax liability, or

3           “(D) with the consent of the taxpayer or  
4           the Taxpayer Advocate, the return of such  
5           property would be in the best interests of the  
6           taxpayer (as determined by the Taxpayer Advoca-  
7           cate) and the United States,

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

12          (c) MODIFICATIONS IN CERTAIN LEVY EXEMPTION  
13          AMOUNTS.—

14                 (1) FUEL, ETC.—Paragraph (2) of section  
15                 6334(a) (relating to fuel, provisions, furniture, and  
16                 personal effects exempt from levy) is amended—

17                         (A) by striking “If the taxpayer is the  
18                         head of a family, so” and inserting “So”, and

19                         (B) by striking “\$1,650 (\$1,550 in the  
20                         case of levies issued during 1989)” and insert-  
21                         ing “\$1,750”.

22                 (2) BOOKS, ETC.—Paragraph (3) of section  
23                 6334(a) (relating to books and tools of a trade, busi-  
24                 ness, or profession exempt from levy) is amended by

1 striking “\$1,100 (\$1,050 in the case of levies issued  
2 during 1989)” and inserting “\$1,250”.

3 (3) INDEXED FOR INFLATION.—Section 6334  
4 (relating to property exempt from levy) is amended  
5 by adding at the end the following new subsection:

6 “(f) INFLATION ADJUSTMENTS.—

7 “(1) IN GENERAL.—In the case of any calendar  
8 year beginning after 1996, each dollar amount re-  
9 ferred to in paragraphs (2) and (3) of subsection (a)  
10 shall be increased by an amount equal to—

11 “(A) such dollar amount, multiplied by

12 “(B) the cost-of-living adjustment deter-  
13 mined under section 1(f)(3) for such calendar  
14 year, by substituting ‘calendar year 1995’ for  
15 ‘calendar year 1992’ in subparagraph (B)  
16 thereof.

17 “(2) ROUNDING.—If any dollar amount after  
18 being increased under paragraph (1) is not a mul-  
19 tiple of \$10, such dollar amount shall be rounded to  
20 the nearest multiple of \$10 (or, if such dollar  
21 amount is a multiple of \$5, such dollar amount shall  
22 be increased to the next higher multiple of \$10).”

23 (d) EFFECTIVE DATES.—

24 (1) IN GENERAL.—Except as provided in para-  
25 graph (2), the amendments made by this section

1 shall take effect on the date of the enactment of this  
2 Act.

3 (2) EXEMPT AMOUNTS.—The amendments  
4 made by subsection (c) shall take effect with respect  
5 to levies issued after December 31, 1995.

6 **SEC. 502. OFFERS-IN-COMPROMISE.**

7 (a) GENERAL RULE.—Subsection (a) of section 7122  
8 (relating to compromises) is amended by adding at the end  
9 the following new sentence: “The Secretary may make  
10 such a compromise in any case where the Secretary deter-  
11 mines that such compromise would be in the best interests  
12 of the United States.”

13 (b) REVIEW REQUIREMENTS.—Subsection (b) of sec-  
14 tion 7122 (relating to records) is amended by striking  
15 “\$500.” and inserting “\$50,000. However, such com-  
16 promise shall be subject to continuing quality review by  
17 the Secretary.”

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

21 **SEC. 503. NOTIFICATION OF EXAMINATION.**

22 (a) IN GENERAL.—Section 7605 (relating to restric-  
23 tions on examination of taxpayer) is amended by redesignig-  
24 nating subsection (c) as subsection (d) and by inserting  
25 after subsection (b) the following new subsection:

1       “(c) NOTIFICATION REQUIREMENT.—No examina-  
2 tion described in subsection (a) shall be made unless the  
3 Secretary notifies the taxpayer in writing by mail to an  
4 address determined under section 6212(b) that the tax-  
5 payer is under examination and provides the taxpayer with  
6 an explanation of the process as described in section  
7 7521(b)(1). The preceding sentence shall not apply in the  
8 case of any examination if the Secretary determines  
9 that—

10           “(1) such examination is in connection with a  
11 criminal investigation or is with respect to a tax the  
12 collection of which is in jeopardy, or

13           “(2) the application of the preceding sentence  
14 would be inconsistent with national security needs or  
15 would interfere with the effective conduct of a con-  
16 fidential law enforcement or foreign counterintel-  
17 ligence activity.”

