

105TH CONGRESS
1ST SESSION

S. 1096

To restructure the Internal Revenue Service, and for other purposes.

IN THE SENATE OF THE UNITED STATES

JULY 31, 1997

Mr. KERREY (for himself and Mr. GRASSLEY) introduced the following bill;
which was read twice and referred to the Committee on Finance

A BILL

To restructure the Internal Revenue Service, and for other
purposes.

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 “Internal Revenue Service Restructuring and Reform Act
7 of 1997”.

8 (b) **AMENDMENT OF 1986 CODE.**—Except as other-
9 wise expressly provided, whenever in this Act an amend-
10 ment or repeal is expressed in terms of an amendment
11 to, or repeal of, a section or other provision, the reference

1 shall be considered to be made to a section or other provi-
 2 sion of the Internal Revenue Code of 1986.

3 (c) TABLE OF CONTENTS.—

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 ments.
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 Sec. 314. Jurisdiction of the Tax Court.
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Sec. 422. Tax complexity analysis.

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1 SEC. 2. CONGRESSIONAL FINDINGS AND DECLARATION OF
2 PURPOSES.

3 (a) The Congress finds the following:

4 (1) The structure of the Internal Revenue Serv-
5 ice should be strengthened to ensure focus and bet-
6 ter target its budgeting, staffing, and technology to
7 serve the American taxpayer and collect the Federal
8 revenue.

9 (2) The American public expects timely, accu-
10 rate, and respectful service from the Internal Reve-
11 nue Service.

12 (3) The job of the Internal Revenue Service is
13 to operate as an efficient financial management or-
14 ganization.

15 (4) The bulk of the Federal revenue is gen-
16 erated through voluntary compliance. Taxpayer serv-

1 ice and education, as well as targeted compliance
2 and enforcement initiatives, increase voluntary com-
3 pliance.

4 (5) While the Internal Revenue Service must
5 maintain a strong enforcement presence, its core and
6 the core of the Federal revenue stream lie in a re-
7 vamped, modern, technologically advanced organiza-
8 tion that can track finances, send out clear notices,
9 and assist taxpayers promptly and efficiently.

10 (6) The Internal Revenue Service governance,
11 management, and oversight structures must: develop
12 and maintain a shared vision with continuity; set
13 and maintain priorities and strategic direction; im-
14 pose accountability on senior management; provide
15 oversight through a credible board, including mem-
16 bers who bring private sector expertise to the Inter-
17 nal Revenue Service; develop appropriate measures
18 of success; align budget and technology with prior-
19 ities and strategic direction; and coordinate over-
20 sight and identify problems at an early stage.

21 (7) The Internal Revenue Service must use in-
22 formation technology as an enabler of its strategic
23 objectives.

24 (8) Electronic filing can increase cost savings
25 and compliance.

1 (9) In order to ensure that fewer taxpayers are
2 subject to improper treatment by the Internal Reve-
3 nue Service, Congress and the agency need to focus
4 on preventing problems before they occur.

5 (10) There currently is no mechanism in place
6 to ensure that Members of Congress have a complete
7 understanding of how tax legislation will affect tax-
8 payers and the Internal Revenue Service and to cre-
9 ate incentives to simplify the tax law, and to ensure
10 that Congress hears directly from the Internal Reve-
11 nue Service during the legislative process.

12 (b) The purposes of this Act are as follows:

13 (1) To restructure the Internal Revenue Serv-
14 ice, transforming it into a world class service organi-
15 zation.

16 (2) To establish taxpayer satisfaction as the
17 goal of the Internal Revenue Service, such that the
18 Internal Revenue Service should only initiate contact
19 with a taxpayer if the agency is prepared to devote
20 the resources necessary for a proper and timely reso-
21 lution of the matter.

22 (3) To provide for direct accountability to the
23 President for tax administration, an Internal Reve-
24 nue Service Oversight Board, a strengthened Com-
25 missioner of Internal Revenue, and coordinated con-

1 gressional oversight to ensure that there are clear
2 lines of accountability and that the leadership of the
3 Internal Revenue Service has the continuity and ex-
4 pertise to guide the agency.

5 (4) To enable the Internal Revenue Service to
6 recruit and train a first-class workforce that will be
7 rewarded for performance and held accountable for
8 working with taxpayers to solve problems.

9 (5) To establish paperless filing as the pre-
10 ferred and most convenient means of filing tax re-
11 turns for the vast majority of taxpayers within 10
12 years of enactment of this Act.

13 (6) To provide additional taxpayer protections
14 and rights and to ensure that taxpayers receive fair,
15 impartial, timely, and courteous treatment from the
16 Internal Revenue Service.

17 (7) To establish the resolution of the century
18 date change problem as the highest technology prior-
19 ity of the Internal Revenue Service.

20 (8) To establish procedures to minimize com-
21 plexity in the tax law and simplify tax administra-
22 tion, and provide Congress with an independent view
23 of tax administration from the Internal Revenue
24 Service.

1 **TITLE I—EXECUTIVE BRANCH**
2 **GOVERNANCE AND SENIOR**
3 **MANAGEMENT OF THE INTER-**
4 **NAL REVENUE SERVICE**

5 **Subtitle A—Executive Branch Gov-**
6 **ernance and Senior Manage-**
7 **ment**

8 **SEC. 101. INTERNAL REVENUE SERVICE OVERSIGHT**
9 **BOARD.**

10 (a) IN GENERAL.—Section 7802 (relating to the
11 Commissioner of Internal Revenue) is amended to read as
12 follows:

13 **“SEC. 7802. INTERNAL REVENUE SERVICE OVERSIGHT**
14 **BOARD.**

15 “(a) ESTABLISHMENT.—There is established within
16 the Department of the Treasury the Internal Revenue
17 Service Oversight Board (in this subchapter referred to
18 as the ‘Board’).

19 “(b) MEMBERSHIP.—

20 “(1) COMPOSITION.—The Board shall be com-
21 posed of 9 members, of whom—

22 “(A) 7 shall be individuals who are not
23 full-time Federal officers or employees, who are
24 appointed by the President, by and with the ad-
25 vice and consent of the Senate, and who shall

1 be considered special government employees
2 pursuant to paragraph (2),

3 “(B) 1 shall be the Secretary of the Treas-
4 ury or, if the Secretary so designates, the Dep-
5 uty Secretary of the Treasury, and

6 “(C) 1 shall be a representative of an orga-
7 nization that represents a substantial number
8 of Internal Revenue Service employees who is
9 appointed by the President, by and with the ad-
10 vice and consent of the Senate.

11 “(2) SPECIAL GOVERNMENT EMPLOYEES.—

12 “(A) QUALIFICATIONS.—Members of the
13 Board described in paragraph (1)(A) shall be
14 appointed solely on the basis of their profes-
15 sional experience and expertise in the following
16 areas:

17 “(i) Management of large service or-
18 ganizations.

19 “(ii) Customer service.

20 “(iii) Compliance.

21 “(iv) Information technology.

22 “(v) Organization development.

23 “(vi) The needs and concerns of tax-
24 payers.

1 In the aggregate, the members of the Board de-
2 scribed in paragraph (1)(A) should collectively
3 bring to bear expertise in these enumerated
4 areas.

5 “(B) TERMS.—Each member who is de-
6 scribed in paragraph (1)(A) shall be appointed
7 for a term of 5 years, except that of the mem-
8 bers first appointed—

9 “(i) 1 member shall be appointed for
10 a term of 1 year,

11 “(ii) 1 member shall be appointed for
12 a term of 2 years,

13 “(iii) 2 members shall be appointed
14 for a term of 3 years, and

15 “(iv) 1 member shall be appointed for
16 a term of 4 years.

17 “(C) REAPPOINTMENT.—An individual
18 who is described in paragraph (1)(A) may be
19 appointed to no more than two 5-year terms on
20 the Board.

21 “(D) SPECIAL GOVERNMENT EMPLOY-
22 EES.—During such periods as they are per-
23 forming services for the Board, members who
24 are not Federal officers or employees shall be
25 treated as special government employees (as de-

1 fined in section 202 of title 18, United States
2 Code).

3 “(E) CLAIMS.—

4 “(i) IN GENERAL.—Members of the
5 Board who are described in paragraph
6 (1)(A) shall have no personal liability
7 under Federal law with respect to any
8 claim arising out of or resulting from an
9 act or omission by such member within the
10 scope of service as a member. The preced-
11 ing sentence shall not be construed to limit
12 personal liability for criminal acts or omis-
13 sions, willful or malicious conduct, acts or
14 omissions for private gain, or any other act
15 or omission outside the scope of the service
16 of such member on the Board.

17 “(ii) EFFECT ON OTHER LAW.—This
18 subparagraph shall not be construed—

19 “(I) to affect any other immuni-
20 ties and protections that may be avail-
21 able to such member under applicable
22 law with respect to such transactions,

23 “(II) to affect any other right or
24 remedy against the United States
25 under applicable law, or

1 “(III) to limit or alter in any way
2 the immunities that are available
3 under applicable law for Federal offi-
4 cers and employees not described in
5 this subparagraph.

6 “(3) VACANCY.—Any vacancy on the Board—

7 “(A) shall not affect the powers of the
8 Board, and

9 “(B) shall be filled in the same manner as
10 the original appointment.

11 “(4) REMOVAL.—

12 “(A) IN GENERAL.—A member of the
13 Board may be removed at the will of the Presi-
14 dent.

15 “(B) SECRETARY OR DELEGATE.—An indi-
16 vidual described in subsection (b)(1)(B) shall be
17 removed upon termination of employment.

18 “(C) REPRESENTATIVE OF INTERNAL REV-
19 ENUE SERVICE EMPLOYEES.—A member who is
20 from an organization that represents a substan-
21 tial number of Internal Revenue Service em-
22 ployees shall be removed upon termination of
23 employment, membership, or other affiliation
24 with such organization.

25 “(c) GENERAL RESPONSIBILITIES.—

1 “(1) IN GENERAL.—The Board shall oversee
2 the Internal Revenue Service in the administration,
3 management, conduct, direction, and supervision of
4 the execution and application of the internal revenue
5 laws or related statutes and tax conventions to
6 which the United States is a party.

7 “(2) EXCEPTIONS.—The Board shall have no
8 responsibilities or authority with respect to—

9 “(A) the development and formulation of
10 Federal tax policy relating to existing or pro-
11 posed internal revenue laws, related statutes,
12 and tax conventions,

13 “(B) specific law enforcement activities of
14 the Internal Revenue Service, including compli-
15 ance activities such as criminal investigations,
16 examinations, and collection activities, or

17 “(C) specific activities of the Internal Rev-
18 enue Service delegated to employees of the In-
19 ternal Revenue Service pursuant to delegation
20 orders in effect as of the date of the enactment
21 of this subsection, including delegation order
22 106 relating to procurement authority, except
23 to the extent that such delegation orders are
24 modified subsequently by the Secretary.

1 “(3) RESTRICTION ON DISCLOSURE OF RETURN
2 INFORMATION TO BOARD MEMBERS.—No return, re-
3 turn information, or taxpayer return information (as
4 defined in section 6103(b)) may be disclosed to any
5 member of the Board described in subsection
6 (b)(1)(A) or (C). Any request for information not
7 permitted to be disclosed under the preceding sen-
8 tence, and any contact relating to a specific tax-
9 payer, made by a member of the Board to an officer
10 or employee of the Internal Revenue Service shall be
11 reported by such officer or employee to the Secretary
12 and the Joint Committee on Taxation.

13 “(d) SPECIFIC RESPONSIBILITIES.—The Board shall
14 have the following specific responsibilities:

15 “(1) STRATEGIC PLANS.—To review and ap-
16 prove strategic plans of the Internal Revenue Serv-
17 ice, including the establishment of—

18 “(A) mission and objectives, and standards
19 of performance relative to either, and

20 “(B) annual and long-range strategic
21 plans.

22 “(2) OPERATIONAL PLANS.—To review the
23 operational functions of the Internal Revenue Serv-
24 ice, including—

1 “(A) plans for modernization of the tax
2 system,

3 “(B) plans for outsourcing or managed
4 competition, and

5 “(C) plans for training and education.

6 “(3) MANAGEMENT.—To provide for—

7 “(A) the selection and appointment, eval-
8 uation, and removal of the Commissioner of In-
9 ternal Revenue,

10 “(B) the review of the Commissioner’s se-
11 lection, evaluation, and compensation of senior
12 managers, and

13 “(C) the review of the Commissioner’s
14 plans for reorganization of the Internal Reve-
15 nue Service.

16 “(4) BUDGET.—To—

17 “(A) review and approve the budget re-
18 quest of the Internal Revenue Service prepared
19 by the Commissioner,

20 “(B) submit such budget request to the
21 Secretary of the Treasury,

22 “(C) ensure that the budget request sup-
23 ports the annual and long-range strategic plans,
24 and

1 “(D) ensure appropriate financial audits of
2 the Internal Revenue Service.

3 The Secretary shall submit the budget request referred to
4 in subparagraph (B) for any fiscal year to the President
5 who shall submit such request, without revision, to Con-
6 gress together with the President’s annual budget request
7 for the Internal Revenue Service for such fiscal year.

8 “(e) BOARD PERSONNEL MATTERS.—

9 “(1) COMPENSATION OF MEMBERS.—

10 “(A) IN GENERAL.—Each member of the
11 Board who is described in subsection (b)(1)(A)
12 shall be compensated at a rate of \$30,000 per
13 year. All other members of the Board shall
14 serve without compensation for such service.

15 “(B) CHAIRPERSON.—In lieu of the
16 amount specified in subparagraph (A), the
17 Chairperson of the Board shall be compensated
18 at a rate of \$50,000 per year if such Chair-
19 person is described in subsection (b)(1)(A).

