

Union Calendar No. 311

106TH CONGRESS
2D SESSION

H. R. 4163

[Report No. 106-566]

A BILL

To amend the Internal Revenue Code of 1986 to
provide for increased fairness to taxpayers.

APRIL 10, 2000

Reported with an amendment, committed to the Com-
mittee of the Whole House on the State of the Union,
and ordered to be printed

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To amend the Internal Revenue Code of 1986 to provide for increased fairness to taxpayers.

IN THE HOUSE OF REPRESENTATIVES

APRIL 4, 2000

Mr. HOUGHTON (for himself, Mr. PORTMAN, Mr. HAYWORTH, Mr. COYNE, Mr. RANGEL, Mr. CRANE, Mr. THOMAS, Mr. SHAW, Mrs. JOHNSON of Connecticut, Mr. HERGER, Mr. MCCRERY, Mr. CAMP, Mr. RAMSTAD, Mr. NUSSLE, Mr. SAM JOHNSON of Texas, Ms. DUNN, Mr. COLLINS, Mr. ENGLISH, Mr. WATKINS, Mr. WELLER, Mr. HULSHOF, Mr. MCINNIS, Mr. LEWIS of Kentucky, Mr. FOLEY, Mr. MATSUI, and Mr. BECERRA) introduced the following bill; which was referred to the Committee on Ways and Means

APRIL 10, 2000

Additional sponsors: Mr. TANNER, Mr. McNULTY, Mr. DOGGETT, Mr. TERRY, and Mrs. BIGGERT

APRIL 10, 2000

Reported with an amendment, committed to the Committee of the Whole House on the State of the Union, and ordered to be printed

[Strike out all after the enacting clause and insert the part printed in *italic*]

[For text of introduced bill, see copy of bill as introduced on April 4, 2000]

A BILL

To amend the Internal Revenue Code of 1986 to provide for increased fairness to taxpayers.

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; ETC.**

4 (a) *SHORT TITLE.*—*This Act may be cited as the*
 5 *“Taxpayer Bill of Rights 2000”.*

6 (b) *AMENDMENT OF 1986 CODE.*—*Except as otherwise*
 7 *expressly provided, whenever in this Act an amendment or*
 8 *repeal is expressed in terms of an amendment to, or repeal*
 9 *of, a section or other provision, the reference shall be consid-*
 10 *ered to be made to a section or other provision of the Inter-*
 11 *nal Revenue Code of 1986.*

12 (c) *TABLE OF CONTENTS.*—

Sec. 1. Short title; etc.

TITLE I—PENALTIES AND INTEREST

Sec. 101. Failure to pay estimated tax penalty converted to interest charge on ac-
cumulated unpaid balance.

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

Sec. 103. Reductions of penalty for failure to pay tax.

Sec. 104. Abatement of interest.

Sec. 105. Deposits made to stop the running of interest on potential underpay-
ments.

Sec. 106. Expansion of interest netting for individuals.

TITLE II—CONFIDENTIALITY AND DISCLOSURE

Sec. 201. Disclosure and privacy rules relating to returns and return informa-
tion.

Sec. 202. Expansion of type of advice available for public inspection.

Sec. 203. Collection activities with respect to joint return disclosable to either
spouse based on oral request.

Sec. 204. Taxpayer representatives not subject to examination on sole basis of
representation of taxpayers.

Sec. 205. Disclosure in judicial or administrative tax proceedings of return and
return information of persons who are not party to such pro-
ceedings.

Sec. 206. Prohibition of disclosure of taxpayer identification information with re-
spect to disclosure of accepted offers-in-compromise.

Sec. 207. Compliance by State contractors with confidentiality safeguards.

Sec. 208. Higher standards for requests for and consents to disclosure.

Sec. 209. Notice to taxpayer concerning administrative determination of browsing; annual report.

Sec. 210. Disclosure of taxpayer identity for tax refund purposes.

TITLE III—OTHER REQUIREMENTS

Sec. 301. Clarification of definition of church tax inquiry.

Sec. 302. Expansion of declaratory judgment remedy to tax-exempt organizations.

Sec. 303. Employee misconduct report to include summary of complaints by category.

Sec. 304. Increase in threshold for Joint Committee reports on refunds and credits.

Sec. 305. Annual report on awards of costs and certain fees in administrative and court proceedings.

Sec. 306. Annual report on abatement of penalties.

Sec. 307. Better means of communicating with taxpayers.

Sec. 308. Explanation of statute of limitations and consequences of failure to file.

TITLE I—PENALTIES AND INTEREST

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

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

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

1 **“SEC. 6641. INTEREST ON FAILURE BY INDIVIDUAL TO PAY**
2 **ESTIMATED INCOME TAX.**

3 “(a) *IN GENERAL.*—Interest shall be paid on any un-
4 derpayment of estimated tax by an individual for a taxable
5 year for each day of such underpayment. The amount of
6 such interest for any day shall be the product of the under-
7 payment rate established under subsection (b)(2) multiplied
8 by the amount of the underpayment.

9 “(b) *AMOUNT OF UNDERPAYMENT; INTEREST RATE.*—
10 For purposes of subsection (a)—

11 “(1) *AMOUNT.*—The amount of the under-
12 payment on any day shall be the excess of—

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

16 “(B) the sum of the amounts (if any) of es-
17 timated tax payments made on or before such
18 day on such required installments.

19 “(2) *DETERMINATION OF INTEREST RATE.*—

20 “(A) *IN GENERAL.*—The underpayment rate
21 with respect to any day in an installment under-
22 payment period shall be the underpayment rate
23 established under section 6621 for the first day
24 of the calendar quarter in which such install-
25 ment underpayment period begins.

1 “(B) *INSTALLMENT UNDERPAYMENT PE-*
2 *RIOD.*—For purposes of subparagraph (A), the
3 term ‘installment underpayment period’ means
4 the period beginning on the day after the due
5 date for a required installment and ending on
6 the due date for the subsequent required install-
7 ment (or in the case of the 4th required install-
8 ment, the 15th day of the 4th month following
9 the close of a taxable year).

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

14 “(3) *TERMINATION OF ESTIMATED TAX INTER-*
15 *EST.*—No day after the end of the installment under-
16 payment period for the 4th required installment spec-
17 ified in paragraph (2)(B) for a taxable year shall be
18 treated as a day of underpayment with respect to
19 such taxable year.”.

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

22 (1) *IN GENERAL.*—Clause (i) of section
23 6641(d)(1)(B) (as so redesignated) is amended to read
24 as follows:

25 “(i) the lesser of—

1 “(I) 90 percent of the tax shown
2 on the return for the taxable year (or,
3 if no return is filed, 90 percent of the
4 tax for such year), or

5 “(II) the tax shown on the return
6 for the taxable year (or, if no return is
7 filed, the tax for such year) reduced
8 (but not below zero) by \$2,000, or”.

