

108TH CONGRESS
1ST SESSION

S. 882

To amend the Internal Revenue Code of 1986 to provide improvements in tax administration and taxpayer safeguards, and for other purposes.

IN THE SENATE OF THE UNITED STATES

APRIL 10, 2003

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

A BILL

To amend the Internal Revenue Code of 1986 to provide improvements in tax administration and taxpayer safeguards, 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; ETC.**

4 (a) SHORT TITLE.—This Act may be cited as the
5 “Tax Administration Good Government Act”.

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.—The table of contents for
 4 this Act is as follows:

Sec. 1. Short title; etc.

TITLE I—IMPROVEMENTS IN TAX ADMINISTRATION AND
 TAXPAYER SAFEGUARDS

Subtitle A—Improving Efficiency and Safeguards in Internal Revenue Service
 Collection

- Sec. 101. Waiver of user fee for installment agreements using automated with-
drawals.
- Sec. 102. Partial payment of tax liability in installment agreements.
- Sec. 103. Termination of installment agreements.
- Sec. 104. Office of Chief Counsel review of offers in compromise.
- Sec. 105. Seven-day threshold on tolling of statute of limitations during Na-
tional Taxpayer Advocate review.
- Sec. 106. Increase in penalty for bad checks or money orders.
- Sec. 107. Financial management service fees.
- Sec. 108. Elimination of restriction on offsetting refunds from former residents.

Subtitle B—Processing and Personnel

- Sec. 111. Explanation of statute of limitations and consequences of failure to
file.
- Sec. 112. Disclosure of tax information to facilitate combined employment tax
reporting.
- Sec. 113. Expansion of declaratory judgment remedy to tax-exempt organiza-
tions.
- Sec. 114. Amendment to Treasury auction reforms.
- Sec. 115. Revisions relating to termination of employment of Internal Revenue
Service employees for misconduct.
- Sec. 116. IRS Oversight Board approval of use of critical pay authority.
- Sec. 117. Low-income taxpayer clinics.
- Sec. 118. Enrolled agents.
- Sec. 119. Establishment of disaster response team.
- Sec. 120. Accelerated tax refunds.
- Sec. 121. Study on clarifying record-keeping responsibilities.
- Sec. 122. Streamline reporting process for National Taxpayer Advocate.

Subtitle C—Other Provisions

- Sec. 131. Penalty on failure to report interests in foreign financial accounts.
- Sec. 132. Repeal of personal holding company tax.

TITLE II—REFORM OF PENALTY AND INTEREST

- Sec. 201. Individual estimated tax.
- Sec. 202. Corporate estimated tax.
- Sec. 203. Increase in large corporation threshold for estimated tax payments.

- Sec. 204. Abatement of interest.
- Sec. 205. Deposits made to suspend running of interest on potential underpayments.
- Sec. 206. Freeze of provision regarding suspension of interest where Secretary fails to contact taxpayer.
- Sec. 207. Expansion of interest netting.
- Sec. 208. Clarification of application of Federal tax deposit penalty.
- Sec. 209. Frivolous tax submissions.

TITLE III—UNITED STATES TAX COURT MODERNIZATION

Subtitle A—Tax Court Procedure

- Sec. 301. Jurisdiction of Tax Court over collection due process cases.
- Sec. 302. Authority for special trial judges to hear and decide certain employment status cases.
- Sec. 303. Confirmation of authority of Tax Court to apply doctrine of equitable recoupment.
- Sec. 304. Tax Court filing fee in all cases commenced by filing petition.
- Sec. 305. Amendments to appoint employees.
- Sec. 306. Expanded use of Tax Court practice fee for pro se taxpayers.

Subtitle B—Tax Court Pension and Compensation

- Sec. 311. Annuities for survivors of Tax Court judges who are assassinated.
- Sec. 312. Cost-of-living adjustments for Tax Court judicial survivor annuities.
- Sec. 313. Life insurance coverage for Tax Court judges.
- Sec. 314. Cost of life insurance coverage for Tax Court judges age 65 or over.
- Sec. 315. Modification of timing of lump-sum payment of judges' accrued annual leave.
- Sec. 316. Participation of Tax Court judges in the Thrift Savings Plan.
- Sec. 317. Exemption of teaching compensation of retired judges from limitation on outside earned income.
- Sec. 318. General provisions relating to magistrate judges of the Tax Court.
- Sec. 319. Annuities to surviving spouses and dependent children of magistrate judges of the Tax Court.
- Sec. 320. Retirement and annuity program.
- Sec. 321. Incumbent magistrate judges of the Tax Court.
- Sec. 322. Provisions for recall.
- Sec. 323. Effective date.

TITLE IV—CONFIDENTIALITY AND DISCLOSURE

- Sec. 401. Clarification of definition of church tax inquiry.
- Sec. 402. Collection activities with respect to joint return disclosable to either spouse based on oral request.
- Sec. 403. Taxpayer representatives not subject to examination on sole basis of representation of taxpayers.
- Sec. 404. Prohibition of disclosure of taxpayer identifying number with respect to disclosure of accepted offers-in-compromise.
- Sec. 405. Compliance by contractors and other agents with confidentiality safeguards.
- Sec. 406. Higher standards for requests for and consents to disclosure.
- Sec. 407. Civil damages for unauthorized inspection or disclosure.
- Sec. 408. Expanded disclosure in emergency circumstances.
- Sec. 409. Disclosure of taxpayer identity for tax refund purposes.

- Sec. 410. Disclosure to State officials of proposed actions related to section 501(c) organizations.
- Sec. 411. Treatment of public records.
- Sec. 412. Investigative disclosures.
- Sec. 413. TIN matching.
- Sec. 414. Form 8300 disclosures.
- Sec. 415. Technical amendment.

TITLE V—SIMPLIFICATION THROUGH ELIMINATION OF
INOPERATIVE PROVISIONS

- Sec. 501. Simplification through elimination of inoperative provisions.

1 **TITLE I—IMPROVEMENTS IN TAX**
2 **ADMINISTRATION AND TAX-**
3 **PAYER SAFEGUARDS**

4 **Subtitle A—Improving Efficiency**
5 **and Safeguards in Internal Rev-**
6 **enue Service Collection**

7 **SEC. 101. WAIVER OF USER FEE FOR INSTALLMENT AGREE-**
8 **MENTS USING AUTOMATED WITHDRAWALS.**

9 (a) IN GENERAL.—Section 6159 (relating to agree-
10 ments for payment of tax liability in installments) is
11 amended by redesignating subsection (e) as subsection (f)
12 and by inserting after subsection (d) the following:

13 “(e) WAIVER OF USER FEES FOR INSTALLMENT
14 AGREEMENTS USING AUTOMATED WITHDRAWALS.—In
15 the case of a taxpayer who enters into an installment
16 agreement in which automated installment payments are
17 agreed to, the Secretary shall waive the fee (if any) for
18 entering into the installment agreement.”.

1 (b) EFFECTIVE DATE.—The amendments made by
2 this section shall apply to agreements entered into on or
3 after the date of the enactment of this Act.

4 **SEC. 102. PARTIAL PAYMENT OF TAX LIABILITY IN IN-**
5 **STALLMENT 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(e) (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, as
20 amended by this Act, is amended by redesignating sub-
21 sections (d), (e), and (f) as subsections (e), (f), and (g),
22 respectively, and inserting after subsection (c) the fol-
23 lowing new subsection:

24 “(d) SECRETARY REQUIRED TO REVIEW INSTALL-
25 MENT AGREEMENTS FOR PARTIAL COLLECTION EVERY

1 TWO YEARS.—In the case of an agreement entered into
2 by the Secretary under subsection (a) for partial collection
3 of a tax liability, the Secretary shall review the agreement
4 at least once every 2 years.”.

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

8 **SEC. 103. TERMINATION OF INSTALLMENT AGREEMENTS.**

9 (a) IN GENERAL.—Section 6159(b)(4) (relating to
10 failure to pay an installment or any other tax liability
11 when due or to provide requested financial information)
12 is amended by striking “or” at the end of subparagraph
13 (B), by redesignating subparagraph (C) as subparagraph
14 (E), and by inserting after subparagraph (B) the fol-
15 lowing:

16 “(C) to make a Federal tax deposit under
17 section 6302 at the time such deposit is re-
18 quired to be made,

19 “(D) to file a return of tax imposed under
20 this title by its due date (including extensions),
21 or”.

22 (b) CONFORMING AMENDMENT.—Section 6159(b)(4)
23 is amended by striking “FAILURE TO PAY AN INSTALL-
24 MENT OR ANY OTHER TAX LIABILITY WHEN DUE OR TO
25 PROVIDE REQUESTED FINANCIAL INFORMATION” and in-

1 sserting “FAILURE TO MAKE PAYMENTS OR DEPOSITS OR
2 FILE RETURNS WHEN DUE OR TO PROVIDE REQUESTED
3 FINANCIAL INFORMATION”.

4 (c) EFFECTIVE DATE.—The amendments made by
5 this section shall apply to failures occurring on or after
6 the date of the enactment of this Act.

7 **SEC. 104. OFFICE OF CHIEF COUNSEL REVIEW OF OFFERS**
8 **IN COMPROMISE.**

9 (a) IN GENERAL.—Section 7122(b) (relating to
10 record) is amended by striking “Whenever a compromise”
11 and all that follows through “his delegate” and inserting
12 “If the Secretary determines that an opinion of the Gen-
13 eral Counsel for the Department of the Treasury, or the
14 Counsel’s delegate, is required with respect to a com-
15 promise, there shall be placed on file in the office of the
16 Secretary such opinion”.

17 (b) CONFORMING AMENDMENTS.—Section 7122(b) is
18 amended by striking the second and third sentences.

19 (c) EFFECTIVE DATE.—The amendments made by
20 this section shall apply to offers-in-compromise submitted
21 or pending on or after the date of the enactment of this
22 Act.

1 **SEC. 105. SEVEN-DAY THRESHOLD ON TOLLING OF STAT-**
2 **UTE OF LIMITATIONS DURING NATIONAL**
3 **TAXPAYER ADVOCATE REVIEW.**

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

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

12 **SEC. 106. INCREASE IN PENALTY FOR BAD CHECKS OR**
13 **MONEY ORDERS.**

14 (a) IN GENERAL.—Section 6657 (relating to bad
15 checks) is amended—

16 (1) by striking “\$750” and inserting “\$1,250”,
17 and

18 (2) by striking “\$15” and inserting “\$25”.

19 (b) EFFECTIVE DATE.—The amendments made by
20 this section apply to checks or money orders received after
21 December 31, 2003.

22 **SEC. 107. FINANCIAL MANAGEMENT SERVICE FEES.**

23 Notwithstanding any other provision of law, the Fi-
24 nancial Management Service may charge the Internal Rev-
25 enue Service, and the Internal Revenue Service may pay
26 the Financial Management Service, a fee sufficient to

1 cover the full cost of implementing a continuous levy pro-
2 gram under subsection (h) of section 6331 of the Internal
3 Revenue Code of 1986. Any such fee shall be based on
4 actual levies made and shall be collected by the Financial
5 Management Service by the retention of a portion of
6 amounts collected by levy pursuant to that subsection.
7 Amounts received by the Financial Management Service
8 as fees under that subsection shall be deposited into the
9 account of the Department of the Treasury under section
10 3711(g)(7) of title 31, United States Code, and shall be
11 collected and accounted for in accordance with the provi-
12 sions of that section. The amount credited against the tax-
13 payer's liability on account of the continuous levy shall
14 be the amount levied, without reduction for the amount
15 paid to the Financial Management Service as a fee.