20 “(2) TRAVEL EXPENSES.—The members of the
21 Board shall be allowed travel expenses, including per
22 diem in lieu of subsistence, at rates authorized for
23 employees of agencies under subchapter I of chapter
24 57 of title 5, United States Code, while away from

1 their homes or regular places of business in the per-
2 formance of services for the Board.

3 “(3) STAFF.—On the request of the Chair-
4 person of the Board, the Commissioner shall detail
5 to the Board such personnel as may be necessary to
6 enable the Board to perform its duties. Such detail
7 shall be without interruption or loss of civil service
8 status or privilege.

9 “(4) PROCUREMENT OF TEMPORARY AND
10 INTERMITTENT SERVICES.—The Chairperson of the
11 Board may procure temporary and intermittent serv-
12 ices under section 3109(b) of title 5, United States
13 Code.

14 “(f) ADMINISTRATIVE MATTERS.—

15 “(1) CHAIR.—The members of the Board shall
16 elect a chairperson for a 2-year term.

17 “(2) COMMITTEES.—The Board may establish
18 such committees as the Board determines appro-
19 priate.

20 “(3) MEETINGS.—The Board shall meet at
21 least once each month and at such other times as
22 the Board determines appropriate.

23 “(4) REPORTS.—The Board shall each year re-
24 port to the President and the Congress with respect

1 to the conduct of its responsibilities under this
2 title.”.

3 (b) CONFORMING AMENDMENTS.—

4 (1) Section 4946(c) (relating to definitions and
5 special rules for chapter 42) is amended—

6 (A) by striking “or” at the end of para-
7 graph (5),

8 (B) by striking the period at the end of
9 paragraph (6) and inserting “, or”, and

10 (C) by adding at the end the following new
11 paragraph:

12 “(7) a member of the Internal Revenue Service
13 Oversight Board.”.

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

“Sec. 7802. Internal Revenue Service Oversight Board.”

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. 102. COMMISSIONER OF INTERNAL REVENUE; CHIEF**
22 **COUNSEL; OTHER OFFICIALS.**

23 (a) IN GENERAL.—Section 7803 (relating to other
24 personnel) is amended to read as follows:

1 **“SEC. 7803. COMMISSIONER OF INTERNAL REVENUE; CHIEF**
2 **COUNSEL; OTHER OFFICIALS.**

3 “(a) COMMISSIONER OF INTERNAL REVENUE.—

4 “(1) APPOINTMENT.—There shall be in the De-
5 partment of the Treasury a Commissioner of Inter-
6 nal Revenue who shall be appointed by the Internal
7 Revenue Service Oversight Board to a 5-year term
8 and compensated without regard to chapters 33, 51,
9 and 53 of title 5, United States Code. The appoint-
10 ment shall be made on the basis of demonstrated
11 ability in management and without regard to politi-
12 cal affiliation or activity. The Board may reappoint
13 the Commissioner to subsequent terms so long as
14 performance is satisfactory or better.

15 “(2) DUTIES.—The Commissioner shall—

16 “(A) administer, manage, conduct, direct,
17 and supervise the execution and application of
18 the internal revenue laws or related statutes
19 and tax conventions to which the United States
20 is a party; and

21 “(B) when a vacancy occurs, recommend a
22 candidate for appointment as Chief Counsel for
23 the Internal Revenue Service to the President,
24 and may recommend the removal of such Chief
25 Counsel to the President.

1 “(3) CONSULTATION WITH BOARD.—The Com-
2 missioner shall consult with the Board on all mat-
3 ters set forth in paragraphs (2) and (3) (other than
4 subparagraph (A)) of section 7802(d)(2).

5 “(4) PAY.—The Commissioner is authorized to
6 be paid at an annual rate of basic pay not to exceed
7 the maximum rate of basic pay of level II of the Ex-
8 ecutive Schedule under section 5311 of title 5, Unit-
9 ed States Code, including any applicable locality-
10 based comparability payment that may be authorized
11 under section 5304 of such title 5.

12 “(b) CHIEF COUNSEL FOR THE INTERNAL REVENUE
13 SERVICE.—

14 “(1) APPOINTMENT.—There shall be in the De-
15 partment of the Treasury a Chief Counsel for the
16 Internal Revenue Service who shall be appointed by
17 the President, by and with the advice and consent
18 of the Senate.

19 “(2) DUTIES.—The Chief Counsel shall be the
20 chief law officer for the Internal Revenue Service
21 and shall perform such duties as may be prescribed
22 by the Secretary of the Treasury. To the extent that
23 the Chief Counsel performs duties relating to the de-
24 velopment of rules and regulations promulgated

1 under this title, final decision making authority shall
2 remain with the Secretary.

3 “(3) PAY.—The Chief Counsel is authorized to
4 be paid at an annual rate of basic pay not to exceed
5 the maximum rate of basic pay of level III of the
6 Executive Schedule under section 5311 of title 5,
7 United States Code, including any applicable local-
8 ity-based comparability payment that may be au-
9 thorized under section 5304 of such title 5.

10 “(c) ASSISTANT COMMISSIONER FOR EMPLOYEE
11 PLANS AND EXEMPT ORGANIZATIONS.—

12 “(1) ESTABLISHMENT OF OFFICE.—There is
13 established within the Internal Revenue Service an
14 office to be known as the ‘Office of Employee Plans
15 and Exempt Organizations’ to be under the super-
16 vision and direction of an Assistant Commissioner of
17 Internal Revenue. As head of the Office, the Assist-
18 ant Commissioner shall be responsible for carrying
19 out such functions as the Secretary may prescribe
20 with respect to organizations exempt from tax under
21 section 501(a) and with respect to plans to which
22 part I of subchapter D of chapter 1 applies (and
23 with respect to organizations designed to be exempt
24 under such section and plans designed to be plans
25 to which such part applies) and other nonqualified

1 deferred compensation arrangements. The Assistant
2 Commissioner shall report annually to the Commis-
3 sioner with respect to the Assistant Commissioner's
4 responsibilities under this section.

5 “(2) AUTHORIZATION OF APPROPRIATIONS.—

6 There is authorized to be appropriated to the Inter-
7 nal Revenue Service solely to carry out the functions
8 of the Office an amount equal to the sum of—

9 “(A) so much of the collection from taxes
10 under section 4940 (relating to excise tax based
11 on investment income) as would have been col-
12 lected if the rate of tax under such section was
13 2 percent during the second preceding fiscal
14 year, and

15 “(B) the greater of—

16 “(i) an amount equal to the amount
17 described in subparagraph (A), or

18 “(ii) \$30,000,000.

19 “(3) USER FEES.—All user fees collected by the
20 Office shall be dedicated to carry out the functions
21 of the Office.

22 “(d) OFFICE OF TAXPAYER ADVOCATE.—

23 “(1) IN GENERAL.—

24 “(A) There is established in the Internal
25 Revenue Service an office to be known as the

1 ‘Office of the Taxpayer Advocate’. Such office
2 shall be under the supervision and direction of
3 an official to be known as the ‘Taxpayer Advo-
4 cate’ who shall be appointed by and report di-
5 rectly to the Commissioner of Internal Revenue,
6 with the approval of the Internal Revenue Serv-
7 ice Oversight Board. The Taxpayer Advocate
8 shall be entitled to compensation at the same
9 rate as the highest level official reporting di-
10 rectly to the Commissioner of Internal Revenue.

11 “(B) As a qualification for appointment as
12 the Taxpayer Advocate, an individual must have
13 substantial experience representing taxpayers
14 before the Internal Revenue Service or with tax-
15 payer rights issues.

16 “(C) An individual who, before being ap-
17 pointed as the Taxpayer Advocate, was an offi-
18 cer or employee of the Internal Revenue Service
19 may be so appointed only if such individual
20 agrees not to accept any employment with the
21 Internal Revenue Service for at least 5 years
22 after ceasing to be the Taxpayer Advocate.

23 “(2) FUNCTIONS OF OFFICE.—

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

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

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

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

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

13 “(B) ANNUAL REPORTS.—

14 “(i) OBJECTIVES.—Not later than
15 June 30 of each calendar year after 1995,
16 the Taxpayer Advocate shall report to the
17 Committee on Ways and Means of the
18 House of Representatives and the Commit-
19 tee on Finance of the Senate on the objec-
20 tives of the Taxpayer Advocate for the fis-
21 cal year beginning in such calendar year.
22 Any such report shall contain full and sub-
23 stantive analysis, in addition to statistical
24 information.

1 “(ii) ACTIVITIES.—Not later than De-
2 cember 31 of each calendar year after
3 1995, the Taxpayer Advocate shall report
4 to the Committee on Ways and Means of
5 the House of Representatives and the
6 Committee on Finance of the Senate on
7 the activities of the Taxpayer Advocate
8 during the fiscal year ending during such
9 calendar year. Any such report shall con-
10 tain full and substantive analysis, in addi-
11 tion to statistical information, and shall—

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

16 “(II) contain recommendations
17 received from individuals with the au-
18 thority to issue Taxpayer Assistance
19 Orders under section 7811,

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

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

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

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

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

1 “(VIII) contain recommendations
2 for such administrative and legislative
3 action as may be appropriate to re-
4 solve problems encountered by tax-
5 payers,

6 “(IX) describe the extent to
7 which regional problem resolution offi-
8 cers participate in the selection and
9 evaluation of local problem resolution
10 officers,

11 “(X) identify areas of the tax law
12 that impose significant compliance
13 burdens on taxpayers or the Internal
14 Revenue Service, including specific
15 recommendations for remedying these
16 problems,

17 “(XI) in conjunction with the
18 National Director of Appeals, identify
19 the 10 most litigated issues for each
20 category of taxpayers (e.g., individ-
21 uals, self-employed individuals, and
22 small businesses), including rec-
23 ommendations for mitigating such dis-
24 putes, and

1 “(XII) 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 described in clauses (i)
8 and (ii) without any prior review or com-
9 ment from the Commissioner, the Internal
10 Revenue Service Oversight Board, the Sec-
11 retary of the Treasury, any other officer or
12 employee of the Department of the Treas-
13 ury, or the Office of Management and
14 Budget.

15 “(C) OTHER RESPONSIBILITIES.—The
16 Taxpayer Advocate shall—

17 “(i) monitor the coverage and geo-
18 graphic allocation of problem resolution of-
19 ficers,

20 “(ii) develop guidance to be distrib-
21 uted to all Internal Revenue Service offi-
22 cers and employees outlining the criteria
23 for referral of taxpayer inquiries to prob-
24 lem resolution officers,

1 “(iii) ensure that the local telephone
2 numbers for the problem resolution officer
3 in each internal revenue district is pub-
4 lished and available to taxpayers, and

5 “(iv) in conjunction with the Commis-
6 sioner, develop career paths for problem
7 resolution officers choosing to make a ca-
8 reer in the Office of the Taxpayer Advo-
9 cate.

10 “(3) RESPONSIBILITIES OF COMMISSIONER.—

11 The Commissioner shall establish procedures requir-
12 ing a formal response to all recommendations sub-
13 mitted to the Commissioner by the Taxpayer Advo-
14 cate within 3 months after submission to the Com-
15 missioner.”.

16 (b) AMENDMENT OF PRESIDENT’S AUTHORITY TO
17 APPOINT CHIEF COUNSEL FOR INTERNAL REVENUE
18 SERVICE.—

19 (1) Paragraph (2) of section 7801(b) (relating
20 to the office of General Counsel for the Department)
21 is amended to read as follows:

22 “(2) ASSISTANT GENERAL COUNSELS.—The
23 Secretary of the Treasury may appoint, without re-
24 gard to the provisions of the civil service laws, and

1 fix the duties of not to exceed five assistant General
2 Counsels.”.

3 (2)(A) Subsection (f)(2) of section 301 of title
4 31, United States Code, is amended by striking “an
5 Assistant General Counsel who shall be the” and in-
6 serting “a”.

7 (B) Section 301 of such title 31 is amended by
8 adding at the end the following new subsection:

9 “(h) CROSS REFERENCE.—For provisions relating to
10 the appointment of officers and employees of the Internal
11 Revenue Service, see subchapter A of chapter 80 of the
12 Internal Revenue Code of 1986.”.

13 (c) CONFORMING AMENDMENTS.—

14 (1) The table of sections for subchapter A of
15 chapter 80 is amended by striking the item relating
16 to section 7803 and inserting the following new
17 item:

“Sec. 7803. Commissioner of Internal Revenue; Chief Counsel;
other officials.”

18 (2) Subsection (b) of section 5109 of title 5,
19 United States Code, is amended by striking
20 “7802(b)” and inserting “7803(c)”.

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

1 **SEC. 103. OTHER PERSONNEL.**

2 (a) IN GENERAL.—Section 7804 (relating to the ef-
3 fect of reorganization plans) is amended to read as follows:

4 **“SEC. 7804. OTHER PERSONNEL.**

5 “(a) APPOINTMENT AND SUPERVISION.—The Com-
6 missioner of Internal Revenue is authorized to employ
7 such number of persons as the Commissioner deems prop-
8 er for the administration and enforcement of the internal
9 revenue laws, and the Commissioner shall issue all nec-
10 essary directions, instructions, orders, and rules applicable
11 to such persons.

12 “(b) POSTS OF DUTY OF EMPLOYEES IN FIELD
13 SERVICE OR TRAVELING.—

14 “(1) DESIGNATION OF POST OF DUTY.—The
15 Commissioner shall determine and designate the
16 posts of duty of all such persons engaged in field
17 work or traveling on official business outside of the
18 District of Columbia.

19 “(2) DETAIL OF PERSONNEL FROM FIELD
20 SERVICE.—The Commissioner may order any such
21 person engaged in field work to duty in the District
22 of Columbia, for such periods as the Commissioner
23 may prescribe, and to any designated post of duty
24 outside the District of Columbia upon the comple-
25 tion of such duty.