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

13 (d) *CONFORMING AMENDMENTS.*—

14 (1) Paragraphs (1) and (2) of subsection (e) (as
15 redesignated by subsection (c)(2)) and subsection (h)
16 of section 6641 (as so designated) are each amended
17 by striking “addition to tax” each place it occurs and
18 inserting “interest”.

19 (2) Section 167(g)(5)(D) is amended by striking
20 “6654” and inserting “6641”.

21 (3) Section 460(b)(1) is amended by striking
22 “6654” and inserting “6641”.

23 (4) Section 3510(b) is amended—

24 (A) by striking “section 6654” in para-
25 graph (1) and inserting “section 6641”,

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

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

7 (C) by striking “section 6654(d)(2)” in
8 paragraph (3) and inserting “section
9 6641(d)(2)”, and

10 (D) by striking paragraph (4).

11 (5) Section 6201(b)(1) is amended by striking
12 “6654” and inserting “6641”.

13 (6) Section 6601(h) is amended by striking
14 “6654” and inserting “6641”.

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

18 (8) Section 6622(b) is amended—

19 (A) by striking “PENALTY FOR” in the
20 heading, and

21 (B) by striking “addition to tax under sec-
22 tion 6654 or 6655” and inserting “interest re-
23 quired to be paid under section 6641 or addition
24 to tax under section 6655”.

25 (9) Section 6658(a) is amended—

1 (A) by striking “6654, or 6655” and insert-
 2 ing “or 6655, and no interest shall be required
 3 to be paid under section 6641,”, and

4 (B) by inserting “or paying interest” after
 5 “the tax” in paragraph (2)(B)(i).

6 (10) Section 6665(b) is amended—

7 (A) in the matter preceding paragraph (1)
 8 by striking “, 6654,”, and

9 (B) in paragraph (2) by striking “6654 or”.

10 (11) Section 7203 is amended by striking “sec-
 11 tion 6654 or 6655” and inserting “section 6655 or in-
 12 terest required to be paid under section 6641”.

13 (e) *CLERICAL AMENDMENTS.*—

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

16 **“Subchapter E—Interest on Failure by**
 17 **Individual to Pay Estimated Income Tax**

 “Sec. 6641. Interest on failure by individual to pay estimated in-
 come tax.”.

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

 “Subchapter D. Notice requirements.

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

1 (3) *The table of sections for part I of subchapter*
2 *A of chapter 68 is amended by striking the item relat-*
3 *ing to section 6654.*

4 (f) *EFFECTIVE DATE.*—*The amendments made by this*
5 *section shall apply to installment payments for taxable*
6 *years beginning after December 31, 2000.*

7 **SEC. 102. EXCLUSION FROM GROSS INCOME FOR INTEREST**
8 **ON OVERPAYMENTS OF INCOME TAX BY INDI-**
9 **VIDUALS.**

10 (a) *IN GENERAL.*—*Part III of subchapter B of chapter*
11 *1 (relating to items specifically excluded from gross income)*
12 *is amended by redesignating section 139 as section 139A*
13 *and by inserting after section 138 the following new section:*

14 **“SEC. 139. EXCLUSION FROM GROSS INCOME FOR INTEREST**
15 **ON OVERPAYMENTS OF INCOME TAX BY INDI-**
16 **VIDUALS.**

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

20 “(b) *EXCEPTION.*—*Subsection (a) shall not apply in*
21 *the case of a failure to claim items resulting in the overpay-*
22 *ment on the original return if the Secretary determines that*
23 *the principal purpose of such failure is to take advantage*
24 *of subsection (a).*

1 “(c) *SPECIAL RULE FOR DETERMINING MODIFIED AD-*
 2 *JUSTED GROSS INCOME.*—For purposes of this title, interest
 3 *not included in gross income under subsection (a) shall not*
 4 *be treated as interest which is exempt from tax for purposes*
 5 *of sections 32(i)(2)(B) and 6012(d) or any computation in*
 6 *which interest exempt from tax under this title is added*
 7 *to adjusted gross income.”.*

8 (b) *CLERICAL AMENDMENT.*—The table of sections for
 9 *part III of subchapter B of chapter 1 is amended by striking*
 10 *the item relating to section 139 and inserting the following*
 11 *new items:*

“Sec. 139. Exclusion from gross income for interest on overpay-
ments of income tax by individuals.

“Sec. 139A. Cross references to other Acts.”.

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

15 **SEC. 103. REDUCTIONS OF PENALTY FOR FAILURE TO PAY**

16 **TAX.**

17 (a) *REDUCTIONS OF PENALTY FOR FAILURE TO PAY*
 18 *TAX.*—

19 (1) *REDUCTION OF PENALTY BY 50 PERCENT.*—

20 (A) *IN GENERAL.*—Paragraphs (2) and (3)
 21 *of section 6651(a) are each amended by striking*
 22 *“0.5” each place it appears and inserting*
 23 *“0.25”.*

1 (B) *CONFORMING AMENDMENT.*—Paragraph
2 (1) of section 6651(d) is amended by striking
3 “by substituting ‘1 percent’ for ‘0.5 percent’”
4 and inserting “by substituting ‘0.5 percent’ for
5 ‘0.25 percent’”.

6 (2) *REDUCTION OF PENALTY TO ZERO DURING*
7 *PERIOD OF INSTALLMENT AGREEMENT.*—Subsection
8 (h) of section 6651 is amended by striking “by sub-
9 stituting ‘0.25’ for ‘0.5’” and inserting “by sub-
10 stituting ‘zero’ for ‘0.25’”.

11 (3) *EFFECTIVE DATE.*—The amendments made
12 by this subsection shall apply for purposes of deter-
13 mining additions to tax for months beginning after
14 December 31, 2000.

15 (b) *PROHIBITION OF FEE FOR INSTALLMENT AGREE-*
16 *MENTS USING AUTOMATED WITHDRAWALS.*—

17 (1) *IN GENERAL.*—Section 6159 (relating to
18 agreements for payment of tax liability in install-
19 ments) is amended by redesignating subsection (e) as
20 subsection (f) and by inserting after subsection (d) the
21 following new subsection:

22 “(e) *PROHIBITION OF FEE FOR INSTALLMENT AGREE-*
23 *MENTS USING AUTOMATED WITHDRAWALS.*—The Secretary
24 may not charge a taxpayer a fee for entering into an agree-
25 ment with the Secretary under this section only for so long

1 *as payments under such agreement are made by means of*
 2 *electronic transfer or by similar automated means.”.*

3 (2) *EFFECTIVE DATE.*—*The amendments made*
 4 *by this subsection shall apply to installment agree-*
 5 *ments entered into more than 30 days after the date*
 6 *of the enactment of this Act.*

7 **SEC. 104. ABATEMENT OF INTEREST.**

8 (a) *ABATEMENT OF INTEREST IF GROSS INJUSTICE*
 9 *WOULD OTHERWISE RESULT.*—*Section 6404 is amended*
 10 *by redesignating subsection (i) as subsection (j) and by in-*
 11 *serting after subsection (h) the following new subsection:*

12 “(i) *ABATEMENT OF INTEREST IF GROSS INJUSTICE*
 13 *WOULD OTHERWISE RESULT.*—*The Secretary may abate*
 14 *the assessment of all or any part of interest on any amount*
 15 *of tax imposed by this title for any period if the Secretary*
 16 *determines that—*

17 “(1) *a gross injustice would otherwise result if*
 18 *interest were to be charged, and*

19 “(2) *no significant aspect of the events giving*
 20 *rise to the accrual of the interest can be attributed to*
 21 *the taxpayer involved.”.*

22 (b) *ABATEMENT OF INTEREST FOR PERIODS ATTRIB-*
 23 *UTABLE TO ANY UNREASONABLE IRS ERROR OR DELAY.*—
 24 *Subparagraphs (A) and (B) of section 6404(e)(1) are each*

1 amended by striking “in performing a ministerial or mana-
2 gerial act”.