18       (b) CONFORMING AMENDMENT.—Paragraph (1) of  
19 section 7521(b) (relating to safeguards) is amended by  
20 striking “or at”.

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

1 **SEC. 504. INCREASE IN LIMIT ON RECOVERY OF CIVIL**  
2 **DAMAGES FOR UNAUTHORIZED COLLECTION**  
3 **ACTIONS.**

4 (a) GENERAL RULE.—Subsection (b) of section 7433  
5 (relating to damages) is amended by striking “\$100,000”  
6 and inserting “\$1,000,000”.

7 (b) EFFECTIVE DATE.—The amendment made by  
8 subsection (a) shall apply to actions by officers or employ-  
9 ees of the Internal Revenue Service after the date of the  
10 enactment of this Act.

11 **SEC. 505. SAFEGUARDS RELATING TO DESIGNATED SUM-**  
12 **MONS.**

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

18 “(i) the issuance of such summons is  
19 preceded by a review of such issuance by  
20 the regional counsel of the Office of Chief  
21 Counsel for the region in which the exam-  
22 ination of the corporation is being con-  
23 ducted,”.

24 (b) NOTICE REQUIREMENTS FOR ISSUANCE.—Sec-  
25 tion 6503(k) is amended by adding at the end the follow-  
26 ing new paragraph:

1           “(4) NOTICE REQUIREMENTS.—With respect to  
2 any summons referred to in paragraph (1)(A) issued  
3 to any person other than the corporation, the Sec-  
4 retary shall promptly notify the corporation, in writ-  
5 ing, that such summons has been issued with respect  
6 to such corporation’s return of tax.”

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

## 10           **TITLE VI—INFORMATION** 11           **RETURNS**

### 12   **SEC. 601. PHONE NUMBER OF PERSON PROVIDING PAYEE** 13           **STATEMENTS REQUIRED TO BE SHOWN ON** 14           **SUCH STATEMENT.**

15           (a) GENERAL RULE.—The following provisions are  
16 each amended by striking “name and address” and insert-  
17 ing “name, address, and phone number of the information  
18 contact”:

- 19           (1) Section 6041(d)(1).
- 20           (2) Section 6041A(e)(1).
- 21           (3) Section 6042(c)(1).
- 22           (4) Section 6044(e)(1).
- 23           (5) Section 6045(b)(1).
- 24           (6) Section 6049(c)(1)(A).
- 25           (7) Section 6050B(b)(1).

1 (8) Section 6050H(d)(1).

2 (9) Section 6050I(e)(1).

3 (10) Section 6050J(e).

4 (11) Section 6050K(b)(1).

5 (12) Section 6050N(b)(1).

6 (b) EFFECTIVE DATE.—The amendments made by  
7 subsection (a) shall apply to statements required to be fur-  
8 nished after December 31, 1995 (determined without  
9 regard to any extension).

10 **SEC. 602. CIVIL DAMAGES FOR FRAUDULENT FILING OF IN-**  
11 **FORMATION RETURNS.**

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

17 **“SEC. 7434. CIVIL DAMAGES FOR FRAUDULENT FILING OF**  
18 **INFORMATION RETURNS.**

19 “(a) IN GENERAL.—If any person willfully files a  
20 false or fraudulent information return with respect to pay-  
21 ments purported to be made to any other person, such  
22 other person may bring a civil action for damages against  
23 the person so filing such return.

24 “(b) DAMAGES.—In any action brought under sub-  
25 section (a), upon a finding of liability on the part of the

1 defendant, the defendant shall be liable to the plaintiff in  
2 an amount equal to the greater of \$5,000 or the sum of—

3 “(1) any actual damages sustained by the plain-  
4 tiff as a proximate result of the filing of the false  
5 or fraudulent information return (including any  
6 costs attributable to resolving deficiencies asserted  
7 as a result of such filing), and

8 “(2) the costs of the action.