16 **SEC. 108. ELIMINATION OF RESTRICTION ON OFFSETTING**
17 **REFUNDS FROM FORMER RESIDENTS.**

18 Section 6402(e) (relating to collection of past-due, le-
19 gally enforceable State income tax obligations) is amended
20 by striking paragraph (2) and by redesignating para-
21 graphs (3), (4), (5), (6), and (7) as paragraphs (2), (3),
22 (4), (5), and (6), respectively.

1 **Subtitle B—Processing and**
 2 **Personnel**

3 **SEC. 111. EXPLANATION OF STATUTE OF LIMITATIONS AND**
 4 **CONSEQUENCES OF FAILURE TO FILE.**

5 The Secretary of the Treasury or the Secretary's del-
 6 egate shall, as soon as practicable but not later than 180
 7 days after the date of the enactment of this Act, revise
 8 the statement required by section 6227 of the Omnibus
 9 Taxpayer Bill of Rights (Internal Revenue Service Publi-
 10 cation No. 1), and any instructions booklet accompanying
 11 a general income tax return form for taxable years begin-
 12 ning after 2001 (including forms 1040, 1040A, 1040EZ,
 13 and any similar or successor forms relating thereto), to
 14 provide for an explanation of—

15 (1) the limitations imposed by section 6511 of
 16 the Internal Revenue Code of 1986 on credits and
 17 refunds; and

18 (2) the consequences under such section 6511
 19 of the failure to file a return of tax.

20 **SEC. 112. DISCLOSURE OF TAX INFORMATION TO FACILI-**
 21 **TATE COMBINED EMPLOYMENT TAX REPORT-**
 22 **ING.**

23 Section 6103(d)(5) is amended to read as follows:

24 “(5) DISCLOSURE FOR COMBINED EMPLOY-
 25 MENT TAX REPORTING.—The Secretary may disclose

1 taxpayer identity information and signatures to any
2 agency, body, or commission of any State for the
3 purpose of carrying out with such agency, body, or
4 commission a combined Federal and State employ-
5 ment tax reporting program approved by the Sec-
6 retary. Subsections (a)(2) and (p)(4) and sections
7 7213 and 7213A shall not apply with respect to dis-
8 closures or inspections made pursuant to this para-
9 graph.”.

10 **SEC. 113. EXPANSION OF DECLARATORY JUDGMENT REM-**
11 **EDY TO TAX-EXEMPT ORGANIZATIONS.**

12 (a) IN GENERAL.—Paragraph (1) of section 7428(a)
13 (relating to creation of remedy) is amended—

14 (1) in subparagraph (B) by inserting after
15 “509(a))” the following: “or as a private operating
16 foundation (as defined in section 4942(j)(3))”; and

17 (2) by amending subparagraph (C) to read as
18 follows:

19 “(C) with respect to the initial qualifica-
20 tion or continuing qualification of an organiza-
21 tion as an organization described in section
22 501(c) (other than paragraph (3)) or 501(d)
23 which is exempt from tax under section 501(a),
24 or”.

1 (b) COURT JURISDICTION.—Subsection (a) of section
2 7428 is amended in the material following paragraph (2)
3 by striking “United States Tax Court, the United States
4 Claims Court, or the district court of the United States
5 for the District of Columbia” and inserting the following:
6 “United States Tax Court (in the case of any such deter-
7 mination or failure) or the United States Claims Court
8 or the district court of the United States for the District
9 of Columbia (in the case of a determination or failure with
10 respect to an issue referred to in subparagraph (A) or (B)
11 of paragraph (1)),”.

12 (c) EFFECTIVE DATE.—The amendments made by
13 this section shall apply to pleadings filed with respect to
14 determinations (or requests for determinations) made
15 after December 31, 2003.

16 **SEC. 114. AMENDMENT TO TREASURY AUCTION REFORMS.**

17 (a) IN GENERAL.—Clause (i) of section 202(c)(4)(B)
18 of the Government Securities Act Amendments of 1993
19 (31 U.S.C. 3121 note) is amended by inserting before the
20 semicolon “(or, if earlier, at the time the Secretary re-
21 leases the minutes of the meeting in accordance with para-
22 graph (2))”.

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

1 **SEC. 115. REVISIONS RELATING TO TERMINATION OF EM-**
2 **PLOYMENT OF INTERNAL REVENUE SERVICE**
3 **EMPLOYEES FOR MISCONDUCT.**

4 (a) IN GENERAL.—Subchapter A of chapter 80 (re-
5 lating to application of internal revenue laws) is amended
6 by inserting after section 7804 the following new section:

7 **“SEC. 7804A. TERMINATION OF EMPLOYMENT FOR MIS-**
8 **CONDUCT.**

9 “(a) IN GENERAL.—Subject to subsection (c), the
10 Commissioner shall terminate the employment of any em-
11 ployee of the Internal Revenue Service if there is a final
12 administrative or judicial determination that such em-
13 ployee committed any act or omission described under sub-
14 section (b) in the performance of the employee’s official
15 duties. Such termination shall be a removal for cause on
16 charges of misconduct.

17 “(b) ACTS OR OMISSIONS.—The acts or omissions de-
18 scribed under this subsection are—

19 “(1) willful failure to obtain the required ap-
20 proval signatures on documents authorizing the sei-
21 zure of a taxpayer’s home, personal belongings, or
22 business assets,

23 “(2) providing a false statement under oath
24 with respect to a material matter involving a tax-
25 payer or taxpayer representative,

1 “(3) with respect to a taxpayer or taxpayer rep-
2 resentative, the violation of—

3 “(A) any right under the Constitution of
4 the United States, or

5 “(B) any civil right established under—

6 “(i) title VI or VII of the Civil Rights
7 Act of 1964,

8 “(ii) title IX of the Education Amend-
9 ments of 1972,

10 “(iii) the Age Discrimination in Em-
11 ployment Act of 1967,

12 “(iv) the Age Discrimination Act of
13 1975,

14 “(v) section 501 or 504 of the Reha-
15 bilitation Act of 1973, or

16 “(vi) title I of the Americans with
17 Disabilities Act of 1990,

18 “(4) falsifying or destroying documents to con-
19 ceal mistakes made by any employee with respect to
20 a matter involving a taxpayer or taxpayer represent-
21 ative,

22 “(5) assault or battery on a taxpayer or tax-
23 payer representative, but only if there is a criminal
24 conviction, or a final judgment by a court in a civil
25 case, with respect to the assault or battery,

1 “(6) violations of this title, Department of the
2 Treasury regulations, or policies of the Internal Rev-
3 enue Service (including the Internal Revenue Man-
4 ual) for the purpose of retaliating against, or
5 harassing, a taxpayer or taxpayer representative,

6 “(7) willful misuse of the provisions of section
7 6103 for the purpose of concealing information from
8 a congressional inquiry,

9 “(8) willful failure to file any return of tax re-
10 quired under this title on or before the date pre-
11 scribed therefor (including any extensions) when a
12 tax is due and owing, unless such failure is due to
13 reasonable cause and not due to willful neglect,

14 “(9) willful understatement of Federal tax li-
15 ability, unless such understatement is due to reason-
16 able cause and not due to willful neglect, and

17 “(10) threatening to audit a taxpayer for the
18 purpose of extracting personal gain or benefit.

19 “(c) DETERMINATIONS OF COMMISSIONER.—

20 “(1) IN GENERAL.—The Commissioner may
21 take a personnel action other than termination for
22 an act or omission described under subsection (b).

23 “(2) DISCRETION.—The exercise of authority
24 under paragraph (1) shall be at the sole discretion
25 of the Commissioner and may not be delegated to

1 any other officer. The Commissioner, in the Com-
2 missioner's sole discretion, may establish a proce-
3 dure which will be used to determine whether an in-
4 dividual should be referred to the Commissioner for
5 a determination by the Commissioner under para-
6 graph (1).

7 “(3) NO APPEAL.—Any determination of the
8 Commissioner under this subsection may not be ap-
9 pealed in any administrative or judicial proceeding.

10 “(d) DEFINITION.—For the purposes of the provi-
11 sions described in clauses (i), (ii), and (iv) of subsection
12 (b)(3)(B), references to a program or activity regarding
13 Federal financial assistance or an education program or
14 activity receiving Federal financial assistance shall include
15 any program or activity conducted by the Internal Rev-
16 enue Service for a taxpayer.”.

17 (b) CLERICAL AMENDMENT.—The table of sections
18 for chapter 80 is amended by inserting after the item re-
19 lating to section 7804 the following new item:

“Sec. 7804A. Termination of employment for misconduct.”.

20 (c) REPEAL OF SUPERSEDED SECTION.—Section
21 1203 of the Internal Revenue Service Restructuring and
22 Reform Act of 1998 (Public Law 105–206; 112 Stat. 720)
23 is repealed.

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

4 **SEC. 116. IRS OVERSIGHT BOARD APPROVAL OF USE OF**
5 **CRITICAL PAY AUTHORITY.**

6 (a) IN GENERAL.—Section 7802(d)(3) (relating to
7 management) is amended by striking “and” at the end
8 of subparagraph (B), by striking the period at the end
9 of subparagraph (C) and inserting “; and”, and by adding
10 at the end the following new subparagraph:

11 “(D) review and approve the Commis-
12 sioner’s use of critical pay authority under sec-
13 tion 9502 of title 5, United States Code, and
14 streamlined critical pay authority under section
15 9503 of such title.”.

16 (b) EFFECTIVE DATE.—The amendments made by
17 this section shall apply to personnel hired after the date
18 of the enactment of this Act.

19 **SEC. 117. LOW-INCOME TAXPAYER CLINICS.**

20 (a) GRANTS FOR RETURN PREPARATION CLINICS.—

21 (1) IN GENERAL.—Chapter 77 (relating to mis-
22 cellaneous provisions) is amended by inserting after
23 section 7526 the following new section:

1 **“SEC. 7526A. RETURN PREPARATION CLINICS FOR LOW-IN-**
 2 **COME TAXPAYERS.**

3 “(a) IN GENERAL.—The Secretary may, subject to
 4 the availability of appropriated funds, make grants to pro-
 5 vide matching funds for the development, expansion, or
 6 continuation of qualified return preparation clinics.

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

8 “(1) QUALIFIED RETURN PREPARATION CLIN-
 9 IC.—

10 “(A) IN GENERAL.—The term ‘qualified
 11 return preparation clinic’ means a clinic
 12 which—

13 “(i) does not charge more than a
 14 nominal fee for its services (except for re-
 15 imbursement of actual costs incurred), and

16 “(ii) operates programs which assist
 17 low-income taxpayers in preparing and fil-
 18 ing their Federal income tax returns, in-
 19 cluding schedules reporting sole proprietor-
 20 ship or farm income.

21 “(B) ASSISTANCE TO LOW-INCOME TAX-
 22 PAYERS.—A clinic is treated as assisting low-in-
 23 come taxpayers under subparagraph (A)(ii) if
 24 at least 90 percent of the taxpayers assisted by
 25 the clinic have incomes which do not exceed 250
 26 percent of the poverty level, as determined in

1 accordance with criteria established by the Di-
2 rector of the Office of Management and Budg-
3 et.

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

5 “(A) a clinical program at an eligible edu-
6 cational institution (as defined in section
7 529(e)(5)) which satisfies the requirements of
8 paragraph (1) through student assistance of
9 taxpayers in return preparation and filing, and

10 “(B) an organization described in section
11 501(c) and exempt from tax under section
12 501(a) which satisfies the requirements of para-
13 graph (1).