3 (c) *ABATEMENT OF INTEREST WITH RESPECT TO ER-*
4 *RONEOUS REFUND CHECK WITHOUT REGARD TO SIZE OF*
5 *REFUND.*—Paragraph (2) of section 6404(e) is amended by
6 striking “unless—” and all that follows and inserting “un-
7 less the taxpayer (or a related party) has in any way
8 caused such erroneous refund.”

9 (d) *ABATEMENT OF INTEREST TO EXTENT INTEREST*
10 *IS ATTRIBUTABLE TO TAXPAYER RELIANCE ON WRITTEN*
11 *STATEMENTS OF THE IRS.*—Subsection (f) of section 6404
12 is amended—

13 (1) in the subsection heading, by striking “PEN-
14 ALTY OR ADDITION” and inserting “INTEREST, PEN-
15 ALTY, OR ADDITION”, and

16 (2) in paragraph (1) and in subparagraph (B)
17 of paragraph (2), by striking “penalty or addition”
18 and inserting “interest, penalty, or addition”.

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

22 **SEC. 105. DEPOSITS MADE TO STOP THE RUNNING OF IN-**
23 **TEREST ON POTENTIAL UNDERPAYMENTS.**

24 (a) *IN GENERAL.*—Subchapter B of chapter 67 (relat-
25 ing to interest on overpayments) is amended by redesign-

1 *nating section 6612 as section 6613 and by inserting after*
2 *section 6611 the following new section:*

3 **“SEC. 6612. DEPOSITS MADE TO STOP THE RUNNING OF IN-**
4 **TEREST ON POTENTIAL UNDERPAYMENTS,**
5 **ETC.**

6 *“(a) AUTHORITY TO MAKE DEPOSITS OTHER THAN*
7 *AS PAYMENT OF TAX.—Any taxpayer may make a cash*
8 *bond deposit with the Secretary to offset any potential un-*
9 *derpayment of tax imposed by this title for any taxable pe-*
10 *riod. Such a deposit shall be made in such manner as the*
11 *Secretary shall prescribe.*

12 *“(b) DEPOSITS USED TO PAY UNDERPAYMENT ALSO*
13 *OFFSET RUNNING OF INTEREST ON UNDERPAYMENT.—Any*
14 *cash bond deposit used to pay tax under this title shall offset*
15 *interest under subchapter A during the period of such de-*
16 *posit on such tax under such procedures as the Secretary*
17 *shall prescribe.*

18 *“(c) TAXPAYER MAY REQUEST RETURN OF CASH*
19 *BOND DEPOSIT.—*

20 *“(1) IN GENERAL.—On written request of a tax-*
21 *payer who made a cash bond deposit, the Secretary*
22 *shall return to the taxpayer any amount of such de-*
23 *posit specified by the taxpayer.*

24 *“(2) NO INTEREST.—In the case of a deposit*
25 *which is so returned—*

1 “(A) *the amount returned shall not offset*
2 *interest under subchapter A for any period, and*

3 “(B) *except as provided in subsection (d),*
4 *no interest shall be allowed on such amount.*

5 “(3) *EXCEPTIONS.—Paragraph (1) shall not*
6 *apply to any amount if—*

7 “(A) *such amount has been treated by the*
8 *Secretary as a payment of tax after a final de-*
9 *termination of the disputed items to which such*
10 *amount relates,*

11 “(B) *such amount has been designated by*
12 *the taxpayer as being a payment of tax,*

13 “(C) *the Secretary determines that assess-*
14 *ment or collection of tax is in jeopardy, or*

15 “(D) *the amount is applied in accordance*
16 *with section 6402.*

17 *Subparagraph (D) shall not apply to a payment to*
18 *a taxpayer if the taxpayer is entitled to be paid inter-*
19 *est under subsection (d) on such payment.*

20 “(d) *INTEREST ON AMOUNTS RETURNED IN CERTAIN*
21 *CIRCUMSTANCES.—*

22 “(1) *IN GENERAL.—Interest shall be allowed and*
23 *paid on the amount of any cash bond deposit for a*
24 *taxable period which is returned to the taxpayer only*

1 *if the deposit is attributable to a dispute reserve ac-*
2 *count for such period.*

3 “(2) *ATTRIBUTION TO DISPUTE RESERVE AC-*
4 *COUNT.—For purposes of paragraph (1), an amount*
5 *is attributable to a dispute reserve account for any*
6 *taxable period only to the extent that the aggregate of*
7 *the cash bond deposits for such period (reduced by the*
8 *amount of such deposits which has been previously re-*
9 *turned to the taxpayer or treated as a payment of*
10 *tax) does not exceed the deposit limit for such period.*

11 “(3) *DEPOSIT LIMIT.—For purposes of para-*
12 *graph (2)—*

13 “(A) *IN GENERAL.—The deposit limit for*
14 *any taxable period is the amount specified by the*
15 *taxpayer at the time of the deposit as the tax-*
16 *payer’s reasonable estimate of the potential un-*
17 *derpayment for such period with respect to dis-*
18 *putable items identified (at such time) by the*
19 *taxpayer with respect to such deposit.*

20 “(B) *SAFE HARBOR BASED ON 30-DAY LET-*
21 *TER.—In the case of a taxpayer who is issued a*
22 *30-day letter for any taxable period, the deposit*
23 *limit for such period shall not be less than the*
24 *amount of the proposed deficiency specified in*
25 *such letter.*

1 “(4) *DEFINITIONS.*—For purposes of paragraph
2 (3)—

3 “(A) *DISPUTABLE ITEM.*—The term ‘disput-
4 able item’ means any item if the taxpayer—

5 “(i) has a reasonable basis for its
6 treatment of such item, and

7 “(ii) reasonably believes that the Sec-
8 retary also has a reasonable basis for dis-
9 allowing the taxpayer’s treatment of such
10 item.

11 “(B) *30-DAY LETTER.*—The term ‘30-day
12 letter’ means the first letter of proposed defi-
13 ciency which allows the taxpayer an opportunity
14 for administrative review in the Internal Rev-
15 enue Service Office of Appeals.