1 “(c) DELINQUENT INTERNAL REVENUE OFFICERS
2 AND EMPLOYEES.—If any officer or employee of the
3 Treasury Department acting in connection with the inter-
4 nal revenue laws fails to account for and pay over any
5 amount of money or property collected or received by him
6 in connection with the internal revenue laws, the Secretary
7 shall issue notice and demand to such officer or employee
8 for payment of the amount which he failed to account for
9 and pay over, and, upon failure to pay the amount de-
10 manded within the time specified in such notice, the
11 amount so demanded shall be deemed imposed upon such
12 officer or employee and assessed upon the date of such
13 notice and demand, and the provisions of chapter 64 and
14 all other provisions of law relating to the collection of as-
15 sessed taxes shall be applicable in respect of such
16 amount.”.

17 (b) CONFORMING AMENDMENTS.—

18 (1) Subsection (b) of section 6344 is amended
19 by striking “section 7803(d)” and inserting “section
20 7804(e)”.

21 (2) The table of sections for subchapter A of
22 chapter 80 is amended by striking the item relating
23 to section 7804 and inserting the following new
24 item:

“Sec. 7804. Other personnel.”

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

4 **Subtitle B—Personnel Flexibilities**

5 **SEC. 111. PERSONNEL FLEXIBILITIES.**

6 (a) IN GENERAL.—Part III of title 5, United States
 7 Code, is amended by adding at the end the following new
 8 subpart:

9 **“Subpart I—Miscellaneous**

10 **“CHAPTER 93—PERSONNEL FLEXIBILI-** 11 **TIES RELATING TO THE INTERNAL** 12 **REVENUE SERVICE**

“Sec.

“9301. General requirements.

“9302. Flexibilities relating to performance management.

“9303. Classification and pay flexibilities.

“9304. Staffing flexibilities.

“9305. Flexibilities relating to demonstration projects.

13 **“§ 9301. General requirements**

14 “(a) CONFORMANCE WITH MERIT SYSTEM PRIN-
 15 CIPLES, ETC.—Any flexibilities under this chapter shall
 16 be exercised in a manner consistent with—

17 “(1) chapter 23, relating to merit system prin-
 18 ciples and prohibited personnel practices; and

19 “(2) provisions of this title (outside of this sub-
 20 part) relating to preference eligibles.

21 “(b) REQUIREMENT RELATING TO UNITS REP-
 22 RESENTED BY LABOR ORGANIZATIONS.—

1 “(1) WRITTEN AGREEMENT REQUIRED.—Em-
2 ployees within a unit with respect to which a labor
3 organization is accorded exclusive recognition under
4 chapter 71 shall not be subject to the exercise of any
5 flexibility under section 9302, 9303, 9304, or 9305,
6 unless there is a written agreement between the In-
7 ternal Revenue Service and the organization permit-
8 ting such exercise.

9 “(2) DEFINITION OF A WRITTEN AGREE-
10 MENT.—In order to satisfy paragraph (1), a written
11 agreement—

12 “(A) need not be a collective bargaining
13 agreement within the meaning of section
14 7103(8); and

15 “(B) may not be an agreement imposed by
16 the Federal Service Impasses Panel under sec-
17 tion 7119.

18 “(c) FLEXIBILITIES FOR WHICH OPM APPROVAL IS
19 REQUIRED.—

20 “(1) IN GENERAL.—Except as provided in para-
21 graph (2), flexibilities under this chapter may be ex-
22 ercised by the Internal Revenue Service without
23 prior approval of the Office of Personnel Manage-
24 ment.

1 “(2) EXCEPTIONS.—The flexibilities under sub-
2 sections (c) through (e) of section 9303 may be exer-
3 cised by the Internal Revenue Service only after a
4 specific plan describing how those flexibilities are to
5 be exercised has been submitted to and approved, in
6 writing, by the Director of the Office of Personnel
7 Management.

8 **“§ 9302. Flexibilities relating to performance manage-**
9 **ment**

10 “(a) IN GENERAL.—The Commissioner of Internal
11 Revenue shall, within 180 days after the date of the enact-
12 ment of this chapter, establish a performance management
13 system which—

14 “(1) subject to section 9301(b), shall cover all
15 employees of the Internal Revenue Service other
16 than—

17 “(A) the members of the Internal Revenue
18 Service Oversight Board;

19 “(B) the Commissioner of Internal Reve-
20 nue; and

21 “(C) the Chief Counsel for the Internal
22 Revenue Service;

23 “(2) shall maintain individual accountability
24 by—

1 “(A) establishing retention standards
2 which—

3 “(i) shall permit the accurate evalua-
4 tion of each employee’s performance on the
5 basis of criteria relating to the duties and
6 responsibilities of the position held by such
7 employee; and

8 “(ii) shall be communicated to an em-
9 ployee before the start of any period with
10 respect to which the performance of such
11 employee is to be evaluated using such
12 standards;

13 “(B) providing for periodic performance
14 evaluations to determine whether retention
15 standards are being met; and

16 “(C) with respect to any employee whose
17 performance does not meet retention standards,
18 using the results of such employee’s perform-
19 ance evaluation as a basis for—

20 “(i) denying increases in basic pay,
21 promotions, and credit for performance
22 under section 3502; and

23 “(ii) the taking of other appropriate
24 action, such as a reassignment or an action
25 under chapter 43; and

1 “(3) shall provide for—

2 “(A) establishing goals or objectives for in-
3 dividual, group, or organizational performance
4 (or any combination thereof), consistent with
5 Internal Revenue Service performance planning
6 procedures, including those established under
7 the Government Performance and Results Act
8 of 1993, the Information Technology Manage-
9 ment Reform Act of 1996, Revenue Procedure
10 64–22 (as in effect on July 30, 1997), and tax-
11 payer service surveys, and communicating such
12 goals or objectives to employees;

13 “(B) using such goals and objectives to
14 make performance distinctions among employ-
15 ees or groups of employees; and

16 “(C) using assessments under this para-
17 graph, in combination with performance evalua-
18 tions under paragraph (2), as a basis for grant-
19 ing employee awards, adjusting an employee’s
20 rate of basic pay, and taking such other person-
21 nel action as may be appropriate.

22 For purposes of this title, performance of an employee
23 during any period in which such employee is subject to
24 retention standards under paragraph (2) shall be consid-
25 ered to be ‘unacceptable’ if the performance of such em-

1 ployee during such period fails to meet any of those stand-
2 ards.

3 “(b) AWARDS.—

4 “(1) FOR SUPERIOR ACCOMPLISHMENTS.—In
5 the case of an employee of the Internal Revenue
6 Service, section 4502(b) shall be applied by sub-
7 stituting ‘with the approval of the Commissioner of
8 Internal Revenue’ for ‘with the approval of the Of-
9 fice’.

10 “(2) FOR EMPLOYEES WHO REPORT DIRECTLY
11 TO THE COMMISSIONER.—

12 “(A) IN GENERAL.—In the case of an em-
13 ployee of the Internal Revenue Service who re-
14 ports directly to the Commissioner of Internal
15 Revenue, a cash award in an amount up to 50
16 percent of such employee’s annual rate of basic
17 pay may be made if the Commissioner finds
18 such an award to be warranted based on such
19 employee’s performance.

20 “(B) NATURE OF AN AWARD.—A cash
21 award under this paragraph shall not be consid-
22 ered to be part of basic pay.

23 “(C) TAX ENFORCEMENT RESULTS.—A
24 cash award under this paragraph may not be
25 based solely on tax enforcement results.

1 “(D) ELIGIBLE EMPLOYEES.—Whether or
2 not an employee is an employee who reports di-
3 rectly to the Commissioner of Internal Revenue
4 shall, for purposes of this paragraph, be deter-
5 mined under regulations which the Commis-
6 sioner shall prescribe.

7 “(E) LIMITATION ON COMPENSATION.—
8 For purposes of applying section 5307 to an
9 employee in connection with any calendar year
10 to which an award made under this paragraph
11 to such employee is attributable, subsection
12 (a)(1) of such section shall be applied by sub-
13 stituting ‘to equal or exceed the annual rate of
14 compensation for the President for such cal-
15 endar year’ for ‘to exceed the annual rate of
16 basic pay payable for level I of the Executive
17 Schedule, as of the end of such calendar year’.

18 “(3) BASED ON SAVINGS.—

19 “(A) IN GENERAL.—The Commissioner of
20 Internal Revenue may authorize the payment of
21 cash awards to employees based on documented
22 financial savings achieved by a group or organi-
23 zation which such employees comprise, if such
24 payments are made pursuant to a plan which—

1 “(i) specifies minimum levels of serv-
2 ice and quality to be maintained while
3 achieving such financial savings; and

4 “(ii) is in conformance with criteria
5 prescribed by the Office of Personnel Man-
6 agement.

7 “(B) FUNDING.—A cash award under this
8 paragraph may be paid from the fund or appro-
9 priation available to the activity primarily bene-
10 fitting or the various activities benefiting.

11 “(C) TAX ENFORCEMENT RESULTS.—A
12 cash award under this paragraph may not be
13 based solely on tax enforcement results.

14 “(c) OTHER PROVISIONS.—

15 “(1) NOTICE PROVISIONS.—In applying sections
16 4303(b)(1)(A) and 7513(b)(1) to employees of the
17 Internal Revenue Service, ‘15 days’ shall be sub-
18 stituted for ‘30 days’.

19 “(2) APPEALS.—Notwithstanding the second
20 sentence of section 5335(c), an employee of the In-
21 ternal Revenue Service shall not have a right to ap-
22 peal the denial of a periodic step increase under sec-
23 tion 5335 to the Merit Systems Protection Board.

24 **“§ 9303. Classification and pay flexibilities**

25 “(a) BROAD-BANDED SYSTEMS.—

1 “(1) DEFINITIONS.—For purposes of this sub-
2 section—

3 “(A) the term ‘broad-banded system’
4 means a system under which positions are clas-
5 sified and pay for service in any such position
6 is fixed through the use of pay bands, rather
7 than under—

8 “(i) chapter 51 and subchapter III of
9 chapter 53; or

10 “(ii) subchapter IV of chapter 53; and

11 “(B) the term ‘pay band’ means, with re-
12 spect to positions in 1 or more occupational se-
13 ries, a pay range—

14 “(i) consisting of—

15 “(I) 2 or more consecutive grades
16 of the General Schedule; or

17 “(II) 2 or more consecutive pay
18 ranges of such other pay or wage
19 schedule as would otherwise apply
20 (but for this section); and

21 “(ii) the minimum rate for which is
22 the minimum rate for the lower (or lowest)
23 grade or range in the pay band and the
24 maximum rate for which is the maximum
25 rate for the higher (or highest) grade or

1 range in the pay band, including any local-
2 ity-based and other similar comparability
3 payments.

4 “(2) AUTHORITY.—The Commissioner of Inter-
5 nal Revenue may, subject to criteria to be prescribed
6 by the Office of Personnel Management, establish
7 one or more broad-banded systems covering all or
8 any portion of its workforce which would otherwise
9 be subject to the provisions of law cited in clause (i)
10 or (ii) of subsection (a)(1)(A), except for any posi-
11 tion classified by statute.

12 “(3) CRITERIA.—The criteria to be prescribed
13 by the Office shall, at a minimum—

14 “(A) ensure that the structure of any
15 broad-banded system maintains the principle of
16 equal pay for substantially equal work;

17 “(B) establish the minimum (but not less
18 than 2) and maximum number of grades or pay
19 ranges that may be combined into pay bands;

20 “(C) establish requirements for adjusting
21 the pay of an employee within a pay band;

22 “(D) establish requirements for setting the
23 pay of a supervisory employee whose position is
24 in a pay band or who supervises employees
25 whose positions are in pay bands; and

1 “(E) establish requirements and meth-
2 odologies for setting the pay of an employee
3 upon conversion to a broad-banded system, ini-
4 tial appointment, change of position or type of
5 appointment (including promotion, demotion,
6 transfer, reassignment, reinstatement, place-
7 ment in another pay band, or movement to a
8 different geographic location), and movement
9 between a broad-banded system and another
10 pay system.

11 “(4) INFORMATION.—The Commissioner of In-
12 ternal Revenue shall submit to the Office such infor-
13 mation relating to its broad-banded systems as the
14 Office may require.

15 “(5) REVIEW AND REVOCATION AUTHORITY.—
16 The Office may, with respect to any broad-banded
17 system under this subsection, and in accordance
18 with regulations which it shall prescribe, exercise
19 with respect to any broad-banded system under this
20 subsection authorities similar to those available to it
21 under sections 5110 and 5111 with respect to classi-
22 fications under chapter 51.

23 “(b) SINGLE PAY-BAND SYSTEM.—

24 “(1) IN GENERAL.—The Commissioner of In-
25 ternal Revenue may, with respect to employees who

1 remain subject to chapter 51 and subchapter III of
2 chapter 53 (or subchapter IV of chapter 53), fix
3 rates of pay under a single pay-band system.

4 “(2) DEFINITION.—For purposes of this sub-
5 section, the term ‘single pay-band system’ means,
6 for pay-setting purposes, a system similar to the
7 pay-setting aspects of a broad-banded system under
8 subsection (a), but consisting of only a single grade
9 or pay range, under which pay may be fixed at any
10 rate not less than the minimum and not more than
11 the maximum rate which (but for this section) would
12 otherwise apply with respect to the grade or pay
13 range involved, including any locality-based and
14 other similar comparability payments.

15 “(3) SPECIAL RULES.—

16 “(A) PROMOTION OR TRANSFER.—An em-
17 ployee under this subsection who is promoted or
18 transferred to a position in a higher grade shall
19 be entitled to basic pay at a rate determined
20 under criteria prescribed by the Office of Per-
21 sonnel Management based on section 5334(b).