14 “(c) SPECIAL RULES AND LIMITATIONS.—

15 “(1) AGGREGATE LIMITATION.—Unless other-
16 wise provided by specific appropriation, the Sec-
17 retary shall not allocate more than \$10,000,000 per
18 year (exclusive of costs of administering the pro-
19 gram) to grants under this section.

20 “(2) OTHER APPLICABLE RULES.—Rules simi-
21 lar to the rules under paragraphs (2) through (7) of
22 section 7526(c) shall apply with respect to the
23 awarding of grants to qualified return preparation
24 clinics.”.

1 (2) CLERICAL AMENDMENT.—The table of sec-
 2 tions for chapter 77 is amended by inserting after
 3 the item relating to section 7526 the following new
 4 item:

 “Sec. 7526A. Return preparation clinics for low-income tax-
 payers.”.

5 (b) GRANTS FOR TAXPAYER REPRESENTATION AND
 6 ASSISTANCE CLINICS.—

7 (1) INCREASE IN AUTHORIZED GRANTS.—Sec-
 8 tion 7526(c)(1) (relating to aggregate limitation) is
 9 amended by striking “\$6,000,000” and inserting
 10 “\$10,000,000”.

11 (2) USE OF GRANTS FOR OVERHEAD EXPENSES
 12 PROHIBITED.—

13 (A) IN GENERAL.—Section 7526(c) (relat-
 14 ing to special rules and limitations) is amended
 15 by adding at the end the following new para-
 16 graph:

17 “(6) USE OF GRANTS FOR OVERHEAD EX-
 18 PENSES PROHIBITED.—No grant made under this
 19 section may be used for the overhead expenses of
 20 any clinic or of any institution sponsoring such clin-
 21 ic.”.

22 (B) CONFORMING AMENDMENTS.—Section
 23 7526(c)(5) is amended—

1 (i) by inserting “qualified” before
2 “low-income”, and

3 (ii) by striking the last sentence.

4 (3) PROMOTION OF CLINICS.—Section 7526(c),
5 as amended by paragraph (2), is amended by adding
6 at the end the following new paragraph:

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

12 (c) EFFECTIVE DATE.—The amendments made by
13 this section shall apply to grants made after the date of
14 the enactment of this Act.

15 **SEC. 118. ENROLLED AGENTS.**

16 (a) IN GENERAL.—Chapter 77 (relating to miscella-
17 neous provisions) is amended by adding at the end the
18 following new section:

19 **“SEC. 7527. ENROLLED AGENTS.**

20 “(a) IN GENERAL.—The Secretary may prescribe
21 such regulations as may be necessary to regulate the con-
22 duct of enrolled agents in regards to their practice before
23 the Internal Revenue Service.

24 “(b) USE OF CREDENTIALS.—Any enrolled agents
25 properly licensed to practice as required under rules pro-

1 mulgated under section (a) herein shall be allowed to use
 2 the credentials or designation as ‘enrolled agent’, ‘EA’, or
 3 ‘E.A.’.”.

4 (b) CLERICAL AMENDMENT.—The table of sections
 5 for chapter 77 is amended by adding at the end the fol-
 6 lowing new item:

“Sec. 7527. Enrolled agents.”.

7 (c) PRIOR REGULATIONS.—Nothing in the amend-
 8 ments made by this section shall be construed to have any
 9 effect on part 10 of title 31, Code of Federal Regulations,
 10 or any other Federal rule or regulation issued before the
 11 date of the enactment of this Act.

12 **SEC. 119. ESTABLISHMENT OF DISASTER RESPONSE TEAM.**

13 (a) IN GENERAL.—Section 7508A (relating to au-
 14 thority to postpone certain tax-related deadlines by reason
 15 of presidentially declared disaster) is amended by adding
 16 at the end the following new subsection:

17 “(c) DUTIES OF DISASTER RESPONSE TEAM.—

18 “(1) RESPONSE TO DISASTERS.—The Secretary
 19 shall—

20 “(A) establish as a permanent office in the
 21 national office of the Internal Revenue Service
 22 a disaster response team composed of members,
 23 who in addition to their regular responsibilities,
 24 shall assist taxpayers in clarifying and resolving
 25 Federal tax matters associated with or resulting

1 from any Presidentially declared disaster (as so
2 defined), and

3 “(B) respond to requests by such tax-
4 payers for filing extensions and technical guid-
5 ance expeditiously.

6 “(2) PERSONNEL OF DISASTER RESPONSE
7 TEAM.—The disaster response team shall be com-
8 posed of—

9 “(A) personnel from the Office of the Tax-
10 payer Advocate, and

11 “(B) personnel from the national office of
12 the Internal Revenue Service with expertise in
13 individual, corporate, and small business tax
14 matters.

15 “(3) COORDINATION WITH FEMA.—The disaster
16 response team shall operate in coordination with the
17 Director of the Federal Emergency Management
18 Agency.

19 “(4) TOLL-FREE TELEPHONE NUMBER.—The
20 Commissioner of Internal Revenue shall establish
21 and maintain a toll-free telephone number for tax-
22 payers to use to receive assistance from the disaster
23 response team.

24 “(5) INTERNET WEBPAGE SITE.—The Commis-
25 sioner of Internal Revenue shall establish and main-

1 tain a site on the Internet webpage of the Internal
2 Revenue Service for information for taxpayers de-
3 scribed in paragraph (1)(A).”.

4 (b) FEMA.—The Director of the Federal Emergency
5 Management Agency shall work in coordination with the
6 disaster response team established under section
7 7804(c)(1)(A) of the Internal Revenue Code of 1986 to
8 provide timely assistance to disaster victims described in
9 such section, including—

10 (1) informing the disaster response team re-
11 garding any tax-related problems or issues arising in
12 connection with the disaster,

13 (2) providing the toll-free telephone number es-
14 tablished and maintained by the Internal Revenue
15 Service for the disaster victims in all materials pro-
16 vided to such victims, and

17 (3) providing the information described in sec-
18 tion 7804(c)(5) of such Code on the Internet
19 webpage of the Federal Emergency Management
20 Agency or through a link on such webpage to the
21 Internet webpage site of the Internal Revenue Serv-
22 ice described in such section.

23 (c) EFFECTIVE DATE.—The amendment made by
24 this section shall take effect on the date of the enactment
25 of this Act.

1 **SEC. 120. ACCELERATED TAX REFUNDS.**

2 (a) STUDY.—The Secretary of the Treasury shall
3 study the implementation of an accelerated refund pro-
4 gram for taxpayers who—

5 (1) maintain the same filing characteristics
6 from year to year, and

7 (2) elect the direct deposit option for any re-
8 fund under the program.

9 (b) REPORT.—Not later than the date which is 1 year
10 after the date of the enactment of this Act, the Secretary
11 of the Treasury shall transmit a report of the study de-
12 scribed in subsection (a), including recommendations, to
13 the Committee on Finance of the Senate and the Com-
14 mittee on Ways and Means of the House of Representa-
15 tives.

16 **SEC. 121. STUDY ON CLARIFYING RECORD-KEEPING RE-**
17 **SPONSIBILITIES.**

18 (a) STUDY.—The Secretary of the Treasury shall
19 study—

20 (1) the scope of the records required to be
21 maintained by taxpayers under section 6001 of the
22 Internal Revenue Code of 1986,

23 (2) the utility of requiring taxpayers to main-
24 tain all records indefinitely,

25 (3) such requirement given the necessity to up-
26 grade technological storage for outdated records,

1 (4) the number of negotiated records retention
2 agreements requested by taxpayers and the number
3 entered into by the Internal Revenue Service, and

4 (5) proposals regarding taxpayer record-keep-
5 ing.

6 (b) REPORT.—Not later than the date which is 1 year
7 after the date of the enactment of this Act, the Secretary
8 of the Treasury shall transmit a report of the study de-
9 scribed in subsection (a), including recommendations, to
10 the Committee on Finance of the Senate and the Com-
11 mittee on Ways and Means of the House of Representa-
12 tives.

13 **SEC. 122. STREAMLINE REPORTING PROCESS FOR NA-**
14 **TIONAL TAXPAYER ADVOCATE.**

15 (a) ONE ANNUAL REPORT.—Subparagraph (B) of
16 section 7803(c)(2) (relating to functions of Office) is
17 amended—

18 (1) by striking all matter preceding subclause
19 (I) of clause (ii) and inserting the following:

20 “(B) ANNUAL REPORT.—

21 “(i) IN GENERAL.—Not later than
22 December 31 of each calendar year, the
23 National Taxpayer Advocate shall report to
24 the Committee of Ways and Means of the
25 House of Representatives and the Com-

1 committee on Finance of the Senate on the ob-
 2 jectives of the Office of the Taxpayer of
 3 Advocate for the fiscal year beginning in
 4 such calendar year and the activities of
 5 such Office during the fiscal year ending
 6 during such calendar year. Any such report
 7 shall contain full and substantive analysis,
 8 in addition to statistical information, and
 9 shall—”,

10 (2) by striking “clause (ii)” in clause (iv) and
 11 inserting “clause (i)”, and

12 (3) by redesignating clauses (iii) and (iv) as
 13 clauses (ii) and (iii), respectively.

14 (b) EFFECTIVE DATE.—The amendments made by
 15 this section shall apply to reports in calendar year 2003
 16 and thereafter.

17 **Subtitle C—Other Provisions**

18 **SEC. 131. PENALTY ON FAILURE TO REPORT INTERESTS IN**

19 **FOREIGN FINANCIAL ACCOUNTS.**

20 (a) IN GENERAL.—Section 5321(a)(5) of title 31,
 21 United States Code, is amended to read as follows:

22 “(5) FOREIGN FINANCIAL AGENCY TRANS-
 23 ACTION VIOLATION.—

24 “(A) PENALTY AUTHORIZED.—The Sec-
 25 retary of the Treasury may impose a civil

1 money penalty on any person who violates, or
2 causes any violation of, any provision of section
3 5314.

4 “(B) AMOUNT OF PENALTY.—

5 “(i) IN GENERAL.—Except as pro-
6 vided in subparagraph (C), the amount of
7 any civil penalty imposed under subpara-
8 graph (A) shall not exceed \$5,000.

9 “(ii) REASONABLE CAUSE EXCEP-
10 TION.—No penalty shall be imposed under
11 subparagraph (A) with respect to any vio-
12 lation if—

13 “(I) such violation was due to
14 reasonable cause, and

15 “(II) the amount of the trans-
16 action or the balance in the account
17 at the time of the transaction was
18 properly reported.

19 “(C) WILLFUL VIOLATIONS.—In the case
20 of any person willfully violating, or willfully
21 causing any violation of, any provision of sec-
22 tion 5314—

23 “(i) the maximum penalty under sub-
24 paragraph (B)(i) shall be increased to the
25 greater of—

1 “(I) \$25,000, or

2 “(II) the amount (not exceeding
3 \$100,000) determined under subpara-
4 graph (D), and

5 “(ii) subparagraph (B)(ii) shall not
6 apply.

7 “(D) AMOUNT.—The amount determined
8 under this subparagraph is—

9 “(i) in the case of a violation involving
10 a transaction, the amount of the trans-
11 action, or

12 “(ii) in the case of a violation involv-
13 ing a failure to report the existence of an
14 account or any identifying information re-
15 quired to be provided with respect to an
16 account, the balance in the account at the
17 time of the violation.”