16 “(5) *RATE AND PERIOD OF INTEREST.*—

17 “(A) *RATE.*—The rate of interest allowable
18 under this subsection shall be the Federal short-
19 term rate determined under section 6621(b),
20 compounded daily.

21 “(B) *PERIOD.*—Interest under this sub-
22 section on any payment to a taxpayer shall be
23 payable from the date of the deposit to which
24 such payment is attributable to a date (to be de-
25 termined by the Secretary) preceding the date of

1 *the check making such payment by not more*
2 *than 30 days. For purposes of the preceding sen-*
3 *tence, cash bond deposits for any taxable period*
4 *shall be treated as used and returned on a last-*
5 *in first-out basis.*

6 “(e) *CASH BOND DEPOSIT.*—*For purposes of this*
7 *section—*

8 “(1) *IN GENERAL.*—*The term ‘cash bond deposit’*
9 *means any payment which is designated by the tax-*
10 *payer as being a cash bond deposit for a specified*
11 *taxable period.*

12 “(2) *AMOUNTS DESIGNATED OR USED AS PAY-*
13 *MENT OF TAX.*—*A cash bond deposit shall cease to be*
14 *treated as such for purposes of this section beginning*
15 *on the date that the taxpayer designates such deposit*
16 *as a payment of tax for purposes of this title, or, if*
17 *earlier, on the date such deposit is so used.*

18 “(f) *CHANGE IN PERIOD FOR WHICH DEPOSIT*
19 *MADE.*—*Subject to the requirements of subsection (d), a*
20 *taxpayer may change the taxable period to which a cash*
21 *bond deposit relates.”*

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

 “Sec. 6612. *Deposits made to stop the running of interest on poten-*
 tial underpayments, etc.

 “Sec. 6613. *Cross references.*”

1 (c) *EFFECTIVE DATE.*—

2 (1) *IN GENERAL.*—*The amendments made by*
3 *this section shall apply to interest for periods after*
4 *the date of the enactment of this Act.*

5 (2) *SPECIFICATION OF DISPUTED ITEMS.*—*In the*
6 *case of amounts held by the Secretary of the Treasury*
7 *on the date of the enactment of this Act as a deposit*
8 *in the nature of a cash bond pursuant to Revenue*
9 *Procedure 84–58, the date that the taxpayer makes*
10 *the identification under subsection (d)(3)(A) of sec-*
11 *tion 6612 of the Internal Revenue Code of 1986, as*
12 *added by this section, shall be treated as the date such*
13 *amounts were deposited for purposes of such section*
14 *6612.*

15 **SEC. 106. EXPANSION OF INTEREST NETTING FOR INDIVID-**
16 **UALS.**

17 (a) *IN GENERAL.*—*Subsection (d) of section 6621 (re-*
18 *lating to elimination of interest on overlapping periods of*
19 *tax overpayments and underpayments) is amended by add-*
20 *ing at the end the following: “Solely for purposes of the pre-*
21 *ceding sentence, section 6611(e) shall not apply in the case*
22 *of an individual.”.*

23 (b) *EFFECTIVE DATE.*—*The amendment made by sub-*
24 *section (a) shall apply to interest accrued after December*
25 *31, 2000.*

1 **TITLE II—CONFIDENTIALITY**
2 **AND DISCLOSURE**

3 **SEC. 201. DISCLOSURE AND PRIVACY RULES RELATING TO**
4 **RETURNS AND RETURN INFORMATION.**

5 (a) *IN GENERAL.*—Subsection (a) of section 6103 (re-
6 *lating to general rule for confidentiality and disclosure of*
7 *returns and return information) is amended by striking*
8 *“title—” and inserting “title and notwithstanding any*
9 *other provision of law—”.*

10 (b) *PROCEDURAL AND JURISDICTIONAL RULES.*—Sub-
11 *section (p) of section 6103 (relating to procedure and rec-*
12 *ordkeeping) is amended by adding at the end the following*
13 *new paragraph:*

14 “(9) *PROCEDURAL RULES APPLICABLE TO CER-*
15 *TAIN DISCLOSURES.*—

16 “(A) *IN GENERAL.*—The Secretary shall
17 *prescribe regulations for purposes of providing*
18 *for disclosures of return and return information*
19 *under subsections (c), (e), and (k) (1) and (2).*
20 *Such regulations shall include a schedule of fees,*
21 *and waivers and reductions of such fees, applica-*
22 *ble to the processing of requests for such disclo-*
23 *sures.*

24 “(B) *DETERMINATIONS OF WHETHER TO*
25 *COMPLY WITH DISCLOSURE REQUESTS.*—

1 “(i) *INITIAL REQUESTS.*—*In response*
2 *to a request that reasonably describes the re-*
3 *turn or return information sought and is*
4 *made in accordance with the published*
5 *rules, the Secretary shall—*

6 “(I) *determine within 20 days*
7 *after the receipt of any request for dis-*
8 *closure of return or return information*
9 *under subsections (c), (e), and (k) (1)*
10 *and (2) whether to comply with such*
11 *request, and*

12 “(II) *immediately notify the per-*
13 *son making such request of such deter-*
14 *mination and the reasons therefor, and*
15 *of the right of such person to appeal to*
16 *the Commissioner any adverse deter-*
17 *mination.*

18 “(ii) *APPEAL.*—*The Commissioner*
19 *shall—*

20 “(I) *make a determination with*
21 *respect to any appeal of any adverse*
22 *determination under clause (i)(I) with-*
23 *in 20 days after the receipt of such ap-*
24 *peal, and*

1 “(II) if on appeal the denial of
2 the request for disclosure of such return
3 or return information is in whole or in
4 part upheld, the Commissioner shall
5 notify the person making such request
6 of the provisions for judicial review of
7 that determination under subpara-
8 graph (D).

9 “(iii) *EXTENSION OF PERIODS FOR UN-*
10 *USUAL CIRCUMSTANCES.—*

11 “(I) *IN GENERAL.—*The time lim-
12 its prescribed in clause (i) and clause
13 (ii) (as the case may be) may be ex-
14 tended for not more than 10 days in
15 unusual circumstances by providing to
16 the person making such request for dis-
17 closure written notice which sets forth
18 the unusual circumstances for such ex-
19 tension and the date on which a deter-
20 mination is expected to be dispatched.
21 No such notice shall specify a date that
22 would result in an extension for more
23 than 10 working days, except as pro-
24 vided in subclause (II).

1 “(II) *MODIFICATION OF REQUEST*
2 *OR TIME PERIOD.*—If, with respect to a
3 request for which the time limits are
4 extended under subclause (I), the Sec-
5 retary determines that the request can-
6 not be processed within the time limit
7 so specified, the Secretary shall notify
8 the person making the request and
9 shall provide the person an oppor-
10 tunity to limit the scope of the request
11 so that it may be processed within that
12 time limit or an opportunity to ar-
13 range with the agency an alternative
14 time frame for processing the request
15 or a modified request. Refusal by the
16 person to reasonably modify the request
17 or arrange such an alternative time
18 frame shall be considered as a factor in
19 determining whether exceptional cir-
20 cumstances exist for purposes of sub-
21 paragraph (C).