22 “(B) PERFORMANCE INCREASES.—In lieu
23 of periodic step-increases under section 5335,
24 an employees under this subsection who meets
25 retention standards under section

1 9302(a)(2)(A) shall be entitled to performance
2 increases under criteria prescribed by the Of-
3 fice. An increase under this subparagraph shall
4 be equal to one-ninth of the difference between
5 the minimum and maximum rates of pay for
6 the applicable grade or pay range

7 “(C) INCREASES FOR EXCEPTIONAL PER-
8 FORMANCE.—In lieu of additional step-increases
9 under section 5336, an employee under this
10 subsection who has demonstrated exceptional
11 performance shall be eligible for a pay increase
12 under this subparagraph under criteria pre-
13 scribed by the Office. An increase under this
14 subparagraph may not exceed the amount of an
15 increase under subparagraph (B).

16 “(c) ALTERNATIVE CLASSIFICATION SYSTEMS.—

17 “(1) IN GENERAL.—Subject to section 9301(c),
18 the Commissioner of Internal Revenue may establish
19 1 or more alternative classification systems that in-
20 clude any positions or groups of positions that the
21 Commissioner determines, for reasons of effective
22 administration—

23 “(A) should not be classified under chapter
24 51 or paid under the General Schedule;

1 “(B) should not be classified or paid under
2 subchapter IV of chapter 53; or

3 “(C) should not be paid under section
4 5376.

5 “(2) LIMITATIONS.—An alternative classifica-
6 tion system under this subsection may not—

7 “(A) with respect to any position that (but
8 for this section) would otherwise be subject to
9 the provisions of law cited in subparagraph (A)
10 or (B) of paragraph (1), establish a rate of
11 basic pay in excess of the maximum rate for
12 grade GS-15 of the General Schedule, including
13 any locality-based and other similar comparabil-
14 ity payments; and

15 “(B) with respect to any position that (but
16 for this section) would otherwise be subject to
17 the provision of law cited in paragraph (1)(C),
18 establish a rate of basic pay in excess of the an-
19 nual rate of basic pay of the Commissioner of
20 Internal Revenue.

21 “(d) GRADE AND PAY RETENTION.—Subject to sec-
22 tion 9301(c), the Commissioner of Internal Revenue may,
23 with respect to employees who are covered by a broad-
24 banded system under subsection (a) or an alternative clas-

1 sification system under subsection (c), provide for vari-
 2 ations from the provisions of subchapter VI of chapter 53.

3 “(e) RECRUITMENT AND RETENTION BONUSES; RE-
 4 TENTION ALLOWANCES.—Subject to section 9301(c), the
 5 Commissioner of Internal Revenue may, with respect to
 6 its employees, provide for variations from the provisions
 7 of sections 5753 and 5754.

8 **“§ 9304. Staffing flexibilities**

9 “(a) IN GENERAL.—

10 “(1) PERMANENT APPOINTMENT IN THE COM-
 11 PETITIVE SERVICE.—Except as otherwise provided
 12 by this subsection, an employee of the Internal Reve-
 13 nue Service may be selected for a permanent ap-
 14 pointment in the competitive service in the Internal
 15 Revenue Service through internal competitive pro-
 16 motion procedures when the following conditions are
 17 met:

18 “(A) The employee has completed 2 years
 19 of current continuous service in the competitive
 20 service under a term appointment or any com-
 21 bination of term appointments.

22 “(B) Such term appointment or appoint-
 23 ments were made under competitive procedures
 24 prescribed for permanent appointments.

1 “(C) The employee’s performance under
2 such term appointment or appointments met es-
3 tablished retention standards.

4 “(D) The vacancy announcement for the
5 term appointment from which the conversion is
6 made stated that there was a potential for sub-
7 sequent conversion to a permanent appoint-
8 ment.

9 “(2) CONDITION.—An appointment under this
10 subsection may be made only to a position the duties
11 and responsibilities of which are similar to those of
12 the position held by the employee at the time of con-
13 version (referred to in paragraph (1)(D)).

14 “(b) RATING SYSTEMS.—

15 “(1) IN GENERAL.—Notwithstanding sub-
16 chapter I of chapter 33, the Commissioner of Inter-
17 nal Revenue may establish category rating systems
18 for evaluating job applicants for positions in the
19 competitive service, under which qualified candidates
20 are divided into 2 or more quality categories on the
21 basis of relative degrees of merit, rather than as-
22 signed individual numerical ratings. Each applicant
23 who meets the minimum qualification requirements
24 for the position to be filled shall be assigned to an
25 appropriate category based on an evaluation of the

1 applicant's knowledge, skills, and abilities relative to
2 those needed for successful performance in the job
3 to be filled.

4 “(2) TREATMENT OF PREFERENCE ELIGI-
5 BLES.—Within each quality category established
6 under paragraph (1), preference eligibles shall be
7 listed ahead of individuals who are not preference
8 eligibles. For other than scientific and professional
9 positions at or higher than GS-9 (or equivalent),
10 preference eligibles who have a compensable service-
11 connected disability of 10 percent or more, and who
12 meet the minimum qualification standards, shall be
13 listed in the highest quality category.

14 “(3) SELECTION PROCESS.—An appointing au-
15 thority may select any applicant from the highest
16 quality category or, if fewer than 3 candidates have
17 been assigned to the highest quality category, from
18 a merged category consisting of the highest and sec-
19 ond highest quality categories. Notwithstanding the
20 preceding sentence, the appointing authority may
21 not pass over a preference eligible in the same or a
22 higher category from which selection is made, unless
23 the requirements of section 3317(b) or 3318(b), as
24 applicable, are satisfied, except that in no event may
25 certification of a preference eligible under this sub-

1 section be discontinued by the Internal Revenue
2 Service under section 3317(b) before the end of the
3 6-month period beginning on the date of such em-
4 ployee's first certification.

5 “(c) MAXIMUM PERIOD FOR WHICH EMPLOYEE MAY
6 BE DETAILED.—The 120-day limitation under section
7 3341(b)(1) for details and renewals of details shall not
8 apply with respect to the Internal Revenue Service.

9 “(d) INVOLUNTARY REASSIGNMENTS AND REMOVALS
10 OF CAREER APPOINTEES IN THE SENIOR EXECUTIVE
11 SERVICE.—Neither section 3395(e)(1) nor section
12 3592(b)(1) shall apply with respect to the Internal Reve-
13 nue Service.

14 “(e) PROBATIONARY PERIODS.—Notwithstanding
15 any other provision of law or regulation, the Commissioner
16 of Internal Revenue may establish a period of probation
17 under section 3321 of up to 3 years for any position if,
18 as determined by the Commissioner, a shorter period
19 would be insufficient for the incumbent to demonstrate
20 complete proficiency in such position.

21 “(f) PROVISIONS THAT REMAIN APPLICABLE.—No
22 provision of this section exempts the Internal Revenue
23 Service from—

1 “(1) any employment priorities established
2 under direction of the President for the placement of
3 surplus or displaced employees; or

4 “(2) its obligations under any court order or
5 decree relating to the employment practices of the
6 Internal Revenue Service.

7 **“§ 9305. Flexibilities relating to demonstration**
8 **projects**

9 “(a) IN GENERAL.—For purposes of applying section
10 4703 with respect to the Internal Revenue Service—

11 “(1) paragraph (1) of subsection (b) of such
12 section shall be deemed to read as follows:

13 “ ‘(1) develop a plan for such project which de-
14 scribes its purpose, the employees to be covered, the
15 project itself, its anticipated outcomes, and the
16 method of evaluating the project.’;

17 “(2) paragraph (3) of subsection (b) of such
18 section shall be disregarded;

19 “(3) paragraph (4) of subsection (b) of such
20 section shall be applied by substituting ‘30 days’ for
21 ‘180 days’;

22 “(4) paragraph (6) of subsection (b) of such
23 section shall be deemed to read as follows:

24 “ ‘(6) provide each House of the Congress with
25 the final version of the plan.’;

1 “(5) paragraph (1) of subsection (e) of such
2 section shall be deemed to read as follows:

3 “ ‘(1) subchapter V of chapter 63 or subpart G
4 of part III;’; and

5 “(6) subsection (d)(1) of such section shall be
6 disregarded.

7 “(b) NUMERICAL LIMITATION.—For purposes of ap-
8 plying the numerical limitation under subsection (d)(2) of
9 section 4703, a demonstration project shall not be counted
10 if or to the extent that it involves the Internal Revenue
11 Service.”

12 (b) CLERICAL AMENDMENT.—The analysis for part
13 III of title 5, United States Code, is amended by adding
14 at the end the following:

“Subpart I—Miscellaneous

“93. Personnel Flexibilities Relating to the Internal Revenue
Service 9301”.

15 (c) EFFECTIVE DATE.—This section shall take effect
16 on the date of the enactment of this Act.

17 **TITLE II—ELECTRONIC FILING**

18 **SEC. 201. ELECTRONIC FILING OF TAX AND INFORMATION**

19 **RETURNS.**

20 (a) IN GENERAL.—It is the policy of the Congress
21 that paperless filing should be the preferred and most con-
22 venient means of filing tax and information returns, and

1 that by the year 2007, no more than 20 percent of all
2 tax returns should be filed on paper.

3 (b) STRATEGIC PLAN.—

4 (1) IN GENERAL.—Not later than 180 days
5 after the date of the enactment of this Act, the Sec-
6 retary of the Treasury or the Secretary’s delegate
7 (hereafter in this section referred to as the “Sec-
8 retary”) shall implement a plan to eliminate bar-
9 riers, provide incentives, and use competitive market
10 forces to increase electronic filing gradually over the
11 next 10 years while maintaining processing times for
12 paper returns at 40 days.

13 (2) ELECTRONIC COMMERCE ADVISORY
14 GROUP.—To ensure that the Secretary receives input
15 from the private sector in the development and im-
16 plementation of the plan required by paragraph (1),
17 the Secretary shall convene an electronic commerce
18 advisory group to include representatives from the
19 tax practitioner, preparer, and computerized tax
20 processor communities and other representatives
21 from the electronic filing industry.

22 (c) INCENTIVES.—

23 (1) IN GENERAL.—Not later than 180 days
24 after the date of the enactment of this Act, the Sec-
25 retary shall implement procedures to provide for the

1 payment of incentives to transmitters of qualified
2 electronically filed returns, based on the fair market
3 value of costs to transmit returns electronically.

4 (2) QUALIFIED ELECTRONICALLY FILED RE-
5 TURNS.—For purposes of this section, the term
6 “qualified electronically filed return” means a return
7 that—

8 (A) is transmitted electronically to the In-
9 ternal Revenue Service,

10 (B) for which the taxpayer was not
11 charged for the cost of such transmission, and

12 (C) in the case of returns transmitted after
13 December 31, 2004, was prepared by a paid
14 preparer who does not submit any return after
15 such date to the Internal Revenue Service on
16 paper.

17 (d) ANNUAL REPORTS.—Not later than June 30 of
18 each calendar year after 1997, the Chairperson of the In-
19 ternal Revenue Service Oversight Board, the Secretary,
20 and the Chairperson of the electronic commerce advisory
21 group established under subsection (b)(2) shall report to
22 the Committees on Ways and Means, Appropriations, and
23 Government Reform and Oversight of the House of Rep-
24 resentatives, the Committees on Finance, Appropriations,

1 and Government Affairs of the Senate, and the Joint Com-
2 mittee on Taxation, on—

3 (1) the progress of the Internal Revenue Serv-
4 ice in meeting the policy set forth in subsection (a);

5 (2) the status of the plan required by sub-
6 section (b); and

7 (3) the necessity of action by the Congress to
8 assist the Internal Revenue Service to satisfy the
9 policy set forth in subsection (a).

10 **SEC. 202. EXTENSION OF TIME TO FILE FOR ELECTRONIC**
11 **FILERS.**

12 (a) IN GENERAL.—Subsection (a) of section 6072
13 (relating to the time for filing income tax returns) is
14 amended—

15 (1) by striking “(a) GENERAL RULE.—In the
16 case of” and inserting the following:

17 “(a) GENERAL RULES.—

18 “(1) PAPER RETURNS.—Except as provided in
19 paragraph (2), in the case of”,

20 (2) by moving the text 2 ems to the right, and

21 (3) by adding at the end the following new
22 paragraph:

23 “(2) ELECTRONICALLY FILED RETURNS.—In
24 the case of returns filed electronically, returns made
25 on the basis of the calendar year shall be filed on

1 or before the 15th day of May following the close of
2 the calendar year and returns made on the basis of
3 a fiscal year shall be filed on or before the 15th day
4 of the fifth month following the close of the fiscal
5 year.”

6 (b) RETURNS OF CORPORATIONS.—Subsection (b) of
7 section 6072 (relating to the time for filing income tax
8 returns) is amended—

9 (1) by moving the text 2 ems to the right, and

10 (2) by adding at the end the following new
11 paragraph:

12 “(2) ELECTRONICALLY FILED RETURNS.—In
13 the case of returns filed electronically, returns made
14 on the basis of the calendar year shall be filed on
15 or before the 15th day of April following the close
16 of the calendar year and returns made on the basis
17 of a fiscal year shall be filed on or before the 15th
18 day of the 4th month following the close of the fiscal
19 year.”

20 (c) INFORMATION RETURNS.—Part V of chapter 61
21 (relating to information and returns) is amended by add-
22 ing the following new section:

1 aliens shall be filed on or before the 15th day of the 6th
2 month following the close of the taxable year of the part-
3 nership.

4 “(b) ELECTRONICALLY FILED RETURNS.—In the
5 case of returns filed electronically, returns shall be filed
6 on or before the 15th day of the 4th month following the
7 close of the taxable year of the partnership.”