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

21 **SEC. 132. REPEAL OF PERSONAL HOLDING COMPANY TAX.**

22 (a) IN GENERAL.—Part II of subchapter G of chap-
23 ter 1 (relating to personal holding companies) is hereby
24 repealed.

25 (b) CONFORMING AMENDMENTS.—

1 (1) Section 12(2) is amended to read as follows:

2 “(2) For accumulated earnings tax, see part I
3 of subchapter G (sec. 531 and following).”.

4 (2) Section 26(b)(2) is amended by striking
5 subparagraph (G) and by redesignating the suc-
6 ceeding subparagraphs accordingly.

7 (3) Section 30A(c) is amended by striking para-
8 graph (3) and by redesignating paragraph (4) as
9 paragraph (3).

10 (4) Section 41(e)(7)(E) is amended by adding
11 “and” at the end of clause (i), by striking clause
12 (ii), and by redesignating clause (iii) as clause (ii).

13 (5) Section 56(b)(2) is amended by striking
14 subparagraph (C) and by redesignating subpara-
15 graph (D) as subparagraph (C).

16 (6) Section 170(e)(4)(D) is amended by adding
17 “and” at the end of clause (i), by striking clause
18 (ii), and by redesignating clause (iii) as clause (ii).

19 (7) Section 111(d) is amended to read as fol-
20 lows:

21 “(d) SPECIAL RULES FOR ACCUMULATED EARNINGS
22 TAX.—In applying subsection (a) for the purpose of deter-
23 mining the accumulated earnings tax under section 531—

24 “(1) any excluded amount under subsection (a)
25 allowed for purposes of this subtitle (other than sec-

1 tion 531) shall be allowed whether or not such
2 amount resulted in a reduction of the tax under sec-
3 tion 531 for the prior taxable year, and

4 “(2) where any excluded amount under sub-
5 section (a) was not allowed as a deduction for the
6 prior taxable year for purposes of this subtitle other
7 than section 531 but was allowable for the same tax-
8 able year under section 531, then such excluded
9 amount shall be allowable if it did not result in a re-
10 duction of the tax under section 531.”.

11 (8)(A) Section 316(b) is amended by striking
12 paragraph (2) and by redesignating paragraph (3)
13 as paragraph (2).

14 (B) Section 331(b) is amended by striking
15 “(other than a distribution referred to in paragraph
16 (2)(B) of section 316(b))”.

17 (9) Section 341(d) is amended—

18 (A) by striking “section 544(a)” and in-
19 serting “section 465(f)”, and

20 (B) by inserting before the period at the
21 end of the next to the last sentence “and such
22 paragraph (2) shall be applied by inserting ‘by
23 or for his partner’ after ‘his family’ ”.

24 (10) Section 381(c) is amended by striking
25 paragraphs (14) and (17).

1 (11) Section 443(e) is amended by striking
2 paragraph (2) and by redesignating paragraphs (3),
3 (4), and (5) as paragraphs (2), (3), and (4), respec-
4 tively.

5 (12) Section 447(g)(4)(A) is amended by strik-
6 ing “other than—” and all that follows and insert-
7 ing “other than an S corporation.”

8 (13)(A) Section 465(a)(1)(B) is amended to
9 read as follows:

10 “(B) a C corporation which is closely
11 held,”.

12 (B) Section 465(a)(3) is amended to read as
13 follows:

14 “(3) CLOSELY HELD DETERMINATION.—For
15 purposes of paragraph (1), a corporation is closely
16 held if, at any time during the last half of the tax-
17 able year, more than 50 percent in value of its out-
18 standing stock is owned, directly or indirectly, by or
19 for not more than 5 individuals. For purposes of this
20 paragraph, an organization described in section
21 401(a), 501(c)(17), or 509(a) or a portion of a trust
22 permanently set aside or to be used exclusively for
23 the purposes described in section 642(c) shall be
24 considered an individual.”

1 (C) Section 465 is amended by adding at the
2 end the following new subsection:

3 “(f) CONSTRUCTIVE OWNERSHIP RULES.—For pur-
4 poses of subsection (a)(3)—

5 “(1) STOCK NOT OWNED BY INDIVIDUAL.—
6 Stock owned, directly or indirectly, by or for a cor-
7 poration, partnership, estate, or trust shall be con-
8 sidered as being owned proportionately by its share-
9 holders, partners, or beneficiaries.

10 “(2) FAMILY OWNERSHIP.—An individual shall
11 be considered as owning the stock owned, directly or
12 indirectly, by or for his family. For purposes of this
13 paragraph, the family of an individual includes only
14 his brothers and sisters (whether by the whole or
15 half blood), spouse, ancestors, and lineal descend-
16 ants.

17 “(3) OPTIONS.—If any person has an option to
18 acquire stock, such stock shall be considered as
19 owned by such person. For purposes of this para-
20 graph, an option to acquire such an option, and each
21 one of a series of such options, shall be considered
22 as an option to acquire such stock.

23 “(4) APPLICATION OF FAMILY AND OPTION
24 RULES.—Paragraphs (2) and (3) shall be applied if,

1 but only if, the effect is to make the corporation
2 closely held under subsection (a)(3).

3 “(5) CONSTRUCTIVE OWNERSHIP AS ACTUAL
4 OWNERSHIP.—Stock constructively owned by a per-
5 son by reason of the application of paragraph (1) or
6 (3), shall, for purposes of applying paragraph (1) or
7 (2), be treated as actually owned by such person;
8 but stock constructively owned by an individual by
9 reason of the application of paragraph (2) shall not
10 be treated as owned by him for purposes of again
11 applying such paragraph in order to make another
12 the constructive owner of such stock.

13 “(6) OPTION RULE IN LIEU OF FAMILY
14 RULE.—If stock may be considered as owned by an
15 individual under either paragraph (2) or (3) it shall
16 be considered as owned by him under paragraph (3).

17 “(7) CONVERTIBLE SECURITIES.—Outstanding
18 securities convertible into stock (whether or not con-
19 vertible during the taxable year) shall be considered
20 as outstanding stock if the effect of the inclusion of
21 all such securities is to make the corporation closely
22 held under subsection (a)(3). The requirement under
23 the preceding sentence that all convertible securities
24 must be included if any are to be included shall be
25 subject to the exception that, where some of the out-

1 standing securities are convertible only after a later
2 date than in the case of others, the class having the
3 earlier conversion date may be included although the
4 others are not included, but no convertible securities
5 shall be included unless all outstanding securities
6 having a prior conversion date are also included.”

7 (D) Section 465(c)(7)(B) is amended by strik-
8 ing clause (i) and by redesignating clauses (ii) and
9 (iii) as clauses (i) and (ii), respectively.

10 (E) Section 465(c)(7)(G) is amended to read as
11 follows:

12 “(G) LOSS OF 1 MEMBER OF AFFILIATED
13 GROUP MAY NOT OFFSET INCOME OF PERSONAL
14 SERVICE CORPORATION.—Nothing in this para-
15 graph shall permit any loss of a member of an
16 affiliated group to be used as an offset against
17 the income of any other member of such group
18 which is a personal service corporation (as de-
19 fined in section 269A(b) but determined by sub-
20 stituting ‘5 percent’ for ‘10 percent’ in section
21 269A(b)(2)).”

22 (14) Sections 508(d), 4947, and 4948(c)(4) are
23 each amended by striking “545(b)(2),” each place it
24 appears.

1 (15) Section 532(b) is amended by striking
2 paragraph (1) and by redesignating paragraphs (2),
3 (3), and (4) as paragraphs (1), (2), and (3), respec-
4 tively.

5 (16) Sections 535(b)(1) and 556(b)(1) are each
6 amended by striking “section 541” and inserting
7 “section 541 (as in effect before its repeal)”.

8 (17)(A) Section 553(a)(1) is amended by strik-
9 ing “section 543(d)” and inserting “subsection (c)”.

10 (B) Section 553 is amended by adding at the
11 end the following new subsection:

12 “(c) ACTIVE BUSINESS COMPUTER SOFTWARE ROY-
13 ALTIES.—

14 “(1) IN GENERAL.—For purposes of subsection
15 (a), the term ‘active business computer software roy-
16 alties’ means any royalties—

17 “(A) received by any corporation during
18 the taxable year in connection with the licensing
19 of computer software, and

20 “(B) with respect to which the require-
21 ments of paragraphs (2), (3), (4), and (5) are
22 met.

23 “(2) ROYALTIES MUST BE RECEIVED BY COR-
24 PORATION ACTIVELY ENGAGED IN COMPUTER SOFT-
25 WARE BUSINESS.—The requirements of this para-

1 graph are met if the royalties described in paragraph
2 (1)—

3 “(A) are received by a corporation engaged
4 in the active conduct of the trade or business
5 of developing, manufacturing, or producing
6 computer software, and

7 “(B) are attributable to computer software
8 which—

9 “(i) is developed, manufactured, or
10 produced by such corporation (or its prede-
11 cessor) in connection with the trade or
12 business described in subparagraph (A), or

13 “(ii) is directly related to such trade
14 or business.

15 “(3) ROYALTIES MUST CONSTITUTE AT LEAST
16 50 PERCENT OF INCOME.—The requirements of this
17 paragraph are met if the royalties described in para-
18 graph (1) constitute at least 50 percent of the ordi-
19 nary gross income of the corporation for the taxable
20 year.

21 “(4) DEDUCTIONS UNDER SECTIONS 162 AND
22 174 RELATING TO ROYALTIES MUST EQUAL OR EX-
23 CEED 25 PERCENT OF ORDINARY GROSS INCOME.—

24 “(A) IN GENERAL.—The requirements of
25 this paragraph are met if—

1 “(i) the sum of the deductions allow-
2 able to the corporation under sections 162,
3 174, and 195 for the taxable year which
4 are properly allocable to the trade or busi-
5 ness described in paragraph (2) equals or
6 exceeds 25 percent of the ordinary gross
7 income of such corporation for such tax-
8 able year, or

9 “(ii) the average of such deductions
10 for the 5-taxable year period ending with
11 such taxable year equals or exceeds 25 per-
12 cent of the average ordinary gross income
13 of such corporation for such period.

14 If a corporation has not been in existence dur-
15 ing the 5-taxable year period described in clause
16 (ii), then the period of existence of such cor-
17 poration shall be substituted for such 5-taxable
18 year period.

19 “(B) DEDUCTIONS ALLOWABLE UNDER
20 SECTION 162.—For purposes of subparagraph
21 (A), a deduction shall not be treated as allow-
22 able under section 162 if it is specifically allow-
23 able under another section.

24 “(C) LIMITATION ON ALLOWABLE DEDUC-
25 TIONS.—For purposes of subparagraph (A), no

1 deduction shall be taken into account with re-
2 spect to compensation for personal services ren-
3 dered by the 5 individual shareholders holding
4 the largest percentage (by value) of the out-
5 standing stock of the corporation. For purposes
6 of the preceding sentence individuals holding
7 less than 5 percent (by value) of the stock of
8 such corporation shall not be taken into ac-
9 count.”

10 (18) Section 561(a) is amended by striking
11 paragraph (3), by inserting “and” at the end of
12 paragraph (1), and by striking “, and” at the end
13 of paragraph (2) and inserting a period.