22 “(iv) *UNUSUAL CIRCUMSTANCES DE-*
23 *FINED.*—For purposes of clause (iii), the
24 term ‘unusual circumstances’ means, but
25 only to the extent reasonably necessary to

1 *the proper processing of the particular*
2 *requests—*

3 “(I) *the need to search for and*
4 *collect the requested records from field*
5 *facilities or other establishments that*
6 *are separate from the office processing*
7 *the request,*

8 “(II) *the need to search for, col-*
9 *lect, and appropriately examine a vo-*
10 *luminous amount of separate and dis-*
11 *tinguish records which are demanded in a*
12 *single request, or*

13 “(III) *the need for consultation,*
14 *which shall be conducted with all prac-*
15 *ticable speed, with another agency hav-*
16 *ing a substantial interest in the deter-*
17 *mination of the request or among two*
18 *or more components of the agency hav-*
19 *ing substantial subject-matter interest*
20 *therein.*

21 “(v) *20-DAY PERIOD EXCLUDES CER-*
22 *TAIN DAYS.—The 20-day periods referred to*
23 *in clauses (i) and (ii) shall not include Sat-*
24 *urdays, Sundays, and legal public holidays.*

25 “(C) *FAILURE TO MEET TIME LIMITS.—*

1 “(i) *IN GENERAL.*—Any person making
2 a request for the disclosure of return or re-
3 turn information which is subject to this
4 paragraph shall be deemed to have ex-
5 hausted his administrative remedies with
6 respect to such request if the Secretary fails
7 to comply with the applicable time limit
8 provisions of this paragraph. If the Sec-
9 retary can show exceptional circumstances
10 exist and that the agency is exercising due
11 diligence in responding to the request, the
12 court may retain jurisdiction and allow the
13 agency additional time to complete its re-
14 view of the records. Upon any determina-
15 tion by the Secretary to comply with a re-
16 quest for records, the records shall be made
17 promptly available to such person making
18 such request. Any notification of denial of
19 any request for records under this sub-
20 section shall set forth the names and titles
21 or positions of each person responsible for
22 the denial of such request.

23 “(ii) *EXCEPTIONAL CIRCUMSTANCES*
24 *DEFINED.*—For purposes of clause (i), the
25 term ‘exceptional circumstances’ does not

1 include a delay that results from a predict-
2 able workload of the Secretary relating to
3 requests subject to this paragraph, unless
4 the Secretary demonstrates reasonable
5 progress in reducing its backlog of pending
6 requests.

7 “(iii) *REFUSAL TO MODIFY REQUEST*
8 *OR TIME FRAME.*—Refusal by a person to
9 reasonably modify the scope of a request or
10 arrange an alternative time frame for proc-
11 essing a request (or a modified request)
12 under subparagraph (B)(ii) after being
13 given an opportunity to do so by the agency
14 to whom the person made the request shall
15 be considered as a factor in determining
16 whether exceptional circumstances exist for
17 purposes of this subparagraph.

18 “(D) *JUDICIAL PROCEEDINGS.*—

19 “(i) *JURISDICTION OF THE DISTRICT*
20 *COURTS.*—

21 “(I) *IN GENERAL.*—On complaint,
22 the district courts of the United States
23 in the district in which the complain-
24 ant resides, or has his principal place
25 of business, or in which his return or

1 *return information is situated, or in*
2 *the District of Columbia, shall have ju-*
3 *risdiction to enjoin the Secretary from*
4 *withholding return or return informa-*
5 *tion which is subject to disclosure*
6 *under subsection (c), (e), or (k) (1) or*
7 *(2), and to order the production of any*
8 *return or return information impro-*
9 *perly withheld from the complainant.*

10 *“(II) EXPEDITED PROCESSING.—*

11 *No district court of the United States*
12 *shall have jurisdiction to review a de-*
13 *denial by the Secretary of expedited proc-*
14 *essing of a request for return or return*
15 *information after the Secretary has*
16 *provided a complete response to the re-*
17 *quest.*

18 *“(ii) PROCEDURAL MATTERS.—In a*

19 *case arising under clause (i), the court shall*
20 *determine the matter de novo (on the record*
21 *before the Secretary at the time of the deter-*
22 *mination in the case of a request for expe-*
23 *ditated processing), and may examine the*
24 *contents of such return or return informa-*
25 *tion in camera to determine whether such*

1 *return or return information or any part*
2 *thereof shall be withheld under any of the*
3 *provisions of this title, and the burden shall*
4 *be on the Secretary to sustain its action. In*
5 *addition to any other matters to which a*
6 *court accords substantial weight, a court*
7 *shall accord substantial weight to an affi-*
8 *davit of the Secretary concerning the Sec-*
9 *retary's determination as to technical feasi-*
10 *bility relating to, and reproducibility of,*
11 *such return and return information.*

12 *“(E) DEADLINE FOR SECRETARY TO AN-*
13 *SWER COMPLAINT.—Notwithstanding any other*
14 *provision of law, the Secretary shall serve an an-*
15 *swer or otherwise plead to any complaint made*
16 *under this paragraph within 30 days after serv-*
17 *ice upon the Secretary of the pleading in which*
18 *such complaint is made, unless the court other-*
19 *wise directs for good cause shown.”.*

20 *(c) ATTORNEY FEES.—Subsection (a) of section 7430*
21 *(relating to general rule for awarding of costs and certain*
22 *fees) is amended by inserting after “title,” the following:*
23 *“and in any court proceeding in connection with the disclo-*
24 *sure of return and return information under section*
25 *6103(p)(9),”.*

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

4 **SEC. 202. EXPANSION OF TYPE OF ADVICE AVAILABLE FOR**
5 **PUBLIC INSPECTION.**

6 (a) *IN GENERAL.*—*Subparagraph (A) of section*
7 *6110(i)(1) is amended—*

8 (1) *by striking “national office component of the*
9 *Office of Chief Counsel” and inserting “component of*
10 *the Office of Chief Counsel or of the Service”, and*

11 (2) *in clause (i) by striking “field or service cen-*
12 *ter employees of the Service or regional or district”*
13 *and inserting “employees of the Service or”.*

14 (b) *CONFORMING AMENDMENTS.*—

15 (1) *Section 6110(i)(2) is amended by inserting*
16 *“or the Service” after “Office of Chief Counsel”.*

17 (2) *The following provisions of section 6110 are*
18 *amended by striking “Chief Counsel advice” each*
19 *place it appears and inserting “official advice”:*

20 (A) *Paragraph (1) of subsection (b).*

21 (B) *Subparagraph (A) of subsection (i)(1).*

22 (C) *Paragraphs (3) and (4) of subsection*
23 *(i).*

1 (3) *Subparagraph (A) of section 6110(g)(5) is*
2 *amended by inserting “official advice and” before*
3 *“technical advice”.*

4 (4) *The heading for subsection (i) of section 6110*
5 *is amended by striking “CHIEF COUNSEL” and in-*
6 *serting “OFFICIAL”.*