8 (e) EFFECTIVE DATE.—The amendments made by
9 this section shall apply to returns for taxable years begin-
10 ning after December 31, 1998.

11 **SEC. 203. PAPERLESS ELECTRONIC FILING.**

12 (a) IN GENERAL.—Section 6061 (relating to signing
13 of returns and other documents) is amended—

14 (1) by striking “Except as otherwise provided
15 by” and inserting the following:

16 “(a) GENERAL RULE.—Except as otherwise provided
17 by subsection (b) and”, and

18 (2) by adding at the end the following new sub-
19 section:

20 “(b) ELECTRONIC SIGNATURES.—The Secretary
21 shall develop procedures for the acceptance of signatures
22 in digital or other electronic form. Until such time as such
23 procedures are in place, the Secretary shall accept elec-
24 tronically filed returns and other documents on which the
25 required signature(s) appears in typewritten form, but fil-

1 ers of such documents shall be required to retain a signed
2 paper original of all such filings, to be made available to
3 the Secretary for inspection, until the expiration of the
4 applicable period of limitations set forth in chapter 66.”.

5 (b) DEADLINE FOR ESTABLISHING PROCEDURES.—
6 Not later than December 31, 1998, the Secretary of the
7 Treasury or the Secretary’s delegate shall establish proce-
8 dures to accept, in electronic form, any other information,
9 statements, elections, or schedules, from taxpayers filing
10 returns electronically, so that such taxpayers will not be
11 required to file any paper.

12 (c) PROCEDURES FOR COMMUNICATIONS BETWEEN
13 IRS AND PREPARER OF ELECTRONICALLY-FILED RE-
14 TURNS.—Such Secretary shall establish procedures for
15 taxpayers to authorize, on electronically filed returns, the
16 preparer of such returns to communicate with the Internal
17 Revenue Service on matters included on such returns.

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

21 **SEC. 204. REGULATION OF PREPARERS.**

22 (a) IN GENERAL.—Subsection (a) of section 330 of
23 title 31, United States Code, is amended—

24 (1) by striking “Treasury; and” in paragraph

25 (1) and inserting “Treasury and all other persons

1 engaged in the business of preparing returns or oth-
2 erwise accepting compensation for advising in the
3 preparation of returns,”

4 (2) by striking the period at the end of para-
5 graph (2) and inserting “, and”, and

6 (3) by adding at the end the following:

7 “(3) establish uniform procedures for regulating
8 preparers of paper and electronic tax and informa-
9 tion returns.

10 No demonstration shall be required under paragraph (2)
11 for persons solely engaged in the business of preparing
12 returns or otherwise accepting compensation for advising
13 in the preparation of returns.”

14 (b) DIRECTOR OF PRACTICE.—Such section 330 is
15 amended by adding at the end the following new sub-
16 section:

17 “(d) DIRECTOR OF PRACTICE.—There is established
18 within the Department of the Treasury an office to be
19 known as the ‘Office of the Director of Practice’ to be
20 under the supervision and direction of an official to be
21 known as the ‘Director of Practice’. The Director of Prac-
22 tice shall be responsible for regulation of all practice be-
23 fore the Department of the Treasury.”

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

4 **SEC. 205. PAPERLESS PAYMENT.**

5 (a) IN GENERAL.—Section 6311 (relating to payment
6 by check or money order) is amended to read as follows:

7 **“SEC. 6311. PAYMENT OF TAX BY COMMERCIALY ACCEPT-**
8 **ABLE MEANS.**

9 “(a) AUTHORITY TO RECEIVE.—It shall be lawful for
10 the Secretary to receive for internal revenue taxes (or in
11 payment of internal revenue stamps) any commercially ac-
12 ceptable means that the Secretary deems appropriate to
13 the extent and under the conditions provided in regula-
14 tions prescribed by the Secretary.

15 “(b) ULTIMATE LIABILITY.—If a check, money
16 order, or other method of payment, including payment by
17 credit card, debit card, charge card, or electronic funds
18 transfer so received is not duly paid, or is paid and subse-
19 quently charged back to the Secretary, the person by
20 whom such check, money order, or other method of pay-
21 ment has been tendered shall remain liable for the pay-
22 ment of the tax or for the stamps, and for all legal pen-
23 alties and additions, to the same extent as if such check,
24 money order, or other method of payment had not been
25 tendered.

1 “(c) LIABILITY OF BANKS AND OTHERS.—If any cer-
2 tified, treasurer’s, or cashier’s check (or other guaranteed
3 draft), or any money order, or any means of payment that
4 has been guaranteed by a financial institution (such as
5 a credit card, debit card, charge card, or electronic funds
6 transfer transaction which has been guaranteed expressly
7 by a financial institution) so received is not duly paid, the
8 United States shall, in addition to its right to exact pay-
9 ment from the party originally indebted therefor, have a
10 lien for—

11 “(1) the amount of such check (or draft) upon
12 all assets of the financial institution on which
13 drawn,

14 “(2) the amount of such money order upon all
15 the assets of the issuer therefor,

16 “(3) the guaranteed amount of any other trans-
17 action upon all the assets of the institution making
18 such guarantee,

19 and such amount shall be paid out of such assets in pref-
20 erence to any other claims whatsoever against such finan-
21 cial institution, issuer, or guaranteeing institution, except
22 the necessary costs and expenses of administration and
23 the reimbursement of the United States for the amount
24 expended in the redemption of the circulating notes of
25 such financial institution.

1 “(d) PAYMENT BY OTHER MEANS.—

2 “(1) AUTHORITY TO PRESCRIBE REGULA-
3 TIONS.—The Secretary shall prescribe such regula-
4 tions as the Secretary deems necessary to receive
5 payment by commercially acceptable means, includ-
6 ing regulations that—

7 “(A) specify which methods of payment by
8 commercially acceptable means will be accept-
9 able;

10 “(B) specify when payment by such means
11 will be considered received;

12 “(C) identify types of nontax matters re-
13 lated to payment by such means that are to be
14 resolved by persons ultimately liable for pay-
15 ment and financial intermediaries, without the
16 involvement of the Secretary; and

17 “(D) ensure that tax matters will be re-
18 solved by the Secretary, without the involve-
19 ment of financial intermediaries.

20 “(2) AUTHORITY TO ENTER INTO CON-
21 TRACTS.—Notwithstanding section 3718(f) of title
22 31, United States Code, the Secretary is authorized
23 to enter into contracts to obtain services relating to
24 receiving payment by other means when cost bene-
25 ficial to the Government.

1 “(3) SPECIAL PROVISIONS FOR USE OF CREDIT
2 CARDS.—If use of credit cards is accepted as a
3 method of payment of taxes pursuant to subsection
4 (a)—

5 “(A) a payment of internal revenue taxes
6 (or a payment for internal revenue stamps) by
7 a person by use of a credit card shall not be
8 subject to section 161 of the Truth-in-Lending
9 Act (15 U.S.C. 1666), or to any similar provi-
10 sions of State law, if the error alleged by the
11 person is an error relating to the underlying tax
12 liability, rather than an error relating to the
13 credit card account such as a computational
14 error or numerical transposition in the credit
15 card transaction or an issue as to whether the
16 person authorized payment by use of the credit
17 card;

18 “(B) a payment of internal revenue taxes
19 (or a payment for internal revenue stamps)
20 shall not be subject to section 170 of the Truth
21 in Lending Act (15 U.S.C. 1666i), or to any
22 similar provisions of State law;

23 “(C) a payment of internal revenue taxes
24 (or a payment for internal revenue stamps) by
25 a person by use of a debit card shall not be

1 subject to section 908 of the Electronic Fund
2 Transfer Act (15 U.S.C. 1693f), or to any simi-
3 lar provisions of State law, if the error alleged
4 by the person is an error relating to the under-
5 lying tax liability, rather than an error relating
6 to the debit card account such as a computa-
7 tional error or numerical transposition in the
8 debit card transaction or an issue as to whether
9 the person authorized payment by use of the
10 debit card;

11 “(D) the term ‘creditor’ under section
12 103(f) of the Truth in Lending Act (15 U.S.C.
13 1602(f)) shall not include the Secretary with re-
14 spect to credit card transactions in payment of
15 internal revenue taxes (or payment for internal
16 revenue stamps); and

17 “(E) notwithstanding any other provision
18 of law to the contrary, in the case of payment
19 made by credit card or debit card transaction in
20 an amount owed to a person as a result of the
21 correction of an error under section 161 of the
22 Truth in Lending Act (15 U.S.C. 1666) or sec-
23 tion 908 of the Electronic Fund Transfer Act
24 (15 U.S.C. 1693(f)), the Secretary is authorized
25 to provide such amount to such person as a

1 credit to that person's credit card or debit card
2 account through the applicable credit card or
3 debit card system.

4 “(e) CONFIDENTIALITY OF INFORMATION.—

5 “(1) IN GENERAL.—Except as otherwise au-
6 thorized by this subsection, no person may use or
7 disclose any information relating to credit or debit
8 card transactions obtained pursuant to section
9 6103(k)(8) other than for purposes directly related
10 to the processing of such transactions, or the billing
11 or collection of amounts charged or debited pursuant
12 thereto.

13 “(2) EXCEPTIONS.—

14 “(A) Debit or credit card issuers or others
15 acting on behalf of such issuers may also use
16 and disclose such information for purposes di-
17 rectly related to servicing an issuer's accounts.

18 “(B) Debit or credit card issuers or others
19 directly involved in the processing of credit or
20 debit card transactions or the billing or collec-
21 tion of amounts charged or debited thereto may
22 also use and disclose such information for pur-
23 poses directly related to—

24 “(i) statistical risk and profitability
25 assessment,

1 “(ii) transferring receivables, ac-
2 counts, or interest therein,

3 “(iii) auditing the account informa-
4 tion,

5 “(iv) complying with Federal, State,
6 or local law, and

7 “(v) properly authorized civil, crimi-
8 nal, or regulatory investigation by Federal,
9 State, or local authorities.

10 “(3) PROCEDURES.—Use and disclosure of in-
11 formation under this paragraph shall be made only
12 to the extent authorized by written procedures pro-
13 mulgated by the Secretary.

14 “(4) CROSS REFERENCE.—

**“For provision providing for civil damages for vio-
lation of paragraph (1), see section 7431.”**

15 (b) SEPARATE APPROPRIATION REQUIRED FOR PAY-
16 MENT OF CREDIT CARD FEES.—No amount may be paid
17 by the United States to a credit card issuer for the right
18 to receive payments of internal revenue taxes by credit
19 card without a separate appropriation therefor.

20 (c) CLERICAL AMENDMENT.—The table of sections
21 for subchapter B of chapter 64 is amended by striking
22 the item relating to section 6311 and inserting the follow-
23 ing:

“Sec. 6311. Payment of tax by commercially acceptable means.”

1 (d) AMENDMENTS TO SECTION 6103 AND 7431 WITH
2 RESPECT TO DISCLOSURE AUTHORIZATION.—

3 (1) Subsection (k) of section 6103 (relating to
4 confidentiality and disclosure of returns and return
5 information) is amended by adding at the end the
6 following new paragraph—

7 “(8) DISCLOSURE OF INFORMATION TO ADMIN-
8 ISTER SECTION 6311.—The Secretary may disclose
9 returns or return information to financial institu-
10 tions and others to the extent the Secretary deems
11 necessary for the administration of section 6311.
12 Disclosures of information for purposes other than
13 to accept payments by check or money orders shall
14 be made only to the extent authorized by written
15 procedures promulgated by the Secretary.”.

16 (2) Section 7431 (relating to civil damages for
17 unauthorized disclosure of returns and return infor-
18 mation) is amended by adding at the end the follow-
19 ing new subsection:

20 “(g) SPECIAL RULE FOR INFORMATION OBTAINED
21 UNDER SECTION 6103(k)(8).—For purposes of this sec-
22 tion, any reference to section 6103 shall be treated as in-
23 cluding a reference to section 6311(e).”.

24 (3) Section 6103(p)(3)(A) is amended by strik-
25 ing “or (6)” and inserting “(6), or (8)”.

1 (e) EFFECTIVE DATE.—The amendments made by
2 this section shall take effect on the day which is 9 months
3 after the date of the enactment of this Act.

4 **SEC. 206. RETURN-FREE TAX SYSTEM.**

5 (a) IN GENERAL.—The Secretary of the Treasury or
6 the Secretary's delegate shall develop procedures for the
7 implementation of a return-free tax system under which
8 individuals would be permitted to comply with the Internal
9 Revenue Code of 1986 without making the return required
10 under section 6012 of such Code for taxable years begin-
11 ning after 2007.

12 (b) REPORT.—Not later than June 30 of each cal-
13 endar year after 1999, such Secretary shall report to the
14 Committee on Ways and Means of the House of Rep-
15 resentatives, the Committee on Finance of the Senate, and
16 the Joint Committee on Taxation on—

17 (1) the procedures developed pursuant to sub-
18 section (a),

19 (2) the number and classes of taxpayers that
20 would be permitted to use the procedures developed
21 pursuant to subsection (a),

22 (3) the changes to the Internal Revenue Code
23 of 1986 that could enhance the use of such a sys-
24 tem, and

1 (4) what additional resources the Internal Reve-
2 nue Service would need to implement such a system.

3 **SEC. 207. ACCESS TO ACCOUNT INFORMATION.**

4 Not later than December 31, 2006, the Secretary of
5 the Treasury or the Secretary's delegate shall develop pro-
6 cedures under which a taxpayer filing returns electroni-
7 cally would be able to review the taxpayer's account elec-
8 tronically, including all necessary safeguards to ensure the
9 privacy of such account information.