14 (19) Section 562(b) is amended to read as fol-
15 lows:

16 “(b) DISTRIBUTIONS IN LIQUIDATION.—Except in
17 the case of a foreign personal holding company described
18 in section 552—

19 “(1) in the case of amounts distributed in liq-
20 uidation, the part of such distribution which is prop-
21 erly chargeable to earnings and profits accumulated
22 after February 28, 1913, shall be treated as a divi-
23 dend for purposes of computing the dividends paid
24 deduction, and

1 “(2) in the case of a complete liquidation occur-
2 ring within 24 months after the adoption of a plan
3 of liquidation, any distribution within such period
4 pursuant to such plan shall, to the extent of the
5 earnings and profits (computed without regard to
6 capital losses) of the corporation for the taxable year
7 in which such distribution is made, be treated as a
8 dividend for purposes of computing the dividends
9 paid deduction.

10 For purposes of paragraph (1), a liquidation includes a
11 redemption of stock to which section 302 applies. Except
12 to the extent provided in regulations, the preceding sen-
13 tence shall not apply in the case of any mere holding or
14 investment company which is not a regulated investment
15 company.”

16 (20) Section 563 is amended by striking sub-
17 section (b).

18 (21) Section 564 is hereby repealed.

19 (22) Section 631(c) is amended by striking “or
20 section 545(b)(5)”.

21 (23) Section 852(b)(1) is amended by striking
22 “which is a personal holding company (as defined in
23 section 542) or”.

24 (24)(A) Section 856(h)(1) is amended to read
25 as follows:

1 “(1) IN GENERAL.—For purposes of subsection
2 (a)(6), a corporation, trust, or association is closely
3 held if the stock ownership requirement of section
4 465(a)(3) is met.”

5 (B) Section 856(h)(3)(A)(i) is amended by
6 striking “section 542(a)(2)” and inserting “section
7 465(a)(3)”.

8 (C) Paragraph (3) of section 856(h) is amended
9 by striking subparagraph (B) and by redesignating
10 subparagraphs (C) and (D) as subparagraphs (B)
11 and (C), respectively.

12 (D) Subparagraph (C) of section 856(h)(3), as
13 redesignating by the preceding subparagraph, is
14 amended by striking “subparagraph (C)” and insert-
15 ing “subparagraph (B)”.

16 (25) The last sentence of section 882(c)(2) is
17 amended to read as follows:

18 “The preceding sentence shall not be construed to
19 deny the credit provided by section 33 for tax with-
20 held at source or the credit provided by section 34
21 for certain uses of gasoline.”.

22 (26) Section 936(a)(3) is amended by striking
23 subparagraph (C), by inserting “or” at the end of
24 subparagraph (B), and by redesignating subpara-
25 graph (D) as subparagraph (C).

1 (27) Section 992(d) is amended by striking
2 paragraph (2) and by redesignating succeeding para-
3 graphs accordingly.

4 (28) Section 992(e) is amended by striking
5 “and section 541 (relating to personal holding com-
6 pany tax)”.

7 (29) Section 1202(e)(8) is amended by striking
8 “section 543(d)(1)” and inserting “section
9 553(c)(1)”.

10 (30) Section 1362(d)(3)(C)(iii) is amended by
11 adding at the end the following new sentence: “Ref-
12 erences to section 542 in the preceding sentence
13 shall be treated as references to such section as in
14 effect on the day before its repeal.”

15 (31) Section 1504(c)(2)(B) is amended by add-
16 ing “and” at the end of clause (i), by striking clause
17 (ii), and by redesignating clause (iii) as clause (ii).

18 (32) Section 2057(e)(2)(C) is amended by add-
19 ing at the end the following new sentence: “Ref-
20 erences to sections 542 and 543 in the preceding
21 sentence shall be treated as references to such sec-
22 tions as in effect on the day before their repeal.”

23 (33) Sections 6422 is amended by striking
24 paragraph (3) and by redesignating paragraphs (4)

1 through (12) and paragraphs (3) through (11), re-
2 spectively.

3 (34) Section 6501 is amended by striking sub-
4 section (f).

5 (35) Section 6503(k) is amended by striking
6 paragraph (1) and by redesignating paragraphs (2)
7 through (5) as paragraphs (1) through (4), respec-
8 tively.

9 (36) Section 6515 is amended by striking para-
10 graph (1) and by redesignating paragraphs (2)
11 through (6) as paragraphs (1) through (5), respec-
12 tively.

13 (37) Subsections (d)(1)(B) and (e)(2) of section
14 6662 are each amended by striking “or a personal
15 holding company (as defined in section 542)”.

16 (38) Section 6683 is hereby repealed.

17 (c) CLERICAL AMENDMENTS.—

18 (1) The table of parts for subchapter G of
19 chapter 1 is amended by striking the item relating
20 to part II.

21 (2) The table of sections for part IV of such
22 subchapter G is amended by striking the item relat-
23 ing to section 564.

1 (3) The table of sections for part I of sub-
2 chapter B of chapter 68 is amended by striking the
3 item relating to section 6683.

4 (d) EFFECTIVE DATE.—The amendments made by
5 this Act shall apply to taxable years beginning after De-
6 cember 31, 2003.

7 **TITLE II—REFORM OF PENALTY**
8 **AND INTEREST**

9 **SEC. 201. INDIVIDUAL ESTIMATED TAX.**

10 (a) INCREASE IN EXCEPTION FOR INDIVIDUALS
11 OWING SMALL AMOUNT OF TAX.—Section 6654(e)(1) (re-
12 lating to exception where tax is small amount) is amended
13 by striking “\$1,000” and inserting “\$2,000”.

14 (b) COMPUTATION OF ADDITION TO TAX.—Sub-
15 sections (a) and (b) of section 6654 (relating to failure
16 by individual to pay estimated taxes) are amended to read
17 as follows:

18 “(a) ADDITION TO THE TAX.—

19 “(1) IN GENERAL.—Except as otherwise pro-
20 vided in this section, in the case of any under-
21 payment of estimated tax by an individual for a tax-
22 able year, there shall be added to the tax under
23 chapters 1 and 2 for the taxable year the amount
24 determined under paragraph (2) for each day of un-
25 derpayment.

1 “(2) AMOUNT.—The amount of the addition to
2 tax for any day shall be the product of the under-
3 payment rate established under subsection (b)(2)
4 multiplied by the amount of the underpayment.

5 “(b) AMOUNT OF UNDERPAYMENT; INTEREST
6 RATE.—For purposes of subsection (a)—

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

9 “(A) the sum of the required installments
10 for the taxable year the due dates for which are
11 on or before such day, over

12 “(B) the sum of the amounts (if any) of
13 estimated tax payments made on or before such
14 day on such required installments.

15 “(2) DETERMINATION OF INTEREST RATE.—

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

23 “(B) INSTALLMENT UNDERPAYMENT PE-
24 RIOD.—For purposes of subparagraph (A), the
25 term ‘installment underpayment period’ means

1 the period beginning on the day after the due
2 date for a required installment and ending on
3 the due date for the subsequent required in-
4 stallment (or in the case of the 4th required
5 installment, the 15th day of the 4th month fol-
6 lowing the close of a taxable year).

7 “(C) DAILY RATE.—The rate determined
8 under subparagraph (A) shall be applied on a
9 daily basis and shall be based on the assump-
10 tion of 365 days in a calendar year.

11 “(3) TERMINATION OF ESTIMATED TAX INTER-
12 EST.—No day after the end of the installment un-
13 derpayment period for the 4th required installment
14 specified in paragraph (2)(B) for a taxable year
15 shall be treated as a day of underpayment with re-
16 spect to such taxable year.”

17 (c) EFFECTIVE DATE.—The amendments made by
18 this section shall apply to taxable years beginning after
19 December 31, 2003.

20 **SEC. 202. CORPORATE ESTIMATED TAX.**

21 (a) INCREASE IN SMALL TAX AMOUNT EXCEP-
22 TION.—Section 6655(f) (relating to exception where tax
23 is small amount) is amended by striking “\$500” and in-
24 serting “\$1,000”.

1 (b) EFFECTIVE DATE.—The amendment made by
2 this section shall apply to taxable years beginning after
3 December 31, 2003.

4 **SEC. 203. INCREASE IN LARGE CORPORATION THRESHOLD**
5 **FOR ESTIMATED TAX PAYMENTS.**

6 (a) IN GENERAL.—Section 6655(g)(2) (defining
7 large corporation) is amended—

8 (1) by striking “\$1,000,000” in subparagraph
9 (A) and inserting “the applicable amount”,

10 (2) by redesignating subparagraph (B) as sub-
11 paragraph (C), and

12 (3) by inserting after subparagraph (A) the fol-
13 lowing new subparagraph:

14 “(B) APPLICABLE AMOUNT.—For purposes
15 of subparagraph (A), the applicable amount is
16 \$1,000,000 increased (but not above
17 \$1,500,000) by \$50,000 for each taxable year
18 beginning after 2004.”.

19 (b) EFFECTIVE DATE.—The amendments made by
20 this section shall apply to taxable years beginning after
21 December 31, 2003.

22 **SEC. 204. ABATEMENT OF INTEREST.**

23 (a) ABATEMENT OF INTEREST FOR PERIODS AT-
24 TRIBUTABLE TO ANY UNREASONABLE IRS ERROR OR
25 DELAY.—Section 6404(e)(1) is amended—

1 (1) by striking “in performing a ministerial or
2 managerial act” in subparagraphs (A) and (B),

3 (2) by striking “deficiency” in subparagraph
4 (A) and inserting “underpayment of any tax, addi-
5 tion to tax, or penalty imposed by this title”, and

6 (3) by striking “tax described in section
7 6212(a)” in subparagraph (B) and inserting “tax,
8 addition to tax, or penalty imposed by this title”.

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

13 (1) in the subsection heading, by striking
14 “PENALTY OR ADDITION” and inserting “INTEREST,
15 PENALTY, 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 (c) EFFECTIVE DATE.—The amendments made by
20 this section shall apply with respect to interest accruing
21 on or after the date of the enactment of this Act.

1 **SEC. 205. DEPOSITS MADE TO SUSPEND RUNNING OF IN-**
 2 **TEREST ON POTENTIAL UNDERPAYMENTS.**

3 (a) IN GENERAL.—Subchapter A of chapter 67 (re-
 4 lating to interest on underpayments) is amended by add-
 5 ing at the end the following new section:

6 **“SEC. 6603. DEPOSITS MADE TO SUSPEND RUNNING OF IN-**
 7 **TEREST ON POTENTIAL UNDERPAYMENTS,**
 8 **ETC.**

9 “(a) AUTHORITY TO MAKE DEPOSITS OTHER THAN
 10 AS PAYMENT OF TAX.—A taxpayer may make a cash de-
 11 posit with the Secretary which may be used by the Sec-
 12 retary to pay any tax imposed under subtitle A or B or
 13 chapter 41, 42, 43, or 44 which has not been assessed
 14 at the time of the deposit. Such a deposit shall be made
 15 in such manner as the Secretary shall prescribe.

16 “(b) NO INTEREST IMPOSED.—To the extent that
 17 such deposit is used by the Secretary to pay tax, for pur-
 18 poses of section 6601 (relating to interest on underpay-
 19 ments), the tax shall be treated as paid when the deposit
 20 is made.

21 “(c) RETURN OF DEPOSIT.—Except in a case where
 22 the Secretary determines that collection of tax is in jeop-
 23 ardy, the Secretary shall return to the taxpayer any
 24 amount of the deposit (to the extent not used for a pay-
 25 ment of tax) which the taxpayer requests in writing.

26 “(d) PAYMENT OF INTEREST.—

1 “(1) IN GENERAL.—For purposes of section
2 6611 (relating to interest on overpayments), a de-
3 posit which is returned to a taxpayer shall be treated
4 as a payment of tax for any period to the extent
5 (and only to the extent) attributable to a disputable
6 tax for such period. Under regulations prescribed by
7 the Secretary, rules similar to the rules of section
8 6611(b)(2) shall apply.