9 “(c) PERIOD FOR BRINGING ACTION.—Notwith-  
10 standing any other provision of law, an action to enforce  
11 the liability created under this section may be brought  
12 without regard to the amount in controversy and may be  
13 brought only within the later of—

14 “(1) 6 years after the date of the filing of the  
15 false or fraudulent information return, or

16 “(2) 1 year after the date such false or fraudu-  
17 lent information return would have been discovered  
18 by exercise of reasonable care.

19 “(d) COPY OF COMPLAINT FILED WITH IRS.—Any  
20 person bringing an action under subsection (a) shall pro-  
21 vide a copy of the complaint to the Internal Revenue Serv-  
22 ice upon the filing of such complaint with the court.

23 “(e) FINDING OF COURT TO INCLUDE CORRECT  
24 AMOUNT OF PAYMENT.—The judgment of the court in an  
25 action brought under subsection (a) shall include a finding

1 of the correct amount which should have been reported  
2 in the information return.

3 “(f) INFORMATION RETURN.—For purposes of this  
4 section, the term ‘information return’ means any state-  
5 ment described in section 6724(d)(1)(A).”

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

“Sec. 7434. Civil damages for fraudulent filing of information re-  
turns.

“Sec. 7435. Cross references.”

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

13 **SEC. 603. REQUIREMENT TO CONDUCT REASONABLE IN-**  
14 **VESTIGATIONS OF INFORMATION RETURNS.**

15 (a) GENERAL RULE.—Section 6201 (relating to as-  
16 sessment authority) is amended by redesignating sub-  
17 section (d) as subsection (e) and by inserting after sub-  
18 section (c) the following new subsection:

19 “(d) REQUIRED REASONABLE INVESTIGATION OF IN-  
20 FORMATION RETURNS.—If a taxpayer asserts a reason-  
21 able dispute with respect to any item of income reported  
22 on an information return filed with the Secretary under  
23 chapter 61 by a third party, the Secretary, when making  
24 a determination of a deficiency based on such information

1 return, shall have the burden of proof with respect to such  
 2 determination unless the Secretary has conducted a rea-  
 3 sonable investigation to corroborate the accuracy of such  
 4 information return.”

5 (b) EFFECTIVE DATE.—The amendment made by  
 6 subsection (a) shall take effect on the date of the enact-  
 7 ment of this Act.

8 **TITLE VII—MODIFICATIONS TO**  
 9 **PENALTY FOR FAILURE TO**  
 10 **COLLECT AND PAY OVER TAX**

11 **SEC. 701. PRELIMINARY NOTICE REQUIREMENT.**

12 (a) IN GENERAL.—Section 6672 (relating to failure  
 13 to collect and pay over tax, or attempt to evade or defeat  
 14 tax) is amended by redesignating subsection (b) as sub-  
 15 section (c) and by inserting after subsection (a) the follow-  
 16 ing new subsection:

17 “(b) PRELIMINARY NOTICE REQUIREMENT.—

18 “(1) IN GENERAL.—No penalty shall be im-  
 19 posed under subsection (a) unless the Secretary noti-  
 20 fies the taxpayer in writing by mail to an address as  
 21 determined under section 6212(b) that the taxpayer  
 22 shall be subject to an assessment of such penalty.

23 “(2) TIMING OF NOTICE.—The mailing of the  
 24 notice described in paragraph (1) shall precede any

1 notice and demand of any penalty under subsection  
2 (a) by at least 60 days.

3 “(3) STATUTE OF LIMITATIONS.—If a notice  
4 described in paragraph (1) with respect to any pen-  
5 alty is mailed before the expiration of the period  
6 provided by section 6501 for the assessment of such  
7 penalty (determined without regard to this para-  
8 graph), the period provided by such section for the  
9 assessment of such penalty shall not expire before  
10 the date 90 days after the date on which such notice  
11 was mailed.

12 “(4) EXCEPTION FOR JEOPARDY.—This sub-  
13 section shall not apply if the Secretary finds that the  
14 collection of the penalty is in jeopardy.”

15 (b) EFFECTIVE DATE.—The amendment made by  
16 subsection (a) shall apply to assessments made after June  
17 30, 1994.