7 (5) *The heading for paragraph (1) of section*
8 *6110(i) is amended by striking “CHIEF COUNSEL”*
9 *and inserting “OFFICIAL”.*

10 (6) *The headings for paragraphs (2) and (3) of*
11 *section 6110(i), and for subparagraphs (A) and (B)*
12 *of paragraph (4) of such section, are each amended by*
13 *striking “CHIEF COUNSEL” and inserting “OFFICIAL”.*

14 (c) *EFFECTIVE DATE.—*

15 (1) *IN GENERAL.—The amendments made by*
16 *this section shall apply to any official advice issued*
17 *more than 90 days after the date of the enactment of*
18 *this Act.*

19 (2) *DOCUMENTS TREATED AS OFFICIAL AD-*
20 *VICE.—If the Secretary of the Treasury by regulation*
21 *provides pursuant to section 6110(i)(2) of the Inter-*
22 *nal Revenue Code of 1986, that any additional advice*
23 *or instruction issued by the Office of Chief Counsel*
24 *shall be treated as official advice, such additional ad-*
25 *vice or instruction shall be made available for public*

1 *inspection pursuant to section 6110 of such Code, as*
2 *amended by this section, only in accordance with the*
3 *effective date set forth in such regulation.*

4 (3) *OFFICIAL ADVICE TO BE AVAILABLE ELEC-*
5 *TRONICALLY.—The Internal Revenue Service shall*
6 *make any official advice issued more than 90 days*
7 *after the date of the enactment of this Act and made*
8 *available for public inspection pursuant to section*
9 *6110 of the Internal Revenue Code of 1986, as amend-*
10 *ed by this section, also available by computer tele-*
11 *communications within 1 year after issuance.*

12 **SEC. 203. COLLECTION ACTIVITIES WITH RESPECT TO**
13 **JOINT RETURN DISCLOSABLE TO EITHER**
14 **SPOUSE BASED ON ORAL REQUEST.**

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

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

1 **SEC. 204. TAXPAYER REPRESENTATIVES NOT SUBJECT TO**
2 **EXAMINATION ON SOLE BASIS OF REPRESEN-**
3 **TATION OF TAXPAYERS.**

4 (a) *IN GENERAL.*—Subsection (h) of section 6103 (re-
5 lating to disclosure to certain Federal officers and employ-
6 ees for purposes of tax administration, etc.) is amended by
7 adding at the end the following new paragraph:

8 “(7) *TAXPAYER REPRESENTATIVES.*—Notwith-
9 standing paragraph (1), the return of the representa-
10 tive of a taxpayer whose return is being examined by
11 an officer or employee of the Department of the Treas-
12 ury shall not be open to inspection by such officer or
13 employee on the sole basis of the representative’s rela-
14 tionship to the taxpayer unless a supervisor of such
15 officer or employee has approved the inspection of the
16 return of such representative on a basis other than by
17 reason of such relationship.”.

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

21 **SEC. 205. DISCLOSURE IN JUDICIAL OR ADMINISTRATIVE**
22 **TAX PROCEEDINGS OF RETURN AND RETURN**
23 **INFORMATION OF PERSONS WHO ARE NOT**
24 **PARTY TO SUCH PROCEEDINGS.**

25 (a) *IN GENERAL.*—Paragraph (4) of section 6103(h)
26 (relating to disclosure to certain Federal officers and em-

1 *ployees for purposes of tax administration, etc.) is amended*
2 *by adding at the end the following new subparagraph:*

3 “(B) *DISCLOSURE IN JUDICIAL OR ADMINIS-*
4 *TRATIVE TAX PROCEEDINGS OF RETURN AND RE-*
5 *TURN INFORMATION OF PERSONS NOT PARTY TO*
6 *SUCH PROCEEDINGS.—*

7 “(i) *NOTICE.—Return or return infor-*
8 *mation of any person who is not a party to*
9 *a judicial or administrative proceeding de-*
10 *scribed in paragraph (4) shall not be dis-*
11 *closed under clause (ii) or (iii) of subpara-*
12 *graph (A) until after the Secretary makes a*
13 *reasonable effort to give notice to such per-*
14 *son and an opportunity for such person to*
15 *request the deletion of matter from such re-*
16 *turn or return information, including any*
17 *of the items referred to in paragraphs (1)*
18 *through (7) of section 6110(c). Such notice*
19 *shall include a statement of the issue or*
20 *issues the resolution of which is the reason*
21 *such return or return information is sought.*
22 *In the case of S corporations, partnerships,*
23 *estates, and trusts, such notice shall be*
24 *made at the entity level.*

1 “(ii) *DISCLOSURE LIMITED TO PERTI-*
2 *NENT PORTION.*—*The only portion of a re-*
3 *turn or return information described in*
4 *clause (i) which may be disclosed under*
5 *subparagraph (A) is that portion of such re-*
6 *turn or return information that directly re-*
7 *lates to the resolution of an issue in such*
8 *proceeding.*

9 “(iii) *EXCEPTIONS.*—*Clause (i) shall*
10 *not apply to—*

11 “(I) *any ex parte proceeding for*
12 *obtaining a search warrant, order for*
13 *entry on premises or safe deposit boxes,*
14 *or similar ex parte proceeding,*

15 “(II) *disclosure of third party re-*
16 *turn information by indictment or*
17 *criminal information, or*

18 “(III) *if the Secretary determines*
19 *that the application of such clause*
20 *would seriously impair a criminal tax*
21 *investigation.”.*

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

24 (1) *by striking “PROCEEDINGS.—A return” and*
25 *inserting “PROCEEDINGS.—*

1 “(A) *IN GENERAL.*—*Except as provided in*
2 *subparagraph (B), a return*”,

3 (2) *by redesignating subparagraphs (A), (B),*
4 *(C), and (D) clauses (i), (ii), (iii), and (iv), respec-*
5 *tively, and*

6 (3) *in the matter following clause (iv) (as so re-*
7 *designated), by striking “subparagraph (A), (B), or*
8 *(C)” and inserting “clause (i), (ii) or (iii)” and by*
9 *moving such matter two ems to the right.*

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

13 **SEC. 206. PROHIBITION OF DISCLOSURE OF TAXPAYER**
14 **IDENTIFICATION** **INFORMATION**
15 **WITH RESPECT TO DISCLOSURE OF ACCEPT-**
16 **ED OFFERS-IN-COMPROMISE.**

17 (a) *IN GENERAL.*—*Paragraph (1) of section 6103(k)*
18 *(relating to disclosure of certain returns and return infor-*
19 *mation for tax administrative purposes) is amended by in-*
20 *serting “(other than address and TIN)” after “Return infor-*
21 *mation”.*

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

1 **SEC. 207. COMPLIANCE BY STATE CONTRACTORS WITH**
2 **CONFIDENTIALITY SAFEGUARDS.**

3 (a) *IN GENERAL.*—Paragraph (8) of section 6103(p)
4 (relating to State law requirements) is amended by redesi-
5 gnating subparagraph (B) as subparagraph (C) and by in-
6 serting after subparagraph (A) the following new subpara-
7 graph:

