

107TH CONGRESS
2D SESSION

H. R. 5548

To amend the Internal Revenue Code of 1986 to provide fairness in tax collection procedures.

IN THE HOUSE OF REPRESENTATIVES

OCTOBER 3, 2002

Mr. HOUGHTON introduced the following bill; which was referred to the Committee on Ways and Means

A BILL

To amend the Internal Revenue Code of 1986 to provide fairness in tax collection procedures.

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 “Fairness in Tax Collections Act of 2002”.

6 (b) **AMENDMENT OF 1986 CODE.**—Except as other-
7 wise expressly provided, whenever in this Act an amend-
8 ment or repeal is expressed in terms of an amendment
9 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.—

- Sec. 1. Short title; etc.
- Sec. 2. Partial payment of tax liability in installment agreements.
- Sec. 3. Extension of time for return of property.
- Sec. 4. Individuals held harmless on wrongful levy, etc. on individual retirement plan.
- Sec. 5. Seven-day threshold on tolling of statute of limitations during tax review.
- Sec. 6. Study of liens and levies.
- Sec. 7. Low-income taxpayer clinics.

4 **SEC. 2. PARTIAL PAYMENT OF TAX LIABILITY IN INSTALL-**
 5 **MENT AGREEMENTS.**

6 (a) IN GENERAL.—

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

9 (A) by striking “satisfy liability for pay-
 10 ment of” and inserting “make payment on”,
 11 and

12 (B) by inserting “full or partial” after “fa-
 13 cilitate”.

14 (2) Section 6159(c) (relating to Secretary re-
 15 quired to enter into installment agreements in cer-
 16 tain cases) is amended in the matter preceding para-
 17 graph (1) by inserting “full” before “payment”.

18 (b) REQUIREMENT TO REVIEW PARTIAL PAYMENT
 19 AGREEMENTS EVERY TWO YEARS.—Section 6159 is
 20 amended by redesignating subsections (d) and (e) as sub-

1 sections (e) and (f), respectively, and inserting after sub-
2 section (c) the following new subsection:

3 “(d) SECRETARY REQUIRED TO REVIEW INSTALL-
4 MENT AGREEMENTS FOR PARTIAL COLLECTION EVERY
5 TWO YEARS.—In the case of an agreement entered into
6 by the Secretary under subsection (a) for partial collection
7 of a tax liability, the Secretary shall review the agreement
8 at least once every 2 years.”.

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

12 **SEC. 3. EXTENSION OF TIME FOR RETURN OF PROPERTY.**

13 (a) EXTENSION OF TIME FOR RETURN OF PROPERTY
14 SUBJECT TO LEVY.—Subsection (b) of section 6343 (re-
15 lating to return of property) is amended by striking “9
16 months” and inserting “2 years”.

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

20 (1) in paragraph (1) by striking “9 months”
21 and inserting “2 years”, and

22 (2) in paragraph (2) by striking “9-month” and
23 inserting “2-year”.

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

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

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

7 **SEC. 4. INDIVIDUALS HELD HARMLESS ON WRONGFUL**
8 **LEVY, ETC., ON INDIVIDUAL RETIREMENT**
9 **PLAN.**

10 (a) IN GENERAL.—Section 6343 (relating to author-
11 ity to release levy and return property) is amended by add-
12 ing at the end the following new subsection:

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

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

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

21 “(B) interest paid under subsection (c) on
22 such amount of money,
23 may be deposited into an individual retirement plan
24 (other than an endowment contract) to which a roll-
25 over from the plan levied upon is permitted.

1 “(2) TREATMENT AS ROLLOVER.—The distribu-
2 tion on account of the levy and any deposit under
3 paragraph (1) with respect to such distribution shall
4 be treated for purposes of this title as if such dis-
5 tribution and deposit were part of a rollover de-
6 scribed in section 408(d)(3)(A)(i); except that—

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

10 “(B) the 60-day requirement in such sec-
11 tion shall be treated as met if the deposit is
12 made not later than the 60th day after the day
13 on which the individual receives an amount
14 under paragraph (1) from the Secretary, and

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

17 “(3) REFUND, ETC., OF INCOME TAX ON
18 LEVY.—If any amount is includible in gross income
19 for a taxable year by reason of a levy referred to in
20 paragraph (1) and any portion of such amount is
21 treated as a rollover under paragraph (2), any tax
22 imposed by chapter 1 on such portion shall not be
23 assessed, and if assessed shall be abated, and if col-
24 lected shall be credited or refunded as an overpay-

1 ment made on the due date for filing the return of
2 tax for such taxable year.

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

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

12 **SEC. 5. SEVEN-DAY THRESHOLD ON TOLLING OF STATUTE**
13 **OF LIMITATIONS DURING TAX REVIEW.**

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

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

22 **SEC. 6. STUDY OF LIENS AND LEVIES.**

23 The Secretary of the Treasury, or the Secretary’s del-
24 egate, shall conduct a study of the practices of the Inter-

1 nal Revenue Service concerning liens and levies. The study
2 shall examine—

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

5 (2) the practicality of recording liens and lev-
6 ying against property in cases in which the cost of
7 such actions exceeds the amount to be realized from
8 such property.

9 Not later than 1 year after the date of the enactment of
10 this Act, the Secretary shall submit such study to the
11 Committee on Ways and Means of the House of Rep-
12 resentatives and the Committee on Finance of the Senate.

13 **SEC. 7. LOW-INCOME TAXPAYER CLINICS.**

14 (a) **LIMITATION ON AMOUNT OF GRANTS.**—Para-
15 graph (1) of section 7526(c) (relating to special rules and
16 limitations) is amended by striking “\$6,000,000 per year”
17 and inserting “\$9,000,000 for 2002, \$12,000,000 for
18 2003, and \$15,000,000 for each year thereafter”.

19 (b) **LIMITATION ON USE OF CLINICS FOR TAX RE-**
20 **TURN PREPARATION.**—Subparagraph (A) of section
21 7526(b)(1) is amended by adding at the end the following
22 flush language:

23 “The term does not include a clinic that pro-
24 vides routine tax return preparation. The pre-
25 ceding sentence shall not apply to return prepa-

1 ration in connection with a controversy with the
2 Internal Revenue Service.”.

3 (c) PROMOTION OF CLINICS.—Section 7526(c) is
4 amended by adding at the end the following new para-
5 graph:

6 “(7) PROMOTION OF CLINICS.—The Secretary
7 is authorized to promote the benefits of and encour-
8 age the use of low-income taxpayer clinics through
9 the use of mass communications, referrals, and other
10 means.”.

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