10 **TITLE III—TAXPAYER**
11 **PROTECTION AND RIGHTS**

12 **SEC. 301. EXPANSION OF AUTHORITY TO ISSUE TAXPAYER**
13 **ASSISTANCE ORDERS.**

14 (a) IN GENERAL.—Section 7811(a) (relating to tax-
15 payer assistance orders) is amended—

16 (1) by striking “Upon application” and insert-
17 ing the following:

18 “(1) IN GENERAL.—Upon application”,

19 (2) by moving the text 2 ems to the right, and

20 (3) by adding at the end the following new
21 paragraph:

22 “(2) DETERMINATION OF HARDSHIP.—For pur-
23 poses of determining whether a taxpayer is suffering
24 or about to suffer a significant hardship, the Tax-
25 payer Advocate should consider—

1 “(A) whether the Internal Revenue Service
2 employee to which such order would issue is fol-
3 lowing applicable published administrative guid-
4 ance, including the Internal Revenue Manual,

5 “(B) whether there is an immediate threat
6 of adverse action,

7 “(C) whether there has been a delay of
8 more than 30 days in resolving taxpayer ac-
9 count problems, and

10 “(D) the prospect that the taxpayer will
11 have to pay significant professional fees for rep-
12 resentation.”.

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

16 **SEC. 302. EXPANSION OF AUTHORITY TO AWARD COSTS**
17 **AND CERTAIN FEES.**

18 (a) AUTHORITY TO AWARD HIGHER ATTORNEY’S
19 FEES BASED ON COMPLEXITY OF ISSUES.—Clause (iii)
20 of section 7430(c)(1)(B) (relating to the award of costs
21 and certain fees) is amended by inserting “, or the dif-
22 ficulty of the issues presented in the case or the local avail-
23 ability of tax expertise,” before “justifies a higher rate”.

24 (b) AWARD OF ADMINISTRATIVE COSTS INCURRED
25 AFTER 30-DAY LETTER.—

1 (1) Paragraph (2) of section 7430(c) is amend-
2 ed by striking the last sentence and insert the fol-
3 lowing:

4 “Such term shall only include costs incurred on or
5 after whichever of the following is the earliest: (i)
6 the date of the receipt by the taxpayer of the notice
7 of the decision of the Internal Revenue Service Of-
8 fice of Appeals, (ii) the date of the notice of defi-
9 ciency, or (iii) the date on which the 1st letter of
10 proposed deficiency which allows the taxpayer an op-
11 portunity for administrative review in the Internal
12 Revenue Service Office of Appeals is sent.”

13 (2) Subparagraph (B) of section 7430(c)(7) is
14 amended by striking “or” and the end of clause (i),
15 by striking the period at the end of clause (ii) and
16 inserting “, or”, and by adding at the end the fol-
17 lowing new clause:

18 “(iii) the date on which the 1st letter
19 of proposed deficiency which allows the
20 taxpayer an opportunity for administrative
21 review in the Internal Revenue Service Of-
22 fice of Appeals is sent.”

23 (c) AWARD OF FEES FOR CERTAIN ADDITIONAL
24 SERVICES.—Paragraph (3) of section 7430(c) is amended
25 by adding at the end the following new sentence: “Such

1 term also includes such amounts as the court calculates,
2 based on hours worked and costs expended, for services
3 of an individual (whether or not an attorney) who is au-
4 thorized to practice before the Tax Court or before the
5 Internal Revenue Service and who represents the taxpayer
6 for no more than a nominal fee.”

7 (d) DETERMINATION OF PREVAILING PARTY.—Para-
8 graph (4) of section 7430(c) is amended—

9 (A) by inserting at the end of subpara-
10 graph (A) the following new flush sentence:

11 “For purposes of this section, such section
12 2412(d)(2)(B) shall be applied by substituting
13 ‘\$5,000,000’ for the amount otherwise applica-
14 ble to individuals, and ‘\$35,000,000’ for the
15 amount otherwise applicable to businesses.”,
16 and

17 (B) by adding at the end the following new
18 subparagraph:

19 “(D) SAFE HARBOR.—The position of the
20 United States was not substantially justified if
21 the United States has not prevailed on the
22 same issue in at least 3 United States Courts
23 of Appeal.”

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

4 **SEC. 303. CIVIL DAMAGES FOR NEGLIGENCE IN COLLEC-**
5 **TION ACTIONS.**

6 (a) IN GENERAL.—Section 7433 (relating to civil
7 damages for certain unauthorized collection actions) is
8 amended—

9 (1) in subsection (a), by inserting “, or by rea-
10 son of negligence,” after “recklessly or inten-
11 tionally”, and

12 (2) in subsection (b)—

13 (A) in the matter preceding paragraph (1),
14 by inserting “(\$100,000, in the case of neg-
15 ligence)” after “\$1,000,000”, and

16 (B) in paragraph (1), by inserting “or neg-
17 ligent” after “reckless or intentional”.

18 (b) EFFECTIVE DATE.—The amendments made by
19 this section shall apply to actions of officers or employees
20 of the Internal Revenue Service after the date of the en-
21 actment of this Act.

22 **SEC. 304. DISCLOSURE OF CRITERIA FOR EXAMINATION**
23 **SELECTION.**

24 (a) IN GENERAL.—The Secretary of the Treasury or
25 the Secretary’s delegate shall, as soon as practicable, but

1 not later than 180 days after the date of the enactment
2 of this Act, incorporate into the statement required by sec-
3 tion 6227 of the Omnibus Taxpayer Bill of Rights (Inter-
4 nal Revenue Service Publication No. 1) a statement which
5 sets forth in simple and nontechnical terms the criteria
6 and procedures for selecting taxpayers for examination.
7 Such statement shall not include any information the dis-
8 closure of which would be detrimental to law enforcement,
9 but shall specify the general procedures used by the Inter-
10 nal Revenue Service, including the extent to which tax-
11 payers are selected for examination on the basis of infor-
12 mation available in the media or on the basis of informa-
13 tion provided to the Internal Revenue Service by inform-
14 ants.

15 (b) TRANSMISSION TO COMMITTEES OF CON-
16 GRESS.—Such Secretary shall transmit drafts of the state-
17 ment required under subsection (a) (or proposed revisions
18 to any such statement) to the Committee on Ways and
19 Means of the House of Representatives, the Committee on
20 Finance of the Senate, and the Joint Committee on Tax-
21 ation on the same day.

22 **SEC. 305. ARCHIVAL OF RECORDS OF INTERNAL REVENUE**
23 **SERVICE.**

24 (a) IN GENERAL.—Subsection (l) of section 6103 (re-
25 lating to confidentiality and disclosure of returns and re-

1 turn information) is amended by adding at the end the
2 following new paragraph:

3 “(16) DISCLOSURE TO NATIONAL ARCHIVES
4 AND RECORDS ADMINISTRATION.—The Secretary
5 shall, upon written request from the Archivist of the
6 United States, disclose to the Archivist all records of
7 the Internal Revenue Service for purposes of sched-
8 uling such records for destruction or for retention in
9 the National Archives. Any such information that is
10 retained in the National Archives shall not be dis-
11 closed without the express written approval of the
12 Secretary.”

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

16 **SEC. 306. TAX RETURN INFORMATION.**

17 The Joint Committee on Taxation shall convene a
18 study of the scope and use of provisions regarding tax-
19 payer confidentiality, and shall report the findings of such
20 study, together with such recommendations as it deems
21 appropriate, to the Congress no later than one year after
22 the date of the enactment of this Act. Such study shall
23 be led by a panel of experts, to be appointed by the Joint
24 Committee on Taxation, which shall examine the present
25 protections for taxpayer privacy, the need for third parties

1 to use tax return information, and the ability to achieve
2 greater levels of voluntary compliance by allowing the pub-
3 lic to know who is legally required to do so, but does not
4 file tax returns.

5 **SEC. 307. FREEDOM OF INFORMATION.**

6 (a) IN GENERAL.—The Secretary of the Treasury or
7 the Secretary’s delegate shall, as soon as practicable, but
8 not later than 180 days after the date of the enactment
9 of this Act, develop procedures under which expedited ac-
10 cess will be granted to requests under section 551 of title
11 5, United States Code, when—

12 (1) there exists widespread and exceptional
13 media interest in the requested information, and

14 (2) expedited processing is warranted because
15 the information sought involves possible questions
16 about the government’s integrity which affect public
17 confidence.

18 In addition, such procedures shall require the Internal
19 Revenue Service to provide an explanation to the person
20 making the request if the request is not satisfied within
21 30 days, including a summary of actions taken to date
22 and the expected completion date. Finally, to the extent
23 that any such request is not satisfied in full within 60
24 days, such person may seek a determination of whether

1 such request should be granted by the appropriate Federal
2 district court.

3 (b) TRANSMISSION TO COMMITTEES OF CON-
4 GRESS.—Such Secretary shall transmit drafts of the pro-
5 cedures required under subsection (a) (or proposed revi-
6 sions to any such procedures) to the Committee on Ways
7 and Means of the House of Representatives, the Commit-
8 tee on Finance of the Senate, and the Joint Committee
9 on Taxation on the same day.

10 **SEC. 308. OFFERS-IN-COMPROMISE.**

11 (a) IN GENERAL.—Section 7122 (relating to offers-
12 in-compromise) is amended by adding at the end the fol-
13 lowing new subsection:

14 “(c) ALLOWANCES.—The Secretary shall develop and
15 publish schedules of national and local allowances to en-
16 sure that taxpayers entering into a compromise have an
17 adequate means to provide for basic living expenses.”

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

21 **SEC. 309. ELIMINATION OF INTEREST DIFFERENTIAL ON**
22 **OVERPAYMENTS AND UNDERPAYMENTS.**

23 (a) IN GENERAL.—Subsection (a) of section 6621
24 (relating to the determination of rate of interest) is
25 amended to read as follows:

1 “(a) GENERAL RULE.—

2 “(1) RATE.—The rate established under this
3 section shall be the sum of—

4 “(A) the Federal short-term rate deter-
5 mined under subsection (b), plus

6 “(B) the number of percentage points
7 specified by the Secretary.

8 “(2) DETERMINATION OF PERCENTAGE
9 POINTS.—The number of percentage points specified
10 by the Secretary for purposes of paragraph (1)(B)
11 shall be the number which the Secretary estimates
12 will result in the same net revenue to the Treasury
13 as would have resulted without regard to the amend-
14 ments made by section 309 of the Internal Revenue
15 Service Restructuring and Reform Act of 1997.”

16 (b) CONFORMING AMENDMENTS.—

17 (1) Section 6621 is amended by striking sub-
18 section (c).

19 (2) The following provisions are each amended
20 by striking “overpayment rate” and inserting
21 “rate”: Sections 42(j)(2)(B), 167(g)(2)(C),
22 460(b)(2)(C), 6343(c), 6427(i)(3)(B), 6611(a), and
23 7426(g).

24 (3) The following provisions are each amended
25 by striking “underpayment rate” and inserting

1 “rate”: Sections 42(k)(4)(A)(ii), 148(f)(4)(C)(x)(II),
 2 148(f)(7)(C)(ii), 453A(c)(2)(B), 644(a)(2)(B),
 3 852(e)(3)(A), 4497(c)(2), 6332(d)(1), 6601(a),
 4 6602, 6654(a)(1), 6655(a)(1), and 6655(h)(1).

5 (c) EFFECTIVE DATE.—The amendments made by
 6 this section shall apply for purposes of determining inter-
 7 ests for periods after the date of the enactment of this
 8 Act.

9 **SEC. 310. ELIMINATION OF APPLICATION OF FAILURE TO**
 10 **PAY PENALTY DURING PERIOD OF INSTALL-**
 11 **MENT AGREEMENT.**

12 (a) IN GENERAL.—Subsection (c) of section 6651
 13 (relating to the penalty for failure to file tax return or
 14 to pay tax) is amended by adding at the end the following
 15 new paragraph:

16 “(3) TOLLING DURING PERIOD OF INSTALL-
 17 MENT AGREEMENT.—If the amount required to be
 18 paid is the subject of an agreement for payment of
 19 tax liability in installments made pursuant to section
 20 6159, the additions imposed under subsection (a)
 21 shall not apply so long as such agreement remains
 22 in effect.”

23 (b) EFFECTIVE DATE.—The amendment made by
 24 this section shall apply to agreements entered into after
 25 the date of the enactment of this Act.

1 **SEC. 311. SAFE HARBOR FOR QUALIFICATION FOR IN-**
2 **STALLMENT AGREEMENTS.**

3 (a) IN GENERAL.—Subsection (a) of section 6159
4 (relating to agreements for payment of tax liability in in-
5 stallments) is amended—

6 (1) by striking “The Secretary is” and inserting
7 the following:

8 “(1) IN GENERAL.—The Secretary is”,

9 (2) by moving the test 2 ems to the right, and

10 (3) by adding at the end the following new
11 paragraph:

12 “(2) SAFE HARBOR.—The Secretary shall enter
13 into an agreement to accept the payment of a tax li-
14 ability in installments if—

15 “(A) the amount of such liability does not
16 exceed \$10,000,

17 “(B) the taxpayer has not failed to file any
18 tax return or pay any tax required to be shown
19 thereon during the immediately preceding 5
20 years, and

21 “(C) the taxpayer has not entered into any
22 prior installment agreement under this para-
23 graph.”

24 (b) EFFECTIVE DATE.—The amendments made by
25 this section shall apply to agreements entered into after
26 the date of the enactment of this Act.

1 **SEC. 312. PAYMENT OF TAXES.**

2 (a) IN GENERAL.—The Secretary of the Treasury or
 3 his delegate shall establish such rules, regulations, and
 4 procedures as are necessary to require payment of taxes
 5 by check or money order to be made payable to the Treas-
 6 urer, United States of America.