18 **SEC. 702. DISCLOSURE OF CERTAIN INFORMATION WHERE**  
19 **MORE THAN 1 PERSON SUBJECT TO PEN-**  
20 **ALTY.**

21 (a) IN GENERAL.—Subsection (e) of section 6103  
22 (relating to disclosure to persons having material interest),  
23 as amended by section 401(a), is amended by adding at  
24 the end the following new paragraph:

1           “(9) DISCLOSURE OF CERTAIN INFORMATION  
2           WHERE MORE THAN 1 PERSON SUBJECT TO PEN-  
3           ALTY UNDER SECTION 6672.—If the Secretary deter-  
4           mines that a person is liable for a penalty under sec-  
5           tion 6672(a) with respect to any failure, upon re-  
6           quest in writing of such person, the Secretary shall  
7           disclose in writing to such person—

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

11                   “(B) whether the Secretary has attempted  
12                  to collect such penalty from such other person,  
13                  the general nature of such collection activities,  
14                  and the amount collected.”

15           (b) EFFECTIVE DATE.—The amendment made by  
16           subsection (a) shall take effect on the date of the enact-  
17           ment of this Act.

18   **SEC. 703. PENALTIES UNDER SECTION 6672.**

19           (a) PUBLIC INFORMATION REQUIREMENTS.—The  
20           Secretary of the Treasury or the Secretary’s delegate  
21           (hereafter in this section referred to as the “Secretary”)  
22           shall take such actions as may be appropriate to ensure  
23           that employees are aware of their responsibilities under  
24           the Federal tax depository system, the circumstances  
25           under which employees may be liable for the penalty im-

1 posed by section 6672 of the Internal Revenue Code of  
2 1986, and the responsibility to promptly report to the In-  
3 ternal Revenue Service any failure referred to in sub-  
4 section (a) of such section 6672. Such actions shall in-  
5 clude—

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

10 (2) the development of a special information  
11 packet.

12 (b) BOARD MEMBERS OF TAX-EXEMPT ORGANIZA-  
13 TIONS.—

14 (1) VOLUNTARY BOARD MEMBERS.—

15 (A) IN GENERAL.—The penalty under sec-  
16 tion 6672 of the Internal Revenue Code of 1986  
17 shall not be imposed on unpaid, volunteer mem-  
18 bers of any board of trustees or directors of an  
19 organization referred to in section 501 of such  
20 Code to the extent such members are solely  
21 serving in an honorary capacity, do not partici-  
22 pate in the day-to-day or financial operations of  
23 the organization, and do not have actual knowl-  
24 edge of the failure on which such penalty is im-  
25 posed.

1           (B) APPLICATION OF PARAGRAPH.—This  
2           paragraph shall not apply if it results in no per-  
3           son being held liable for the penalty described  
4           in section 6672(a) of the Internal Revenue  
5           Code of 1986.

6           (2) DEVELOPMENT OF EXPLANATORY MATE-  
7           RIALS.—The Secretary shall develop materials ex-  
8           plaining the circumstances under which board mem-  
9           bers of tax-exempt organizations (including vol-  
10          untary and honorary members) may be subject to  
11          penalty under section 6672 of such Code. Such ma-  
12          terials shall be made available to tax-exempt organi-  
13          zations.

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

20          (c) PROMPT NOTIFICATION.—To the maximum ex-  
21          tent practicable, the Secretary shall notify all persons who  
22          have failed to make timely and complete deposit of any  
23          taxes described in section 6672 of the Internal Revenue  
24          Code of 1986 of such failure within 30 days after the re-  
25          turn was filed reflecting such failure or after the date on

1 which the Secretary is first aware of such failure. If the  
2 person failing to make the deposit is not an individual,  
3 the Secretary shall notify the entity subject to such deposit  
4 requirement and that entity shall notify, within 15 days  
5 of the notification by the Secretary, all officers, general  
6 partners, trustees, or other managers of the failure.