9 “(2) DISPUTABLE TAX.—

10 “(A) IN GENERAL.—For purposes of this
11 section, the term ‘disputable tax’ means the
12 amount of tax specified at the time of the de-
13 posit as the taxpayer’s reasonable estimate of
14 the maximum amount of any tax attributable to
15 disputable items.

16 “(B) SAFE HARBOR BASED ON 30-DAY
17 LETTER.—In the case of a taxpayer who has
18 been issued a 30-day letter, the maximum
19 amount of tax under subparagraph (A) shall
20 not be less than the amount of the proposed de-
21 ficiency specified in such letter.

22 “(3) OTHER DEFINITIONS.—For purposes of
23 paragraph (2)—

1 “(A) DISPUTABLE ITEM.—The term ‘dis-
2 putable item’ means any item of income, gain,
3 loss, deduction, or credit if the taxpayer—

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

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

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

15 “(4) RATE OF INTEREST.—The rate of interest
16 allowable under this subsection shall be the Federal
17 short-term rate determined under section 6621(b),
18 compounded daily.

19 “(e) USE OF DEPOSITS.—

20 “(1) PAYMENT OF TAX.—Except as otherwise
21 provided by the taxpayer, deposits shall be treated
22 as used for the payment of tax in the order depos-
23 ited.

1 “(2) RETURNS OF DEPOSITS.—Deposits shall
2 be treated as returned to the taxpayer on a last-in,
3 first-out basis.”.

4 (b) CLERICAL AMENDMENT.—The table of sections
5 for subchapter A of chapter 67 is amended by adding at
6 the end the following new item:

 “Sec. 6603. Deposits made to suspend running of interest on po-
 tential underpayments, etc.”.

7 (c) EFFECTIVE DATE.—

8 (1) IN GENERAL.—The amendments made by
9 this section shall apply to deposits made after De-
10 cember 31, 2003.

11 (2) COORDINATION WITH DEPOSITS MADE
12 UNDER REVENUE PROCEDURE 84–58.—In the case of
13 an amount held by the Secretary of the Treasury or
14 his delegate on the date of the enactment of this Act
15 as a deposit in the nature of a cash bond deposit
16 pursuant to Revenue Procedure 84–58, the date that
17 the taxpayer identifies such amount as a deposit
18 made pursuant to section 6603 of the Internal Rev-
19 enue Code (as added by this Act) shall be treated as
20 the date such amount is deposited for purposes of
21 such section 6603.

1 **SEC. 206. FREEZE OF PROVISIONS REGARDING SUSPEN-**
2 **SION OF INTEREST WHERE SECRETARY FAILS**
3 **TO CONTACT TAXPAYER.**

4 (a) IN GENERAL.—Section 6404(G) (relating to sus-
5 pension of interest and certain penalties where secretary
6 fails to contact taxpayer) is amended by striking “1-year
7 period (18-month period in the case of taxable years begin-
8 ning before January 1, 2004)” both places it appears and
9 inserting “18-month period”.

10 (b) EFFECTIVE DATE.—The amendment made by
11 this section shall apply to taxable years beginning after
12 December 31, 2003.

13 **SEC. 207. EXPANSION OF INTEREST NETTING.**

14 (a) IN GENERAL.—Subsection (d) of section 6621
15 (relating to elimination of interest on overlapping periods
16 of tax overpayments and underpayments) is amended by
17 adding at the end the following: “Solely for purposes of
18 the preceding sentence, section 6611(e) shall not apply.”.

19 (b) EFFECTIVE DATE.—The amendment made by
20 this section shall apply to interest accrued after December
21 31, 2003.

22 **SEC. 208. CLARIFICATION OF APPLICATION OF FEDERAL**
23 **TAX DEPOSIT PENALTY.**

24 Nothing in section 6656 of the Internal Revenue
25 Code of 1986 shall be construed to permit the percentage

1 specified in subsection (b)(1)(A)(iii) thereof to apply other
2 than in a case where the failure is for more than 15 days.

3 **SEC. 209. FRIVOLOUS TAX SUBMISSIONS.**

4 (a) CIVIL PENALTIES.—Section 6702 is amended to
5 read as follows:

6 **“SEC. 6702. FRIVOLOUS TAX SUBMISSIONS.**

7 “(a) CIVIL PENALTY FOR FRIVOLOUS TAX RE-
8 TURNS.—A person shall pay a penalty of \$5,000 if—

9 “(1) such person files what purports to be a re-
10 turn of a tax imposed by this title but which—

11 “(A) does not contain information on
12 which the substantial correctness of the self-as-
13 sessment may be judged, or

14 “(B) contains information that on its face
15 indicates that the self-assessment is substan-
16 tially incorrect; and

17 “(2) the conduct referred to in paragraph (1)—

18 “(A) is based on a position which the Sec-
19 retary has identified as frivolous under sub-
20 section (c), or

21 “(B) reflects a desire to delay or impede
22 the administration of Federal tax laws.

23 “(b) CIVIL PENALTY FOR SPECIFIED FRIVOLOUS
24 SUBMISSIONS.—

1 “(1) IMPOSITION OF PENALTY.—Except as pro-
2 vided in paragraph (3), any person who submits a
3 specified frivolous submission shall pay a penalty of
4 \$5,000.

5 “(2) SPECIFIED FRIVOLOUS SUBMISSION.—For
6 purposes of this section—

7 “(A) SPECIFIED FRIVOLOUS SUBMIS-
8 SION.—The term ‘specified frivolous submis-
9 sion’ means a specified submission if any por-
10 tion of such submission—

11 “(i) is based on a position which the
12 Secretary has identified as frivolous under
13 subsection (c), or

14 “(ii) reflects a desire to delay or im-
15 pede the administration of Federal tax
16 laws.

17 “(B) SPECIFIED SUBMISSION.—The term
18 ‘specified submission’ means—

19 “(i) a request for a hearing under—

20 “(I) section 6320 (relating to no-
21 tice and opportunity for hearing upon
22 filing of notice of lien), or

23 “(II) section 6330 (relating to
24 notice and opportunity for hearing be-
25 fore levy), and

1 “(ii) an application under—

2 “(I) section 7811 (relating to
3 taxpayer assistance orders),

4 “(II) section 6159 (relating to
5 agreements for payment of tax liabil-
6 ity in installments), or

7 “(III) section 7122 (relating to
8 compromises).

9 “(3) OPPORTUNITY TO WITHDRAW SUBMIS-
10 SION.—If the Secretary provides a person with no-
11 tice that a submission is a specified frivolous sub-
12 mission and such person withdraws such submission
13 promptly after such notice, the penalty imposed
14 under paragraph (1) shall not apply with respect to
15 such submission.

16 “(c) LISTING OF FRIVOLOUS POSITIONS.—The Sec-
17 retary shall prescribe (and periodically revise) a list of po-
18 sitions which the Secretary has identified as being frivo-
19 lous for purposes of this subsection. The Secretary shall
20 not include in such list any position that the Secretary
21 determines meets the requirement of section
22 6662(d)(2)(B)(ii)(II).

23 “(d) REDUCTION OF PENALTY.—The Secretary may
24 reduce the amount of any penalty imposed under this sec-
25 tion if the Secretary determines that such reduction would

1 promote compliance with and administration of the Fed-
2 eral tax laws.

3 “(e) PENALTIES IN ADDITION TO OTHER PEN-
4 ALTIES.—The penalties imposed by this section shall be
5 in addition to any other penalty provided by law.”

6 (b) TREATMENT OF FRIVOLOUS REQUESTS FOR
7 HEARINGS BEFORE LEVY.—

8 (1) FRIVOLOUS REQUESTS DISREGARDED.—
9 Section 6330 (relating to notice and opportunity for
10 hearing before levy) is amended by adding at the
11 end the following new subsection:

12 “(g) FRIVOLOUS REQUESTS FOR HEARING, ETC.—
13 Notwithstanding any other provision of this section, if the
14 Secretary determines that any portion of a request for a
15 hearing under this section or section 6320 meets the re-
16 quirement of clause (i) or (ii) of section 6702(b)(2)(A),
17 then the Secretary may treat such portion as if it were
18 never submitted and such portion shall not be subject to
19 any further administrative or judicial review.”

20 (2) PRECLUSION FROM RAISING FRIVOLOUS
21 ISSUES AT HEARING.—Section 6330(c)(4) is amend-
22 ed—

23 (A) by striking “(A)” and inserting
24 “(A)(i)”;

25 (B) by striking “(B)” and inserting “(ii)”;

1 (C) by striking the period at the end of the
2 first sentence and inserting “; or”; and

3 (D) by inserting after subparagraph (A)(ii)
4 (as so redesignated) the following:

5 “(B) the issue meets the requirement of
6 clause (i) or (ii) of section 6702(b)(2)(A).”

7 (3) STATEMENT OF GROUNDS.—Section
8 6330(b)(1) is amended by striking “under sub-
9 section (a)(3)(B)” and inserting “in writing under
10 subsection (a)(3)(B) and states the grounds for the
11 requested hearing”.

12 (c) TREATMENT OF FRIVOLOUS REQUESTS FOR
13 HEARINGS UPON FILING OF NOTICE OF LIEN.—Section
14 6320 is amended—

15 (1) in subsection (b)(1), by striking “under sub-
16 section (a)(3)(B)” and inserting “in writing under
17 subsection (a)(3)(B) and states the grounds for the
18 requested hearing”, and

19 (2) in subsection (c), by striking “and (e)” and
20 inserting “(e), and (g)”.

21 (d) TREATMENT OF FRIVOLOUS APPLICATIONS FOR
22 OFFERS-IN-COMPROMISE AND INSTALLMENT AGREE-
23 MENTS.—Section 7122 is amended by adding at the end
24 the following new subsection:

1 “(e) FRIVOLOUS SUBMISSIONS, ETC.—Notwith-
2 standing any other provision of this section, if the Sec-
3 retary determines that any portion of an application for
4 an offer-in-compromise or installment agreement sub-
5 mitted under this section or section 6159 meets the re-
6 quirement of clause (i) or (ii) of section 6702(b)(2)(A),
7 then the Secretary may treat such portion as if it were
8 never submitted and such portion shall not be subject to
9 any further administrative or judicial review.”

10 (e) CLERICAL AMENDMENT.—The table of sections
11 for part I of subchapter B of chapter 68 is amended by
12 striking the item relating to section 6702 and inserting
13 the following new item:

“Sec. 6702. Frivolous tax submissions.”

14 (f) EFFECTIVE DATE.—The amendments made by
15 this section shall apply to submissions made and issues
16 raised after the date on which the Secretary first pre-
17 scribes a list under section 6702(e) of the Internal Rev-
18 enue Code of 1986, as amended by subsection (a).

1 **TITLE III—UNITED STATES TAX**
2 **COURT MODERNIZATION**
3 **Subtitle A—Tax Court Procedure**

4 **SEC. 301. JURISDICTION OF TAX COURT OVER COLLECTION**
5 **DUE PROCESS CASES.**

6 (a) IN GENERAL.—Paragraph (1) of section 6330(d)
7 (relating to proceeding after hearing) is amended to read
8 as follows:

9 “(1) JUDICIAL REVIEW OF DETERMINATION.—
10 The person may, within 30 days of a determination
11 under this section, appeal such determination to the
12 Tax Court (and the Tax Court shall have jurisdic-
13 tion with respect to such matter).”.