8 “(B) *DISCLOSURE TO CONTRACTORS.*—Not-
9 withstanding any other provision of this section,
10 no return or return information shall be dis-
11 closed by any officer or employee of any State to
12 any contractor of the State unless such State—

13 “(i) has requirements in effect which
14 require each contractor of the State which
15 would have access to returns or return in-
16 formation to provide safeguards (within the
17 meaning of paragraph (4)) to protect the
18 confidentiality of such returns or return in-
19 formation,

20 “(ii) agrees to conduct an annual, on-
21 site review (mid-point review in the case of
22 contracts of less than 1 year in duration) of
23 each contractor to determine compliance
24 with such requirements,

25 “(iii) submits the findings of the most
26 recent review conducted under clause (ii) to

1 the Secretary as part of the report required
2 by paragraph (4)(E), and

3 “(iv) certifies to the Secretary for the
4 most recent annual period that all contrac-
5 tors are in compliance with all such re-
6 quirements.

7 The certification required by clause (iv) shall in-
8 clude the name and address of each contractor,
9 a description of the contract of the contractor
10 with the State, and the duration of such con-
11 tract.”.

12 (b) *CONFORMING AMENDMENT.*—Subparagraph (C) of
13 section 6103(p)(8), as amended by subsection (a), is amend-
14 ed by striking “subparagraph (A)” and inserting “subpara-
15 graphs (A) and (B)”.

16 (c) *EFFECTIVE DATE.*—

17 (1) *IN GENERAL.*—The amendments made by
18 this section shall apply to disclosures made after De-
19 cember 31, 2001.

20 (2) The first certification under section
21 6103(p)(8)(B)(iv) of the Internal Revenue Code of
22 1986, as added by subsection (a), shall be made with
23 respect to calendar year 2002.

1 **SEC. 208. HIGHER STANDARDS FOR REQUESTS FOR AND**
2 **CONSENTS TO DISCLOSURE.**

3 (a) *IN GENERAL.*—Subsection (c) of section 6103 (re-
4 lating to disclosure of returns and return information to
5 designee of taxpayer) is amended by adding at the end the
6 following new paragraphs:

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

11 “(A) at the time of execution, such request
12 or consent designates a recipient of such disclo-
13 sure and is dated, and

14 “(B) at the time such request or consent is
15 submitted to the Secretary, the submitter of such
16 request or consent certifies, under penalty of per-
17 jury, that such request or consent complied with
18 subparagraph (A).

19 “(3) *RESTRICTIONS ON PERSONS OBTAINING IN-*
20 *FORMATION.*—Any person shall, as a condition for re-
21 ceiving return or return information under para-
22 graph (1)—

23 “(A) ensure that such return and return in-
24 formation is kept confidential,

1 “(B) use such return and return informa-
2 tion only for the purpose for which it was re-
3 quested, and

4 “(C) not disclose such return and return in-
5 formation except to accomplish the purpose for
6 which it was requested, unless a separate consent
7 from the taxpayer is obtained.

8 “(4) REQUIREMENTS FOR FORM PRESCRIBED BY
9 SECRETARY.—For purposes of this subsection, the Sec-
10 retary shall prescribe a form for requests and consents
11 which shall—

12 “(A) contain a warning, prominently dis-
13 played, informing the taxpayer that the form
14 should not be signed unless it is completed,

15 “(B) state that if the taxpayer believes there
16 is an attempt to coerce him to sign an incom-
17 plete or blank form, the taxpayer should report
18 the matter to the Treasury Inspector General for
19 Tax Administration, and

20 “(C) contain the address and telephone
21 number of the Treasury Inspector General for
22 Tax Administration.”.

23 (b) REPORT.—Not later than 18 months after the date
24 of the enactment of this Act, the Treasury Inspector General
25 for Tax Administration shall submit a report to the Con-

1 *gress on compliance with the designation and certification*
2 *requirements applicable to requests for or consent to disclo-*
3 *sure of returns and return information under section*
4 *6103(c) of the Internal Revenue Code of 1986, as amended*
5 *by subsection (a). Such report shall—*

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

8 (A) *the amendments made by subsection (a)*
9 *are achieving the purposes of this section,*

10 (B) *requesters and submitters for such dis-*
11 *closure are continuing to evade the purposes of*
12 *this section and, if so, how, and*

13 (C) *the sanctions for violations of such re-*
14 *quirements are adequate, and*

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

19 (c) *CONFORMING AMENDMENT.—Section 6103(c) is*
20 *amended by striking “TAXPAYER.—The Secretary” and in-*
21 *serting “TAXPAYER.—*

22 *“(1) IN GENERAL.—The Secretary”.*

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

1 **SEC. 209. NOTICE TO TAXPAYER CONCERNING ADMINISTRA-**
2 **TIVE DETERMINATION OF BROWSING;**
3 **ANNUAL REPORT.**

4 (a) *NOTICE TO TAXPAYER.*—Subsection (e) of section
5 7431 (relating to notification of unlawful inspection and
6 disclosure) is amended by adding at the end the following:
7 “The Secretary shall also notify such taxpayer if the Treas-
8 ury Inspector General for Tax Administration determines
9 that such taxpayer’s return or return information was in-
10 spected or disclosed in violation of any of the provisions
11 specified in paragraph (1), (2), or (3).”

12 (b) *REPORTS.*—Subsection (p) of section 6103 (relat-
13 ing to procedure and recordkeeping), as amended by section
14 201(b), is further amended by adding at the end the fol-
15 lowing new paragraph:

16 “(10) *REPORT ON UNAUTHORIZED DISCLOSURE*
17 *AND INSPECTION.*—As part of the report required by
18 paragraph (3)(C) for each calendar year, the Sec-
19 retary shall furnish information regarding the unau-
20 thorized disclosure and inspection of returns and re-
21 turn information, including the number, status, and
22 results of—

23 “(A) administrative investigations,

24 “(B) civil lawsuits brought under section
25 7431 (including the amounts for which such law-

1 *suits were settled and the amounts of damages*
2 *awarded), and*

3 “(C) *criminal prosecutions.*”.

4 (c) *EFFECTIVE DATE.*—

5 (1) *NOTICE.*—*The amendment made by sub-*
6 *section (a) shall apply to determinations made after*
7 *the date of the enactment of this Act.*

8 (2) *REPORTS.*—*The amendment made by sub-*
9 *section (b) shall apply to calendar years ending after*
10 *the date of the enactment of this Act.*

11 **SEC. 210. DISCLOSURE OF TAXPAYER IDENTITY FOR TAX**
12 **REFUND PURPOSES.**

13 *Paragraph (1) of section 6103(m) (relating to disclo-*
14 *sure of taxpayer identity information for tax refunds) is*
15 *amended by inserting “, and through any other means of*
16 *mass communication,” after “media”.*

17 **TITLE III—OTHER**
18 **REQUIREMENTS**

19 **SEC. 301. CLARIFICATION OF DEFINITION OF CHURCH TAX**
20 **INQUIRY.**

21 *Subsection (i) of section 7611 (relating to section not*
22 *to apply to criminal investigations, etc.) is amended by*
23 *striking “or” at the end of paragraph (4), by striking the*
24 *period at the end of paragraph (5) and inserting “, or”,*
25 *and by inserting after paragraph (5) the following:*

1 “(6) information provided by the Secretary re-
 2 lated to the standards for exemption from tax under
 3 this title and the requirements under this title relat-
 4 ing to unrelated business taxable income.”.