## 7 **TITLE VIII—AWARDING OF** 8 **COSTS AND CERTAIN FEES**

### 9 **SEC. 801. MOTION FOR DISCLOSURE OF INFORMATION.**

10 Paragraph (4) of section 7430(c) (defining prevailing  
11 party) is amended by adding at the end the following new  
12 subparagraph:

13 “(C) MOTION FOR DISCLOSURE OF INFOR-  
14 MATION.—Once a taxpayer substantially pre-  
15 vails as described in subparagraph (A)(ii), the  
16 taxpayer may file a motion for an order requir-  
17 ing the disclosure (within a reasonable period of  
18 time specified by the court) of all information  
19 and copies of relevant records in the possession  
20 of the Internal Revenue Service with respect to  
21 such taxpayer’s case and the substantial jus-  
22 tification for the position taken by the Internal  
23 Revenue Service.”

1 **SEC. 802. INCREASED LIMIT ON ATTORNEY FEES.**

2 Paragraph (1) of section 7430(c) (defining reason-  
3 able litigation costs) is amended—

4 (1) by striking “\$75” in clause (iii) of subpara-  
5 graph (B) and inserting “\$110”,

6 (2) by striking “an increase in the cost of living  
7 or” in clause (iii) of subparagraph (B), and

8 (3) by adding after clause (iii) the following:

9 “In the case of any calendar year beginning after  
10 1995, the dollar amount referred to in clause (iii)  
11 shall be increased by an amount equal to such dollar  
12 amount multiplied by the cost-of-living adjustment  
13 determined under section 1(f)(3) for such calendar  
14 year, by substituting ‘calendar year 1994’ for ‘cal-  
15 endar year 1992’ in subparagraph (B) thereof. If  
16 any dollar amount after being increased under the  
17 preceding sentence is not a multiple of \$10, such  
18 dollar amount shall be rounded to the nearest mul-  
19 tiple of \$10 (or, if such dollar amount is a multiple  
20 of \$5, such dollar amount shall be increased to the  
21 next higher multiple of \$10).”

22 **SEC. 803. FAILURE TO AGREE TO EXTENSION NOT TAKEN**  
23 **INTO ACCOUNT.**

24 Paragraph (1) of section 7430(b) (relating to require-  
25 ment that administrative remedies be exhausted) is  
26 amended by adding at the end the following new sentence:

1 “Any failure to agree to an extension of the time for the  
2 assessment of any tax shall not be taken into account for  
3 purposes of determining whether the prevailing party  
4 meets the requirements of the preceding sentence.”

5 **SEC. 804. AUTHORITY FOR COURT TO AWARD REASONABLE**  
6 **ADMINISTRATIVE COSTS.**

7 Section 7430(c)(7)(B) is amended to read as follows:

8 “(B) the position taken in an administra-  
9 tive proceeding to which subsection (a) applies.”

10 **SEC. 805. EFFECTIVE DATE.**

11 The amendments made by this title shall apply in the  
12 case of proceedings commenced after the date of the enact-  
13 ment of this Act.

14 **TITLE IX—OTHER PROVISIONS**

15 **SEC. 901. REQUIRED CONTENT OF CERTAIN NOTICES.**

16 (a) GENERAL RULE.—Subsection (a) of section 7522  
17 (relating to content of tax due, deficiency, and other no-  
18 tices) is amended by striking “shall describe the basis for,  
19 and identify” and inserting “shall set forth the adjust-  
20 ments which are the basis for, and shall identify”.

21 (b) EFFECTIVE DATE.—The amendment made by  
22 subsection (a) shall apply to notices sent after the date  
23 6 months after the date of the enactment of this Act.

1 **SEC. 902. TREATMENT OF SUBSTITUTE RETURNS UNDER**  
2 **SECTION 6651.**

3 (a) GENERAL RULE.—Section 6651 (relating to fail-  
4 ure to file tax return or to pay tax), as amended by section  
5 202(a), is amended by adding at the end the following new  
6 subsection:

7 “(h) TREATMENT OF RETURNS PREPARED BY SEC-  
8 RETARY UNDER SECTION 6020(b).—In the case of any  
9 return made by the Secretary under section 6020(b)—

10 “(1) such return shall be disregarded for pur-  
11 poses of determining the amount of the addition  
12 under paragraph (1) of subsection (a), but

13 “(2) such return shall be treated as the return  
14 filed by the taxpayer for purposes of determining the  
15 amount of the addition under paragraphs (2) and  
16 (3) of subsection (a).”