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

17 **SEC. 302. AUTHORITY FOR SPECIAL TRIAL JUDGES TO**
18 **HEAR AND DECIDE CERTAIN EMPLOYMENT**
19 **STATUS CASES.**

20 (a) IN GENERAL.—Section 7443A(b) (relating to
21 proceedings which may be assigned to special trial judges)
22 is amended by striking “and” at the end of paragraph (4),
23 by redesignating paragraph (5) as paragraph (6), and by
24 inserting after paragraph (4) the following new paragraph:

1 “(5) any proceeding under section 7436(c),
2 and”.

3 (b) CONFORMING AMENDMENT.—Section 7443A(c)
4 is amended by striking “or (4)” and inserting “(4), or
5 (5)”.

6 (c) EFFECTIVE DATE.—The amendments made by
7 this section shall apply to any proceeding under section
8 7436(c) of the Internal Revenue Code of 1986 with re-
9 spect to which a decision has not become final (as deter-
10 mined under section 7481 of such Code) before the date
11 of the enactment of this Act.

12 **SEC. 303. CONFIRMATION OF AUTHORITY OF TAX COURT**
13 **TO APPLY DOCTRINE OF EQUITABLE**
14 **RECOUPMENT.**

15 (a) CONFIRMATION OF AUTHORITY OF TAX COURT
16 TO APPLY DOCTRINE OF EQUITABLE RECOUPMENT.—
17 Section 6214(b) (relating to jurisdiction over other years
18 and quarters) is amended by adding at the end the fol-
19 lowing new sentence: “Notwithstanding the preceding sen-
20 tence, the Tax Court may apply the doctrine of equitable
21 recoupment to the same extent that it is available in civil
22 tax cases before the district courts of the United States
23 and the United States Court of Federal Claims.”.

24 (b) EFFECTIVE DATE.—The amendment made by
25 this section shall apply to any action or proceeding in the

1 United States Tax Court with respect to which a decision
2 has not become final (as determined under section 7481
3 of the Internal Revenue Code of 1986) as of the date of
4 the enactment of this Act.

5 **SEC. 304. TAX COURT FILING FEE IN ALL CASES COM-**
6 **MENCED BY FILING PETITION.**

7 (a) IN GENERAL.—Section 7451 (relating to fee for
8 filing a Tax Court petition) is amended by striking all that
9 follows “petition” and inserting a period.

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

13 **SEC. 305. AMENDMENTS TO APPOINT EMPLOYEES.**

14 (a) IN GENERAL.—Subsection (a) of section 7471
15 (relating to Tax Court employees) is amended to read as
16 follows:

17 “(a) APPOINTMENT AND COMPENSATION.—

18 “(1) CLERK.—The Tax Court may appoint a
19 clerk without regard to the provisions of title 5,
20 United States Code, governing appointments in the
21 competitive service. The clerk shall serve at the
22 pleasure of the Tax Court.

23 “(2) LAW CLERKS AND SECRETARIES.—

24 “(A) IN GENERAL.—The judges and spe-
25 cial trial judges of the Tax Court may appoint

1 law clerks and secretaries, in such numbers as
2 the Tax Court may approve, without regard to
3 the provisions of title 5, United States Code,
4 governing appointments in the competitive serv-
5 ice. Any such law clerk or secretary shall serve
6 at the pleasure of the appointing judge.

7 “(B) EXEMPTION FROM FEDERAL LEAVE
8 PROVISIONS.—A law clerk appointed under this
9 subsection shall be exempt from the provisions
10 of subchapter I of chapter 63 of title 5, United
11 States Code. Any unused sick leave or annual
12 leave standing to the employee’s credit as of the
13 effective date of this subsection shall remain
14 credited to the employee and shall be available
15 to the employee upon separation from the Fed-
16 eral Government.

17 “(3) DEPUTIES AND OTHER EMPLOYEES.—The
18 clerk may appoint necessary deputies and employees
19 without regard to the provisions of title 5, United
20 States Code, governing appointments in the competi-
21 tive service. Such deputies and employees shall be
22 subject to removal by the clerk.

23 “(4) PAY.—The Tax Court may fix and adjust
24 the compensation for the clerk and other employees
25 of the Tax Court without regard to the provisions of

1 chapter 51, subchapter III of chapter 53, or section
2 5373 of title 5, United States Code. To the max-
3 imum extent feasible, the Tax Court shall com-
4 pensate employees at rates consistent with those for
5 employees holding comparable positions in the judi-
6 cial branch.

7 “(5) PROGRAMS.—The Tax Court may establish
8 programs for employee evaluations, incentive awards,
9 flexible work schedules, premium pay, and resolution
10 of employee grievances.

11 “(6) DISCRIMINATION PROHIBITED.—The Tax
12 Court shall—

13 “(A) prohibit discrimination on the basis
14 of race, color, religion, age, sex, national origin,
15 political affiliation, marital status, or handi-
16 capping condition; and

17 “(B) promulgate regulations providing pro-
18 cedures for resolving complaints of discrimina-
19 tion by employees and applicants for employ-
20 ment.

21 “(7) EXPERTS AND CONSULTANTS.—The Tax
22 Court may procure the services of experts and con-
23 sultants under section 3109 of title 5, United States
24 Code.

1 “(8) RIGHTS TO CERTAIN APPEALS RE-
2 SERVED.—Notwithstanding any other provision of
3 law, an individual who is an employee of the Tax
4 Court on the day before the effective date of this
5 subsection and who, as of that day, was entitled
6 to—

7 “(A) appeal a reduction in grade or re-
8 moval to the Merit Systems Protection Board
9 under chapter 43 of title 5, United States Code,

10 “(B) appeal an adverse action to the Merit
11 Systems Protection Board under chapter 75 of
12 title 5, United States Code,

13 “(C) appeal a prohibited personnel practice
14 described under section 2302(b) of title 5,
15 United States Code, to the Merit Systems Pro-
16 tection Board under chapter 77 of that title,

17 “(D) make an allegation of a prohibited
18 personnel practice described under section
19 2302(b) of title 5, United States Code, with the
20 Office of Special Counsel under chapter 12 of
21 that title for action in accordance with that
22 chapter, or

23 “(E) file an appeal with the Equal Em-
24 ployment Opportunity Commission under part

1 1614 of title 29 of the Code of Federal Regula-
2 tions,
3 shall be entitled to file such appeal or make such an
4 allegation so long as the individual remains an em-
5 ployee of the Tax Court.

6 “(9) COMPETITIVE STATUS.—Notwithstanding
7 any other provision of law, any employee of the Tax
8 Court who has completed at least 1 year of contin-
9 uous service under a non temporary appointment
10 with the Tax Court acquires a competitive status for
11 appointment to any position in the competitive serv-
12 ice for which the employee possesses the required
13 qualifications.

14 “(10) MERIT SYSTEM PRINCIPLES; PROHIBITED
15 PERSONNEL PRACTICES; AND PREFERENCE ELIGI-
16 BLES.—Any personnel management system of the
17 Tax Court shall—

18 “(A) include the principles set forth in sec-
19 tion 2301(b) of title 5, United States Code;

20 “(B) prohibit personnel practices prohib-
21 ited under section 2302(b) of title 5, United
22 States Code; and

23 “(C) in the case of any individual who
24 would be a preference eligible in the executive
25 branch, the Tax Court will provide preference

1 for that individual in a manner and to an ex-
 2 tent consistent with preference accorded to
 3 preference eligibles in the executive branch.”.

4 (b) EFFECTIVE DATE.—The amendments made by
 5 this section shall take effect on the date the United States
 6 Tax Court adopts a personnel management system after
 7 the date of the enactment of this Act.

8 **SEC. 306. EXPANDED USE OF TAX COURT PRACTICE FEE**
 9 **FOR PRO SE TAXPAYERS.**

10 (a) IN GENERAL.—Section 7475(b) (relating to use
 11 of fees) is amended by inserting before the period at the
 12 end “and to provide services to pro se taxpayers”.

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

16 **Subtitle B—Tax Court Pension and**
 17 **Compensation**

18 **SEC. 311. ANNUITIES FOR SURVIVORS OF TAX COURT**
 19 **JUDGES WHO ARE ASSASSINATED.**

20 (a) ELIGIBILITY IN CASE OF DEATH BY ASSASSINA-
 21 TION.—Subsection (h) of section 7448 (relating to annu-
 22 ities to surviving spouses and dependent children of
 23 judges) is amended to read as follows:

24 “(h) ENTITLEMENT TO ANNUITY.—

25 “(1) IN GENERAL.—

1 “(A) ANNUITY TO SURVIVING SPOUSE.—If
2 a judge described in paragraph (2) is survived
3 by a surviving spouse but not by a dependent
4 child, there shall be paid to such surviving
5 spouse an annuity beginning with the day of the
6 death of the judge or following the surviving
7 spouse’s attainment of the age of 50 years,
8 whichever is the later, in an amount computed
9 as provided in subsection (m).

10 “(B) ANNUITY TO CHILD.—If such a judge
11 is survived by a surviving spouse and a depend-
12 ent child or children, there shall be paid to such
13 surviving spouse an immediate annuity in an
14 amount computed as provided in subsection
15 (m), and there shall also be paid to or on behalf
16 of each such child an immediate annuity equal
17 to the lesser of—

18 “(i) 10 percent of the average annual
19 salary of such judge (determined in accord-
20 ance with subsection (m)), or

21 “(ii) 20 percent of such average an-
22 nual salary, divided by the number of such
23 children.

24 “(C) ANNUITY TO SURVIVING DEPENDENT
25 CHILDREN.—If such a judge leaves no surviving

1 spouse but leaves a surviving dependent child or
2 children, there shall be paid to or on behalf of
3 each such child an immediate annuity equal to
4 the lesser of—

5 “(i) 20 percent of the average annual
6 salary of such judge (determined in accord-
7 ance with subsection (m)), or

8 “(ii) 40 percent of such average an-
9 nual salary, divided by the number of such
10 children.

11 “(2) COVERED JUDGES.—Paragraph (1) applies
12 to any judge electing under subsection (b)—

13 “(A) who dies while a judge after having
14 rendered at least 5 years of civilian service com-
15 puted as prescribed in subsection (n), for the
16 last 5 years of which the salary deductions pro-
17 vided for by subsection (c)(1) or the deposits
18 required by subsection (d) have actually been
19 made or the salary deductions required by the
20 civil service retirement laws have actually been
21 made, or

22 “(B) who dies by assassination after hav-
23 ing rendered less than 5 years of civilian service
24 computed as prescribed in subsection (n) if, for
25 the period of such service, the salary deductions

1 provided for by subsection (c)(1) or the deposits
2 required by subsection (d) have actually been
3 made.

4 “(3) TERMINATION OF ANNUITY.—

5 “(A) IN THE CASE OF A SURVIVING
6 SPOUSE.—The annuity payable to a surviving
7 spouse under this subsection shall be terminable
8 upon such surviving spouse’s death or such sur-
9 viving spouse’s remarriage before attaining age
10 55.

11 “(B) IN THE CASE OF A CHILD.—The an-
12 nuity payable to a child under this subsection
13 shall be terminable upon (i) the child attaining
14 the age of 18 years, (ii) the child’s marriage, or
15 (iii) the child’s death, whichever first occurs, ex-
16 cept that if such child is incapable of self-sup-
17 port by reason of mental or physical disability
18 the child’s annuity shall be terminable only
19 upon death, marriage, or recovery from such
20 disability.