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

10 **SEC. 313. LOW INCOME TAXPAYER CLINICS.**

11 (a) IN GENERAL.—Chapter 77 (relating to mis-
 12 cellaneous provisions) is amended by adding at the end
 13 thereof the following new section:

14 **“SEC. 7525. LOW INCOME TAXPAYER CLINICS.**

15 “(a) IN GENERAL.—The Secretary shall make grants
 16 to provide matching funds for the development, expansion,
 17 or continuation of qualified low income taxpayer clinics.

18 “(b) DEFINITIONS.—For purposes of this section—

19 “(1) QUALIFIED LOW INCOME TAXPAYER CLIN-
 20 IC.—

21 “(A) IN GENERAL.—The term ‘qualified
 22 low income taxpayer clinic’ means a clinic
 23 that—

24 “(i) represents low income taxpayers
 25 in controversies with the Internal Revenue
 26 Service,

1 “(ii) operates programs to inform in-
2 dividuals for whom English is a second
3 language about their rights and respon-
4 sibilities under this title, and

5 “(iii) does not charge more than a
6 nominal fee for its services, except for re-
7 imbursement of actual costs incurred.

8 “(B) REPRESENTATION OF LOW INCOME
9 TAXPAYERS.—A clinic meets the requirements
10 of subparagraph (A)(i) if—

11 “(i) at least 90 percent of the tax-
12 payers represented by the clinic have in-
13 come which does not exceed 250 percent of
14 the poverty level, as determined in accord-
15 ance with criteria established by the Direc-
16 tor of the Office of Management and
17 Budget, and

18 “(ii) the amount in controversy for
19 any taxable year generally does not exceed
20 the amount specified in section 7463.

21 “(2) CLINIC.—The term ‘clinic’ includes—

22 “(A) a clinical program at an accredited
23 law school in which students represent low in-
24 come taxpayers in controversies arising under
25 this title, and

1 “(B) an organization exempt from tax
2 under section 501(c) which satisfies the require-
3 ments of paragraph (1) through representation
4 of taxpayers or referral of taxpayers to qualified
5 representatives.

6 “(3) QUALIFIED REPRESENTATIVE.—The term
7 ‘qualified representative’ means any individual
8 (whether or not an attorney) who is authorized to
9 practice before the Internal Revenue Service or the
10 applicable court.

11 “(c) SPECIAL RULES AND LIMITATIONS.—

12 “(1) AGGREGATE LIMITATION.—Unless other-
13 wise provided by specific appropriation, the Sec-
14 retary shall not allocate more than \$3,000,000 per
15 year (exclusive of costs of administering the pro-
16 gram) to grants under this section.

17 “(2) LIMITATION ON INDIVIDUAL GRANTS.—A
18 grant under this section shall not exceed \$100,000
19 per year.

20 “(3) MULTI-YEAR GRANTS.—Upon application
21 of a qualified low income taxpayer clinic, the Sec-
22 retary is authorized to award a multi-year grant not
23 to exceed 3 years.

1 “(4) CRITERIA FOR AWARDS.—In determining
2 whether to make a grant under this section, the Sec-
3 retary shall consider—

4 “(A) the numbers of taxpayers who will be
5 served by the clinic, including the number of
6 taxpayers in the geographical area for whom
7 English is a second language,

8 “(B) the existence of other low income tax-
9 payer clinics serving the same population,

10 “(C) the quality of the program offered by
11 the low income taxpayer clinic, including the
12 qualifications of its administrators and qualified
13 representatives, and its track record, if any, in
14 providing service to low income taxpayers, and

15 “(D) alternative funding sources available
16 to the clinic, including amounts received from
17 other grants and contributions, and the endow-
18 ment and resources of the educational institu-
19 tion sponsoring the clinic.

20 “(5) REQUIREMENT OF MATCHING FUNDS.—A
21 low income taxpayer clinic must provide matching
22 funds on a dollar for dollar basis for all grants pro-
23 vided under this section. Matching funds may in-
24 clude—

1 “(A) the salary (including fringe benefits)
2 of a faculty member at an educational institu-
3 tion who is teaching in the clinic;

4 “(B) the salaries of administrative person-
5 nel employed in the clinic; and

6 “(C) the cost of equipment used in the
7 clinic.

8 Indirect expenses, including general overhead of the
9 educational institution sponsoring the clinic, shall
10 not be counted as matching funds.”.

11 (b) **CLERICAL AMENDMENT.**—The table of sections
12 for chapter 77 is amended by adding at the end the follow-
13 ing new section:

 “Sec. 7525. Low income taxpayer clinics.”

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. 314. JURISDICTION OF THE TAX COURT.**

18 (a) **INTEREST DETERMINATIONS.**—Subsection (c) of
19 section 7481 (relating to the date when Tax Court deci-
20 sions become final) is amended—

21 (1) by inserting “or underpayment” after
22 “overpayment” each place it appears, and

23 (2) by striking “petition” in paragraph (3) and
24 inserting “motion”.

1 (b) EXTENSION OF TIME FOR PAYMENT OF ESTATE
2 TAX.—Section 6166 (relating to the extension of time for
3 payment of estate tax) is amended—

4 (1) by redesignating subsection (k) as sub-
5 section (l), and

6 (2) by inserting after subsection (j) the follow-
7 ing new subsection:

8 “(k) JUDICIAL REVIEW.—The Tax Court shall have
9 jurisdiction to review disputes regarding initial or continu-
10 ing eligibility for extensions of time for payment under
11 this section, including disputes regarding the proper
12 amount of installment payments required herein.”

13 (c) SMALL CASE CALENDAR.—

14 (1) Subsection (a) of section 7463 (relating to
15 disputes involving \$10,000 or less) is amended by
16 striking “\$10,000” each place it appears and insert-
17 ing “\$25,000”.

18 (2) The section heading for section 7463 is
19 amended by striking “\$10,000” and inserting
20 “\$25,000”.

21 (3) The item relating to section 7463 in the
22 table of sections for part II of subchapter C of chap-
23 ter 76 is amended by striking “\$10,000” and insert-
24 ing “\$25,000”.

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

4 **SEC. 315. CATALOGING COMPLAINTS.**

5 (a) IN GENERAL.—The Commissioner of Internal
6 Revenue shall, as soon as practicable, but not later than
7 180 days after the date of the enactment of this Act, de-
8 velop procedures to catalog and review taxpayer com-
9 plaints of misconduct by Internal Revenue Service employ-
10 ees. Such procedures should include guidelines for internal
11 review and discipline of employees, as warranted by the
12 scope of such complaints.

13 (b) HOTLINE.— The Commissioner of Internal Reve-
14 nue shall, as soon as practicable, but not later than 180
15 days after the date of the enactment of this Act, establish
16 a toll-free telephone number for taxpayers to register com-
17 plaints of misconduct by Internal Revenue Service employ-
18 ees, and shall publish such number in Publication 1.

19 **SEC. 316. PROCEDURES INVOLVING TAXPAYER INTER-**
20 **VIEWS.**

21 (a) IN GENERAL.—Paragraph (1) of section 7521(b)
22 (relating to procedures involving taxpayer interviews) is
23 amended to read as follows:

1 “(1) EXPLANATIONS OF PROCESSES.—An offi-
2 cer or employee of the Internal Revenue Service
3 shall—

4 “(A) before or at an initial interview, pro-
5 vide to the taxpayer—

6 “(i) in the case of an in-person inter-
7 view with the taxpayer relating to the de-
8 termination of any tax, an explanation of
9 the audit process and the taxpayer’s rights
10 under such process, or

11 “(ii) in the case of an in-person inter-
12 view with the taxpayer relating to the col-
13 lection of any tax, an explanation of the
14 collection process and the taxpayer’s rights
15 under such process, and

16 “(B) before an in-person initial interview
17 with the taxpayer relating to the determination
18 of any tax—

19 “(i) inquire whether the taxpayer is
20 represented by an individual described in
21 subsection (c),

22 “(ii) explain that the taxpayer has the
23 right to have the interview take place in a
24 reasonable place and that such place does
25 not have to be the taxpayer’s home,

1 “(iii) explain the reasons for the selec-
2 tion of the taxpayer’s return for examina-
3 tion, and

4 “(iv) provide the taxpayer with a writ-
5 ten explanation of the applicable burdens
6 of proof on taxpayers and the Internal
7 Revenue Service.

8 If the taxpayer is represented by an individual de-
9 scribed in subsection (c), the interview may not pro-
10 ceed without the presence of such individual unless
11 the taxpayer consents.”

12 (b) EFFECTIVE DATE.—The amendments made by
13 this section shall apply to interviews and examinations
14 taking place after the date of the enactment of this Act.

15 **SEC. 317. EXPLANATION OF JOINT AND SEVERAL**
16 **LIABILITY.**

17 (a) IN GENERAL.—The Secretary of the Treasury or
18 the Secretary’s delegate shall, as soon as practicable, but
19 not later than 180 days after the date of the enactment
20 of this Act, establish procedures to clearly alert taxpayers
21 of their joint and several liabilities on all tax forms, publi-
22 cations, and instructions. Such procedures shall include
23 explanations of the possible consequences of joint and sev-
24 eral liability.

1 (b) TRANSMISSION TO COMMITTEES OF CON-
 2 GRESS.—Such Secretary shall transmit drafts of the pro-
 3 cedures required under subsection (a) (or proposed revi-
 4 sions to any such procedures) to the Committee on Ways
 5 and Means of the House of Representatives, the Commit-
 6 tee on Finance of the Senate, and the Joint Committee
 7 on Taxation on the same day.

8 **SEC. 318. PROCEDURES RELATING TO EXTENSIONS OF**
 9 **STATUTE OF LIMITATIONS BY AGREEMENT.**

10 (a) IN GENERAL.—Paragraph (4) of section 6501(c)
 11 (relating to the period for limitations on assessment and
 12 collection) is amended—

13 (1) by striking “Where” and inserting the fol-
 14 lowing:

15 “(A) IN GENERAL.—Where”,

16 (2) by moving the text 2 ems to the right, and

17 (3) by adding at the end the following new sub-
 18 paragraph:

19 “(B) NOTICE TO TAXPAYER OF RIGHT TO
 20 REFUSE OR LIMIT EXTENSION.—The Secretary
 21 shall notify the taxpayer of the taxpayer’s right
 22 to refuse to extend the period of limitations, or
 23 to limit such extension to particular issues, on
 24 each occasion when the taxpayer is requested to
 25 provide such consent.”

1 (b) EFFECTIVE DATE.—The amendments made by
2 this section shall apply to requests to extend the period
3 of limitations made after the date of the enactment of this
4 Act.

5 **SEC. 319. REVIEW OF PENALTY ADMINISTRATION.**

6 The Taxpayer Advocate shall prepare a study and
7 provide an independent report to the Committee on Ways
8 and Means of the House of Representatives, the Commit-
9 tee on Finance of the Senate, and the Joint Committee
10 on Taxation, no later than July 30, 1998, reviewing the
11 administration and implementation by the Internal Reve-
12 nue Service of the penalty reform recommendations made
13 in the Omnibus Budget Reconciliation Act of 1989, includ-
14 ing legislative and administrative recommendations to sim-
15 plify penalty administration and reduce taxpayer burden.

16 **SEC. 320. STUDY OF TREATMENT OF ALL TAXPAYERS AS**
17 **SEPARATE FILING UNITS.**

18 The Secretary of the Treasury or his delegate and
19 the Comptroller General of the United States shall each
20 conduct separate studies on the feasibility of treating each
21 individual separately for purposes of the Internal Revenue
22 Code of 1986, including recommendations for eliminating
23 the marriage penalty, addressing community property is-
24 sues, and reducing burden for divorced and separated tax-
25 payers. The reports of each study shall be delivered to the

1 Committee on Ways and Means of the House of Rep-
2 resentatives, the Committee on Finance of the Senate, and
3 the Joint Committee on Taxation no later than 180 days
4 after the date of the enactment of this Act.

5 **SEC. 321. STUDY OF BURDEN OF PROOF.**

6 The Comptroller General of the United States shall
7 prepare a report on the burdens of proof for taxpayers
8 and the Internal Revenue Service for controversies arising
9 under the Internal Revenue Code of 1986, which shall be
10 delivered to the Committee on Ways and Means of the
11 House of Representatives, the Committee on Finance of
12 the Senate, and the Joint Committee on Taxation no later
13 than 180 days after the date of the enactment of this Act.
14 Such report shall highlight the differences between these
15 burdens and the burdens imposed in other disputes with
16 the Federal Government, and should comment on the im-
17 pact of changing these burdens on tax administration and
18 taxpayer rights.

1 **TITLE IV—CONGRESSIONAL AC-**
2 **COUNTABILITY FOR THE IN-**
3 **TERNAL REVENUE SERVICE**

4 **Subtitle A—Oversight**

5 **SEC. 401. EXPANSION OF POWERS OF THE JOINT COMMIT-**
6 **TEE ON TAXATION.**

7 (a) IN GENERAL.—Section 8021 (relating to the pow-
8 ers of the Joint Committee on Taxation) is amended by
9 adding at the end the following new subsections:

10 “(e) CONSULTANT SERVICES.—The Joint Committee
11 is authorized to procure the services of experts and con-
12 sultants in accordance with section 3109(b) of title 5,
13 United States Code.

14 “(f) INVESTIGATIONS.—The Joint Committee shall
15 review all requests (other than requests by a Committee
16 or Subcommittee) for investigations of the Internal Reve-
17 nue Service by the General Accounting Office, and approve
18 such requests when appropriate, with a view towards
19 eliminating overlapping investigations, ensuring that the
20 General Accounting Office has the capacity to handle the
21 investigation, and ensuring that investigations focus on
22 areas of primary importance to tax administration.

23 “(g) RELATING TO JOINT HEARINGS.—

24 “(1) IN GENERAL.—The Chief of Staff, and
25 such other staff as are appointed pursuant to section

1 8004, shall provide such assistance as is required for
2 joint hearings described in paragraph (2).