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

21 **SEC. 903. RELIEF FROM RETROACTIVE APPLICATION OF**  
22 **TREASURY DEPARTMENT REGULATIONS.**

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

26 “(b) RETROACTIVITY OF REGULATIONS.—

1           “(1) IN GENERAL.—Except as otherwise pro-  
2           vided in this subsection, no temporary, proposed, or  
3           final regulation relating to the internal revenue laws  
4           shall apply to any taxable period ending before the  
5           earliest of the following dates:

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

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

12                  “(C) The date on which any notice sub-  
13                  stantially describing the expected contents of  
14                  any temporary, proposed, or final regulation is  
15                  issued to the public.

16           “(2) PREVENTION OF ABUSE.—The Secretary  
17           may provide that any regulation may take effect or  
18           apply retroactively to prevent abuse of a statute to  
19           which the regulation relates.

20           “(3) CORRECTION OF PROCEDURAL DE-  
21           FECTS.—The Secretary may provide that any regu-  
22           lation may apply retroactively to correct a proce-  
23           dural defect in the issuance of any prior regulation.

24           “(4) INTERNAL REGULATIONS.—The limitation  
25           of paragraph (1) shall not apply to any regulation

1 relating to internal Treasury Department policies,  
2 practices, or procedures.

3 “(5) CONGRESSIONAL AUTHORIZATION.—The  
4 limitation of paragraph (1) may be superseded by a  
5 legislative grant from Congress authorizing the Sec-  
6 retary to prescribe the effective date with respect to  
7 any regulation.

8 “(6) ELECTION TO APPLY RETROACTIVELY.—  
9 The Secretary may provide for any taxpayer to elect  
10 to apply any regulation before the dates specified in  
11 paragraph (1).

12 “(7) APPLICATION TO RULINGS.—The Sec-  
13 retary may prescribe the extent, if any, to which any  
14 ruling (including any judicial decision or any admin-  
15 istrative determination other than by regulation) re-  
16 lating to the internal revenue laws shall be applied  
17 without retroactive effect.”

18 (b) EFFECTIVE DATE.—

19 (1) IN GENERAL.—Except as provided in para-  
20 graph (2), the amendment made by subsection (a)  
21 shall apply with respect to—

22 (A) any temporary or proposed regulation  
23 filed on or after January 5, 1993, and

1 (B) any temporary or proposed regulation  
2 filed before January 5, 1993, and filed as a  
3 final regulation after such date.

4 (2) SPECIAL RULE.—Section 7805(b)(2) of the  
5 Internal Revenue Code of 1986 (as added by sub-  
6 section (a)) shall apply only to statutes enacted on  
7 or after the date of the enactment of this Act.

8 **SEC. 904. REQUIRED NOTICE OF CERTAIN PAYMENTS.**

9 If any payment is received by the Secretary of the  
10 Treasury or the Secretary's delegate (hereafter in this sec-  
11 tion referred to as the "Secretary") from any taxpayer  
12 and the Secretary cannot associate such payment with any  
13 outstanding tax liability of such taxpayer, the Secretary  
14 shall make reasonable efforts to notify the taxpayer of  
15 such inability within 60 days after the receipt of such  
16 payment.

17 **SEC. 905. UNAUTHORIZED ENTICEMENT OF INFORMATION**  
18 **DISCLOSURE.**

19 (a) IN GENERAL.—Subchapter B of chapter 76 (re-  
20 lating to proceedings by taxpayers and third parties), as  
21 amended by section 602(a), is amended by redesignating  
22 section 7435 as section 7436 and by inserting after sec-  
23 tion 7434 the following new section:

1 **“SEC. 7435. CIVIL DAMAGES FOR UNAUTHORIZED ENTICE-**  
2 **MENT OF INFORMATION DISCLOSURE.**

3 “(a) IN GENERAL.—If any officer or employee of the  
4 United States intentionally compromises the determina-  
5 tion or collection of any tax due from an attorney, certified  
6 public accountant, or enrolled agent representing a tax-  
7 payer in exchange for information conveyed by the tax-  
8 payer to the attorney, certified public accountant, or en-  
9 rolled agent for purposes of obtaining advice concerning  
10 the taxpayer’s tax liability, such taxpayer may bring a civil  
11 action for damages against the United States in a district  
12 court of the United States. Such civil action shall be the  
13 exclusive remedy for recovering damages resulting from  
14 such actions.