5 **SEC. 302. EXPANSION OF DECLARATORY JUDGMENT REM-
 6 EDY TO TAX-EXEMPT ORGANIZATIONS.**

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

9 (1) in subparagraph (B) by inserting after
 10 “509(a)” the following: “or as a private operating
 11 foundation (as defined in section 4942(j)(3))”, and

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

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

19 (b) *COURT JURISDICTION.*—Subsection (a) of section
 20 7428 is amended in the material following paragraph (2)
 21 by striking “United States Tax Court, the United States
 22 Claims Court, or the district court of the United States for
 23 the District of Columbia” and inserting the following:
 24 “United States Tax Court (in the case of any such deter-
 25 mination or failure) or the United States Claims Court or

1 *the district court of the United States for the District of*
2 *Columbia (in the case of a determination or failure with*
3 *respect to an issue referred to in subparagraph (A) or (B)*
4 *of paragraph (1)),”.*

5 *(c) FAILURE OF SERVICE TO ACT ON DETERMINA-*
6 *TIONS TREATED AS EXHAUSTION OF REMEDIES.—The sec-*
7 *ond sentence of paragraph (2) of section 7428(b) (relating*
8 *to exhaustion of administrative remedies) is amended to*
9 *read as follows: “An organization requesting the determina-*
10 *tion of an issue referred to in subsection (a)(1) shall be*
11 *deemed to have exhausted its administrative remedies with*
12 *respect to—*

13 *“(A) a failure by the Secretary to make a*
14 *determination with respect to such issue at the*
15 *expiration of 270 days after the date on which*
16 *the request for such determination was made if*
17 *the organization has taken, in a timely manner,*
18 *all reasonable steps to secure such determination,*
19 *and*

20 *“(B) a failure by any office of the Service*
21 *(other than the office which is responsible for ini-*
22 *tial determinations with respect to such issue*
23 *(hereinafter in this subparagraph referred to as*
24 *the ‘initial office’), to make a determination with*
25 *respect to such issue at the expiration of 180*

1 *days after the date on which any request for such*
2 *determination was made by the initial office if*
3 *the organization has taken, in a timely manner,*
4 *all reasonable steps to secure such determina-*
5 *tion.”.*

6 *(d) EFFECTIVE DATES.—*

7 *(1) DECLARATORY JUDGMENT.—The amend-*
8 *ments made by subsections (a) and (b) shall apply to*
9 *pleadings filed with respect to determinations (or re-*
10 *quests for determinations) made after the date of the*
11 *enactment of this Act.*

12 *(2) FAILURE OF SERVICE TO ACT.—The amend-*
13 *ments made by subsection (c) shall apply to applica-*
14 *tions received in the national office of the Internal*
15 *Revenue Service after the date of the enactment of this*
16 *Act.*

17 **SEC. 303. EMPLOYEE MISCONDUCT REPORT TO INCLUDE**
18 **SUMMARY OF COMPLAINTS BY CATEGORY.**

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

1 (b) *EFFECTIVE DATE.*—*The amendment made by sub-*
2 *section (a) shall apply with respect to reporting periods*
3 *ending after the date of the enactment of this Act.*

4 **SEC. 304. INCREASE IN THRESHOLD FOR JOINT COMMITTEE**
5 **REPORTS ON REFUNDS AND CREDITS.**

6 (a) *GENERAL RULE.*—*Subsections (a) and (b) of sec-*
7 *tion 6405 are each amended by striking “\$1,000,000” and*
8 *inserting “\$2,000,000”.*

9 (b) *EFFECTIVE DATE.*—*The amendment made by sub-*
10 *section (a) shall take effect on the date of the enactment*
11 *of this Act, except that such amendment shall not apply*
12 *with respect to any refund or credit with respect to a report*
13 *that has been made before such date of the enactment under*
14 *section 6405 of the Internal Revenue Code of 1986.*

15 **SEC. 305. ANNUAL REPORT ON AWARDS OF COSTS AND CER-**
16 **TAIN FEES IN ADMINISTRATIVE AND COURT**
17 **PROCEEDINGS.**

18 *Not later than 3 months after the close of each Federal*
19 *fiscal year after fiscal year 1999, the Treasury Inspector*
20 *General for Tax Administration shall submit a report to*
21 *Congress which specifies for such year—*

22 (1) *the number of payments made by the United*
23 *States pursuant to section 7430 of the Internal Rev-*
24 *enue Code of 1986 (relating to awarding of costs and*
25 *certain fees),*

1 (2) *the amount of each such payment,*

2 (3) *an analysis of any administrative issue giv-*
3 *ing rise to such payments, and*

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

8 **SEC. 306. ANNUAL REPORT ON ABATEMENT OF PENALTIES.**

9 *Not later than 6 months after the close of each Federal*
10 *fiscal year after fiscal year 1999, the Treasury Inspector*
11 *General for Tax Administration shall submit a report to*
12 *Congress on abatements of penalties under the Internal Rev-*
13 *enue Code of 1986 during such year, including information*
14 *on the reasons and criteria for such abatements.*

15 **SEC. 307. BETTER MEANS OF COMMUNICATING WITH TAX-**
16 **PAYERS.**

17 *Not later than 18 months after the date of the enact-*
18 *ment of this Act, the Treasury Inspector General for Tax*
19 *Administration shall submit a report to Congress evalu-*
20 *ating whether technological advances, such as e-mail and*
21 *facsimile transmission, permit the use of alternative means*
22 *for the Internal Revenue Service to communicate with tax-*
23 *payers.*

1 **SEC. 308. EXPLANATION OF STATUTE OF LIMITATIONS AND**
2 **CONSEQUENCES OF FAILURE TO FILE.**

3 *The Secretary of the Treasury or the Secretary's dele-*
4 *gate shall, as soon as practicable but not later than 180*
5 *days after the date of the enactment of this Act, revise the*
6 *statement required by section 6227 of the Omnibus Tax-*
7 *payer Bill of Rights (Internal Revenue Service Publication*
8 *No. 1), and any instructions booklet accompanying a gen-*
9 *eral income tax return form for taxable years beginning in*
10 *2000 and later (including forms 1040, 1040A, 1040EZ, and*
11 *any similar or successor forms relating thereto), to provide*
12 *for an explanation of—*

13 *(1) the limitations imposed by section 6511 of*
14 *the Internal Revenue Code of 1986 on credits and re-*
15 *funds, and*

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