3 “(2) JOINT HEARINGS.—On or before April 1
4 of each calendar year after 1997, there shall be a
5 joint hearing of two members of the majority and
6 one member of the minority from each of the Com-
7 mittees on Finance, Appropriations, and Govern-
8 ment Affairs of the Senate, and the Committees on
9 Ways and Means, Appropriations, and Government
10 Reform and Oversight of the House of Representa-
11 tives, to review the strategic plans and budget for
12 the Internal Revenue Service. After the conclusion of
13 the annual filing season, there shall be a second an-
14 nual joint hearing to review other matters outlined
15 in section 8022(3)(C).”.

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

19 **SEC. 402. COORDINATED OVERSIGHT REPORTS.**

20 (a) IN GENERAL.—Paragraph (3) of section 8022
21 (relating to the duties of the Joint Committee on Tax-
22 ation) is amended to read as follows:

23 “(3) REPORTS.—

24 “(A) To report, from time to time, to the
25 Committee on Finance and the Committee on

1 Ways and Means, and, in its discretion, to the
2 Senate or House of Representatives, or both,
3 the results of its investigations, together with
4 such recommendations as it may deem advis-
5 able.

6 “(B) To report, annually, to the Commit-
7 tee on Finance and the Committee on Ways
8 and Means on the overall state of the Federal
9 tax system, together with recommendations
10 with respect to possible simplification proposals
11 and other matters relating to the administra-
12 tion of the Federal tax system as it may deem
13 advisable.

14 “(C) To report, annually, to the Commit-
15 tees on Finance, Appropriations, and Govern-
16 ment Affairs of the Senate, and to the Commit-
17 tees on Ways and Means, Appropriations, and
18 Government Reform and Oversight of the
19 House of Representatives, with respect to—

20 “(i) strategic and business plans for
21 the Internal Revenue Service;

22 “(ii) progress of the Internal Revenue
23 Service in meeting its objectives;

1 “(iii) the budget for the Internal Rev-
2 enue Service and whether it supports its
3 objectives;

4 “(iv) progress of the Internal Revenue
5 Service in improving taxpayer service and
6 compliance;

7 “(v) progress of the Internal Revenue
8 Service on technology modernization; and

9 “(vi) the annual filing season.”.

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

13 **Subtitle B—Budget**

14 **SEC. 411. BUDGET DISCRETION.**

15 (a) IN GENERAL.—

16 (1) ADJUSTMENTS.—For purposes of the Con-
17 gressional Budget Act of 1974 and the Balanced
18 Budget and Emergency Deficit Control Act of
19 1985—

20 (A) the discretionary spending limits under
21 section 601(a)(2) of the Congressional Budget
22 Act of 1974 (and those limits as cumulatively
23 adjusted) for the current fiscal year and each
24 outyear;

1 (B) the allocations to the Committees on
2 Appropriations under sections 302(a) and
3 602(a) of the Congressional Budget Act of
4 1974; and

5 (C) the levels for major functional category
6 800 (General Government) and the appropriate
7 budgetary aggregates in the most recently
8 agreed to concurrent resolution on the budget,
9 shall be adjusted to reflect the amounts of additional
10 new budget authority or additional outlays reported
11 by the Committee on Appropriations in appropria-
12 tions legislation (or by the committee of conference
13 on such legislation) for the Internal Revenue Serv-
14 ice.

15 (2) LIMITATION.—Any adjustments made pur-
16 suant to paragraph (1) may be made for new initia-
17 tives on an annual basis only for—

18 (A) improvements in taxpayer services, in-
19 cluding building an integrated database of tax-
20 payer information accessible to front-line Inter-
21 nal Revenue Service personnel; or

22 (B) other improvements that the Director
23 of the Congressional Budget Office certifies to
24 the Chairpersons of the Committees on Budget
25 of the Senate and the House of Representatives

1 that such budget authority will not increase the
2 Federal budget deficit,
3 except that funding for ongoing programs shall be
4 provided through the normal appropriations process.

5 (b) REVISED LIMITS, ALLOCATIONS, LEVELS, AND
6 AGGREGATES.—Upon the reporting of legislation pursu-
7 ant to subsection (a), and again upon the submission of
8 a conference report on such legislation in either House (if
9 a conference report is submitted), the Chairpersons of the
10 Committees on the Budget of the Senate and the House
11 of Representatives shall file with their respective Houses
12 appropriately revised—

13 (1) discretionary spending limits under section
14 601(a)(2) of the Congressional Budget Act of 1974
15 (and those limits as cumulatively adjusted) for the
16 current fiscal year and each outyear;

17 (2) allocations to the Committee on Appropria-
18 tions under sections 302(a) and 602(a) of that Act;
19 and

20 (3) levels for major functional category 800
21 (General Government) and the appropriate budg-
22 etary aggregates in the most recently agreed to con-
23 current resolution on the budget, to carry out this
24 subsection.

1 These revised discretionary spending limits, allocations,
2 functional levels, and aggregates shall be considered for
3 purposes of congressional enforcement of that Act as the
4 discretionary spending limits, allocations, functional levels,
5 and aggregates.

6 (c) REPORTING REVISED ALLOCATIONS.—The Com-
7 mittees on Appropriations of the Senate and the House
8 of Representatives may report appropriately revised allo-
9 cations pursuant to sections 302(b) and 602(b) of the
10 Congressional Budget Act of 1974 to carry out this sec-
11 tion.

12 (d) CONTINGENCIES.—This section shall not apply to
13 any additional new budget authority or additional outlays
14 unless the Director of the Congressional Budget Office
15 certifies to the Chairpersons of the Committees on Appro-
16 priation of the Senate and the House of Representatives
17 that the Director or any other outside authority has veri-
18 fied that—

19 (1) the Internal Revenue Service has provided
20 them with reasonably accurate cost and revenue in-
21 formation;

22 (2) the Internal Revenue Service has imple-
23 mented adequate quality service measures consistent
24 with taxpayer rights;

1 (3) the Internal Revenue Service has obtained
2 a clean opinion on its financial audit of appropriated
3 accounts; and

4 (4) the Internal Revenue Service has made sig-
5 nificant progress towards receiving a clean opinion
6 on its financial audit of custodial accounts.

7 **SEC. 412. FUNDING FOR CENTURY DATE CHANGE.**

8 It is the sense of Congress that funding for the Inter-
9 nal Revenue Service efforts to resolve the century date
10 change computing problems should be funded fully to pro-
11 vide for certain resolution of such problems.

12 **SEC. 413. FINANCIAL MANAGEMENT ADVISORY GROUP.**

13 The Commissioner shall convene a financial manage-
14 ment advisory group consisting of individuals with exper-
15 tise in governmental accounting and auditing from both
16 the private sector and the Government to advise the Com-
17 missioner on financial management issues, including—

18 (1) the continued partnership between the In-
19 ternal Revenue Service and the General Accounting
20 Office;

21 (2) the financial accounting aspects of the In-
22 ternal Revenue Service's system modernization;

23 (3) the necessity and utility of year-round au-
24 diting; and

1 (4) the Commissioner’s plans for improving its
2 financial management system.

3 **Subtitle C—Tax Law Complexity**

4 **SEC. 421. ROLE OF THE INTERNAL REVENUE SERVICE.**

5 It is the sense of Congress that the Internal Revenue
6 Service should provide the Congress with an independent
7 view of tax administration, and that during the legislative
8 process, the tax writing committees of the Congress should
9 hear from front-line technical experts at the Internal Rev-
10 enue Service with respect to the administrability of pend-
11 ing amendments to the Internal Revenue Code of 1986.

12 **SEC. 422. TAX COMPLEXITY ANALYSIS.**

13 (a) IN GENERAL.—Chapter 92 (relating to powers
14 and duties of the Joint Committee on Taxation) is amend-
15 ed by adding at the end the following new section:

16 **“SEC. 8024. TAX COMPLEXITY ANALYSIS.**

17 “(a) IN GENERAL.—

18 “(1) REPORTED BILLS AND RESOLUTIONS.—

19 When a committee of the Senate or House of Rep-
20 resentatives reports a bill or joint resolution that in-
21 cludes any provision amending the Internal Revenue
22 Code of 1986, the report for such bill or joint resolu-
23 tion shall contain a Tax Complexity Analysis pre-
24 pared by the Joint Committee on Taxation for each
25 provision therein.

1 “(2) AMENDED BILLS AND JOINT RESOLU-
2 TIONS; CONFERENCE REPORTS.—If a bill or joint
3 resolution is passed in an amended form (including
4 if passed by one House as an amendment in the na-
5 ture of a substitute for the text of a bill or joint res-
6 olution from the other House) or is reported by a
7 committee of conference in amended form, and the
8 amended form contains an amendment to the Inter-
9 nal Revenue Code of 1986 not previously considered
10 by either House, then the committee of conference
11 shall ensure that the Joint Committee on Taxation
12 prepares a Tax Complexity Analysis for each provi-
13 sion therein.

14 “(b) CONTENT OF COMPLEXITY ANALYSIS.—Each
15 Tax Complexity Analysis must address—

16 “(1) whether the provision is new, modifies or
17 replaces existing law, and whether hearings were
18 held to discuss the proposal and whether the Inter-
19 nal Revenue Service provided input as to its admin-
20 istrability;

21 “(2) when the provision becomes effective, and
22 corresponding compliance requirements on taxpayers
23 (e.g., effective on date of enactment, phased in, or
24 retroactive);

1 “(3) whether new Internal Revenue Service
2 forms or worksheets are needed, whether existing
3 forms or worksheets must be modified, and whether
4 the effective date allows sufficient time for the Inter-
5 nal Revenue Service to prepare such forms and edu-
6 cate taxpayers;

7 “(4) necessity of additional interpretive guid-
8 ance (e.g., regulations, rulings, and notices);

9 “(5) the extent to which the proposal relies on
10 concepts contained in existing law, including defini-
11 tions;

12 “(6) effect on existing record keeping require-
13 ments and the activities of taxpayers, complexity of
14 calculations and likely behavioral responses, and
15 standard business practices and resource require-
16 ments;

17 “(7) number, type, and sophistication of af-
18 fected taxpayers; and

19 “(8) whether the proposal requires the Internal
20 Revenue Service to assume responsibilities not di-
21 rectly related to raising revenue which could be han-
22 dled through another Federal agency.

23 “(c) LEGISLATION SUBJECT TO POINT OF ORDER.—

24 “(1) IN GENERAL.—It shall not be in order in
25 the Senate or the House of Representatives to con-

1 sider any bill, joint resolution, amendment, motion,
2 or conference report that is not accompanied by a
3 Tax Complexity Analysis for each provision therein.

4 “(2) IN THE SENATE.—Upon a point of order
5 being made by any Senator against any provision
6 under this section, and the point of order being sus-
7 tained by the Chair, such specific provision shall be
8 deemed stricken from the bill, resolution, amend-
9 ment, amendment in disagreement, or conference re-
10 port, and may not be offered as an amendment from
11 the floor.

12 “(3) IN THE HOUSE OF REPRESENTATIVES.—

13 “(A) It shall not be in order in the House
14 of Representatives to consider a rule or order
15 that waives the application of paragraph (1).

16 “(B) In order to be cognizable by the
17 Chair, a point of order under this section must
18 specify the precise language on which it is pre-
19 mised.

20 “(C) As disposition of points of order
21 under this section, the Chair shall put the ques-
22 tion of consideration with respect to the propo-
23 sition that is the subject of the points of order.

24 “(D) A question of consideration under
25 this section shall be debatable for 10 minutes

1 by each Member initiating a point of order and
2 for 10 minutes by an opponent on each point
3 of order, but shall otherwise be decided without
4 intervening motion except one that the House
5 adjourn or that the Committee of the Whole
6 rise, as the case may be.

7 “(E) The disposition of the question of
8 consideration under this subsection with respect
9 to a bill or joint resolution shall be considered
10 also to determine the question of consideration
11 under this subsection with respect to an amend-
12 ment made in order as original text.

13 “(d) RESPONSIBILITIES OF THE COMMISSIONER.—
14 The Commissioner shall provide the Joint Committee on
15 Taxation with such information as is necessary to prepare
16 a Tax Complexity Analysis on each instance in which such
17 an analysis is required.”

18 (b) CLERICAL AMENDMENT.—The table of sections
19 for chapter 92 is amended by adding at the end the follow-
20 ing new item:

“Sec. 8024. Tax complexity analysis.”

21 (c) EFFECTIVE DATE.—The amendments made by
22 this section shall apply to legislation considered on or after
23 the earlier of January 1, 1998, or the 90th day after the
24 date of the enactment of an additional appropriation to

1 carry out section 8024 of the Internal Revenue Code of
2 1986, as added by this section.

3 **SEC. 423. SIMPLIFIED TAX AND WAGE REPORTING SYSTEM.**

4 (a) POLICY.—It is the policy of the Congress that em-
5 ployers should have a single point of filing tax and wage
6 reporting information.

7 (b) ELECTRONIC FILING OF INFORMATION RE-
8 TURNS.—The Social Security Administration shall estab-
9 lish procedures no later than December 31, 1998, to ac-
10 cept electronic submissions of tax and wage reporting in-
11 formation from employers, and to forward such informa-
12 tion to the Internal Revenue Service, and to the tax ad-
13 ministrators of the States, upon request and reimburse-
14 ment of expenses. For purposes of this paragraph, recipi-
15 ents of tax and wage reporting information from the Social
16 Security Administration shall reimburse the Social Secu-
17 rity Administration for its incremental expenses associated
18 with accepting and furnishing such information.

19 **SEC. 424. COMPLIANCE BURDEN ESTIMATES.**

20 The Joint Committee on Taxation shall prepare a
21 study of the feasibility of developing a baseline estimate
22 of taxpayers' compliance burdens against which future leg-
23 islative proposals could be measured.

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