15 “(b) DAMAGES.—In any action brought under sub-  
16 section (a), upon a finding of liability on the part of the  
17 defendant, the defendant shall be liable to the plaintiff in  
18 an amount equal to the lesser of \$500,000 or the sum  
19 of—

20 “(1) actual, direct economic damages sustained  
21 by the plaintiff as a proximate result of the informa-  
22 tion disclosure, and

23 “(2) the costs of the action.

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

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

4       “(d) PERIOD FOR BRINGING ACTION.—Notwith-  
5 standing any other provision of law, an action to enforce  
6 liability created under this section may be brought without  
7 regard to the amount in controversy and may be brought  
8 only within 2 years after the date the actions creating such  
9 liability would have been discovered by exercise of reason-  
10 able care.

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

18       “(f) CRIME-FRAUD EXCEPTION.—Subsection (a)  
19 shall not apply to information conveyed to an attorney,  
20 certified public accountant, or enrolled agent for the pur-  
21 pose of perpetrating a fraud or crime.”

22       (b) CLERICAL AMENDMENT.—The table of sections  
23 for subchapter B of chapter 76, as amended by section  
24 602(b), is amended by striking the item relating to section  
25 7435 and by adding at the end the following new items:

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

“Sec. 7436. Cross references.”

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

## 4 **TITLE X—FORM** 5 **MODIFICATIONS; STUDIES**

### 6 **SEC. 1000. DEFINITIONS.**

7 For purposes of this title:

8 (1) SECRETARY.—The term “Secretary” means  
9 the Secretary of the Treasury or his delegate.

10 (2) 1986 CODE.—The term “1986 Code”  
11 means the Internal Revenue Code of 1986.

12 (3) TAX-WRITING COMMITTEES.—The term  
13 “tax-writing Committees” means the Committee on  
14 Ways and Means of the House of Representatives  
15 and the Committee on Finance of the Senate.

## 16 **Subtitle A—Form Modifications**

### 17 **SEC. 1001. EXPLANATION OF CERTAIN PROVISIONS.**

18 (a) GENERAL RULE.—The Secretary shall take such  
19 actions as may be appropriate to ensure that taxpayers  
20 are aware of the provisions of the 1986 Code permitting  
21 payment of tax in installments, extensions of time for pay-  
22 ment of tax, and compromises of tax liability. Such actions  
23 shall include revising the instructions for filing income tax

1 returns so that such instructions include an explanation  
2 of—

3 (1) the procedures for requesting the benefits of  
4 such provisions, and

5 (2) the terms and conditions under which the  
6 benefits of such provisions are available.

7 (b) COLLECTION NOTICES.—In any notice of an  
8 underpayment of tax or proposed underpayment of tax  
9 sent by the Secretary to any taxpayer, the Secretary shall  
10 include a notification of the availability of the provisions  
11 of sections 6159, 6161, and 7122 of the 1986 Code.

12 **SEC. 1002. IMPROVED PROCEDURES FOR NOTIFYING SERV-**  
13 **ICE OF CHANGE OF ADDRESS OR NAME.**

14 The Secretary shall provide improved procedures for  
15 taxpayers to notify the Secretary of changes in names and  
16 addresses. Not later than June 30, 1996, the Secretary  
17 shall institute procedures for timely updating all Internal  
18 Revenue Service records with change-of-address informa-  
19 tion provided to the Secretary by taxpayers.

20 **SEC. 1003. RIGHTS AND RESPONSIBILITIES OF DIVORCED**  
21 **INDIVIDUALS.**

22 The Secretary shall include in the Internal Revenue  
23 Service publication entitled “Your Rights As A Taxpayer”  
24 a section on the rights and responsibilities of divorced  
25 individuals.

## **Subtitle B—Studies**

### **2 SEC. 1011. PILOT PROGRAM FOR APPEAL OF ENFORCE- 3 MENT ACTIONS.**

4 (a) GENERAL RULE.—The Secretary shall establish  
5 a 1-year pilot program for appeals of enforcement actions  
6 (including lien, levy, and seizure actions) to the Appeals  
7 Division of the Internal Revenue Service—

8 (1) where the deficiency was assessed without  
9 actual knowledge of the taxpayer,

10 (2) where the deficiency was assessed without  
11 an opportunity for administrative appeal, and

12 (3) in other appropriate circumstances.

13 (b) REPORT.—Not later than June 30, 1996, the  
14 Secretary shall submit to the tax-writing Committees a re-  
15 port on the pilot program established under subsection (a),  
16 together with such recommendations as he may deem  
17 advisable.

### **18 SEC. 1012. STUDY ON TAXPAYERS WITH SPECIAL NEEDS.**

19 (a) GENERAL RULE.—The Secretary shall conduct a  
20 study on ways to assist the elderly, physically impaired,  
21 foreign-language speaking, and other taxpayers with spe-  
22 cial needs to comply with the internal revenue laws.

23 (b) REPORT.—Not later than June 30, 1996, the  
24 Secretary shall submit to the tax-writing Committees a re-

1 port on the study conducted under subsection (a), together  
2 with such recommendations as he may deem advisable.

3 **SEC. 1013. REPORTS ON TAXPAYER-RIGHTS EDUCATION**  
4 **PROGRAM.**

5 Not later than April 1, 1996, the Secretary shall sub-  
6 mit a report to the tax-writing Committees on the scope  
7 and content of the Internal Revenue Service's taxpayer-  
8 rights education program for its officers and employees.  
9 Not later than June 30, 1996, the Secretary shall submit  
10 a report to the tax-writing Committees on the effectiveness  
11 of the program referred to in the preceding sentence.

12 **SEC. 1014. BIENNIAL REPORTS ON MISCONDUCT BY INTER-**  
13 **NAL REVENUE SERVICE EMPLOYEES.**

14 Not later than June 30, 1996, and during June of  
15 each second calendar year thereafter, the Secretary shall  
16 report to the tax-writing Committees on all cases involving  
17 complaints about misconduct of Internal Revenue Service  
18 employees and the disposition of such complaints.

19 **SEC. 1015. STUDY OF NOTICES OF DEFICIENCY.**

20 (a) GENERAL RULE.—The Comptroller General shall  
21 conduct a study on—

22 (1) the effectiveness of current Internal Reve-  
23 nue Service efforts to notify taxpayers with regard  
24 to tax deficiencies under section 6212 of the 1986  
25 Code,

1           (2) the number of registered or certified letters  
2           and other notices returned to the Internal Revenue  
3           Service as undeliverable,

4           (3) any followup action taken by the Internal  
5           Revenue Service to locate taxpayers who did not re-  
6           ceive actual notice,

7           (4) the effect that failures to receive notice of  
8           such deficiencies have on taxpayers, and

9           (5) recommendations to improve Internal Reve-  
10          nue Service notification of taxpayers.

11          (b) REPORT.—Not later than June 30, 1996, the  
12          Comptroller General shall submit to the tax-writing Com-  
13          mittees a report on the study conducted under subsection  
14          (a), together with such recommendations as he may deem  
15          advisable.

16          **SEC. 1016. NOTICE AND FORM ACCURACY STUDY.**

17          (a) GENERAL RULE.—The Comptroller General shall  
18          conduct annual studies of the accuracy of 25 of the most  
19          commonly used Internal Revenue Service forms, notices,  
20          and publications. In conducting any such study, the Comp-  
21          troller General shall examine the suitability and usefulness  
22          of Internal Revenue Service telephone numbers on Inter-  
23          nal Revenue Service notices and shall solicit and consider  
24          the comments of organizations representing taxpayers,  
25          employers, and tax professionals.

1       (b) REPORTS.—The Comptroller General shall sub-  
2 mit to the tax-writing Committees a report on each study  
3 conducted under subsection (a), together with such rec-  
4 ommendations as he may deem advisable. The first such  
5 report shall be submitted not later than June 30, 1996.

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