21 “(C) IN THE CASE OF A DEPENDENT
22 CHILD AFTER DEATH OF SURVIVING SPOUSE.—
23 In case of the death of a surviving spouse of a
24 judge leaving a dependent child or children of
25 the judge surviving such spouse, the annuity of

1 such child or children shall be recomputed and
2 paid as provided in paragraph (1)(C).

3 “(D) RECOMPUTATION.—In any case in
4 which the annuity of a dependent child is termi-
5 nated under this subsection, the annuities of
6 any remaining dependent child or children,
7 based upon the service of the same judge, shall
8 be recomputed and paid as though the child
9 whose annuity was so terminated had not sur-
10 vived such judge.

11 “(4) SPECIAL RULE FOR ASSASSINATED
12 JUDGES.—In the case of a survivor or survivors of
13 a judge described in paragraph (2)(B), there shall be
14 deducted from the annuities otherwise payable under
15 this section an amount equal to—

16 “(A) the amount of salary deductions pro-
17 vided for by subsection (c)(1) that would have
18 been made if such deductions had been made
19 for 5 years of civilian service computed as pre-
20 scribed in subsection (n) before the judge’s
21 death, reduced by

22 “(B) the amount of such salary deductions
23 that were actually made before the date of the
24 judge’s death.

1 (b) DEFINITION OF ASSASSINATION.—Section
2 7448(a) (relating to definitions) is amended by adding at
3 the end the following new paragraph:

4 “(8) The terms ‘assassinated’ and ‘assassina-
5 tion’ mean the killing of a judge that is motivated
6 by the performance by that judge of his or her offi-
7 cial duties.”.

8 (c) DETERMINATION OF ASSASSINATION.—Sub-
9 section (i) of section 7448 is amended—

10 (1) by striking the subsection heading and in-
11 serting the following:

12 “(i) DETERMINATIONS BY CHIEF JUDGE.—

13 “(1) DEPENDENCY AND DISABILITY.—”,

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

15 (3) by adding at the end the following new
16 paragraph:

17 “(2) ASSASSINATION.—The chief judge shall
18 determine whether the killing of a judge was an as-
19 sassination, subject to review only by the Tax Court.
20 The head of any Federal agency that investigates
21 the killing of a judge shall provide information to
22 the chief judge that would assist the chief judge in
23 making such a determination.”.

24 (d) COMPUTATION OF ANNUITIES.—Subsection (m)
25 of section 7448 is amended—

1 (1) by striking the subsection heading and in-
2 serting the following:

3 “(m) COMPUTATION OF ANNUITIES.—

4 “(1) IN GENERAL.—”,

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

6 (3) by adding at the end the following new
7 paragraph:

8 “(2) ASSASSINATED JUDGES.—In the case of a
9 judge who is assassinated and who has served less
10 than 3 years, the annuity of the surviving spouse of
11 such judge shall be based upon the average annual
12 salary received by such judge for judicial service.”.

13 (e) OTHER BENEFITS.—Section 7448 is amended by
14 adding at the end the following:

15 “(u) OTHER BENEFITS.—In the case of a judge who
16 is assassinated, an annuity shall be paid under this section
17 notwithstanding a survivor’s eligibility for or receipt of
18 benefits under chapter 81 of title 5, United States Code,
19 except that the annuity for which a surviving spouse is
20 eligible under this section shall be reduced to the extent
21 that the total benefits paid under this section and chapter
22 81 of that title for any year would exceed the current sal-
23 ary for that year of the office of the judge.”.

1 **SEC. 312. COST-OF-LIVING ADJUSTMENTS FOR TAX COURT**
2 **JUDICIAL SURVIVOR ANNUITIES.**

3 (a) IN GENERAL.—Subsection (s) of section 7448
4 (relating to annuities to surviving spouses and dependent
5 children of judges) is amended to read as follows:

6 “(s) INCREASES IN SURVIVOR ANNUITIES.—Each
7 time that an increase is made under section 8340(b) of
8 title 5, United States Code, in annuities payable under
9 subchapter III of chapter 83 of that title, each annuity
10 payable from the survivors annuity fund under this section
11 shall be increased at the same time by the same percent-
12 age by which annuities are increased under such section
13 8340(b).”.

14 (b) EFFECTIVE DATE.—The amendments made by
15 this section shall apply with respect to increases made
16 under section 8340(b) of title 5, United States Code, in
17 annuities payable under subchapter III of chapter 83 of
18 that title, taking effect after the date of the enactment
19 of this Act.

20 **SEC. 313. LIFE INSURANCE COVERAGE FOR TAX COURT**
21 **JUDGES.**

22 (a) IN GENERAL.—Section 7447 (relating to retire-
23 ment of judges) is amended by adding at the end the fol-
24 lowing new subsection:

25 “(j) LIFE INSURANCE COVERAGE.—For pur-
26 poses of chapter 87 of title 5, United States Code

1 (relating to life insurance), any individual who is
2 serving as a judge of the Tax Court or who is retired
3 under this section is deemed to be an employee who
4 is continuing in active employment.”.

5 (b) EFFECTIVE DATE.—The amendment made by
6 this section shall apply to any individual serving as a judge
7 of the United States Tax Court or to any retired judge
8 of the United States Tax Court on the date of the enact-
9 ment of this Act.

10 **SEC. 314. COST OF LIFE INSURANCE COVERAGE FOR TAX**
11 **COURT JUDGES AGE 65 OR OVER.**

12 Section 7472 (relating to expenditures) is amended
13 by inserting after the first sentence the following new sen-
14 tence: “Notwithstanding any other provision of law, the
15 Tax Court is authorized to pay on behalf of its judges,
16 age 65 or over, any increase in the cost of Federal Em-
17 ployees’ Group Life Insurance imposed after April 24,
18 1999, including any expenses generated by such payments,
19 as authorized by the chief judge in a manner consistent
20 with such payments authorized by the Judicial Conference
21 of the United States pursuant to section 604(a)(5) of title
22 28, United States Code.”.

1 **SEC. 315. MODIFICATION OF TIMING OF LUMP-SUM PAY-**
2 **MENT OF JUDGES' ACCRUED ANNUAL LEAVE.**

3 (a) IN GENERAL.—Section 7443 (relating to mem-
4 bership of the Tax Court) is amended by adding at the
5 end the following new subsection:

6 “(h) LUMP-SUM PAYMENT OF JUDGES' ACCRUED
7 ANNUAL LEAVE.—Notwithstanding the provisions of sec-
8 tions 5551 and 6301 of title 5, United States Code, when
9 an individual subject to the leave system provided in chap-
10 ter 63 of that title is appointed by the President to be
11 a judge of the Tax Court, the individual shall be entitled
12 to receive, upon appointment to the Tax Court, a lump-
13 sum payment from the Tax Court of the accumulated and
14 accrued current annual leave standing to the individual's
15 credit as certified by the agency from which the individual
16 resigned.”.

17 (b) EFFECTIVE DATE.—The amendment made by
18 this section shall apply to any judge of the United States
19 Tax Court who has an outstanding leave balance on the
20 date of the enactment of this Act and to any individual
21 appointed by the President to serve as a judge of the
22 United States Tax Court after such date.

1 **SEC. 316. PARTICIPATION OF TAX COURT JUDGES IN THE**
2 **THRIFT SAVINGS PLAN.**

3 (a) IN GENERAL.—Section 7447 (relating to retire-
4 ment of judges), as amended by this Act, is amended by
5 adding at the end the following new subsection:

6 “(k) THRIFT SAVINGS PLAN.—

7 “(1) ELECTION TO CONTRIBUTE.—

8 “(A) IN GENERAL.—A judge of the Tax
9 Court may elect to contribute to the Thrift Sav-
10 ings Fund established by section 8437 of title
11 5, United States Code.

12 “(B) PERIOD OF ELECTION.—An election
13 may be made under this paragraph only during
14 a period provided under section 8432(b) of title
15 5, United States Code, for individuals subject to
16 chapter 84 of such title.

17 “(2) APPLICABILITY OF TITLE 5 PROVISIONS.—
18 Except as otherwise provided in this subsection, the
19 provisions of subchapters III and VII of chapter 84
20 of title 5, United States Code, shall apply with re-
21 spect to a judge who makes an election under para-
22 graph (1).

23 “(3) SPECIAL RULES.—

24 “(A) AMOUNT CONTRIBUTED.—The
25 amount contributed by a judge to the Thrift
26 Savings Fund in any pay period shall not ex-

1 ceed the maximum percentage of such judge's
2 basic pay for such period as allowable under
3 section 8440f of title 5, United States Code.
4 Basic pay does not include any retired pay paid
5 pursuant to this section.

6 “(B) CONTRIBUTIONS FOR BENEFIT OF
7 JUDGE.—No contributions may be made for the
8 benefit of a judge under section 8432(c) of title
9 5, United States Code.

10 “(C) APPLICABILITY OF SECTION 8433(b)
11 OF TITLE 5 WHETHER OR NOT JUDGE RE-
12 TIRES.—Section 8433(b) of title 5, United
13 States Code, applies with respect to a judge
14 who makes an election under paragraph (1) and
15 who either—

16 “(i) retires under subsection (b), or

17 “(ii) ceases to serve as a judge of the
18 Tax Court but does not retire under sub-
19 section (b).

20 Retirement under subsection (b) is a separation
21 from service for purposes of subchapters III
22 and VII of chapter 84 of that title.

23 “(D) APPLICABILITY OF SECTION 8351(b)(5)
24 OF TITLE 5.—The provisions of section
25 8351(b)(5) of title 5, United States Code, shall

1 apply with respect to a judge who makes an
2 election under paragraph (1).

3 “(E) EXCEPTION.—Notwithstanding sub-
4 paragraph (C), if any judge retires under this
5 section, or resigns without having met the age
6 and service requirements set forth under sub-
7 section (b)(2), and such judge’s nonforfeitable
8 account balance is less than an amount that the
9 Executive Director of the Office of Personnel
10 Management prescribes by regulation, the Exec-
11 utive Director shall pay the nonforfeitable ac-
12 count balance to the participant in a single pay-
13 ment.”.

14 (b) EFFECTIVE DATE.—The amendment made by
15 this section shall take effect on the date of the enactment
16 of this Act, except that United States Tax Court judges
17 may only begin to participate in the Thrift Savings Plan
18 at the next open season beginning after such date.

19 **SEC. 317. EXEMPTION OF TEACHING COMPENSATION OF**
20 **RETIRED JUDGES FROM LIMITATION ON**
21 **OUTSIDE EARNED INCOME.**

22 (a) IN GENERAL.—Section 7447 (relating to retire-
23 ment of judges), as amended by this Act, is amended by
24 adding at the end the following new subsection:

1 “(1) TEACHING COMPENSATION OF RETIRED
 2 JUDGES.—For purposes of the limitation under section
 3 501(a) of the Ethics in Government Act of 1978 (5 U.S.C.
 4 App.), any compensation for teaching approved under sub-
 5 section (a)(5) of that section shall not be treated as out-
 6 side earned income when received by a judge of the Tax
 7 Court who has retired under subsection (b) for teaching
 8 performed during any calendar year for which such a
 9 judge has met the requirements of subsection (c), as cer-
 10 tified by the chief judge of the Tax Court.”.

11 (b) EFFECTIVE DATE.—The amendment made by
 12 this section shall apply to any individual serving as a re-
 13 tired judge of the United States Tax Court on or after
 14 the date of the enactment of this Act.

15 **SEC. 318. GENERAL PROVISIONS RELATING TO MAG-**
 16 **ISTRATE JUDGES OF THE TAX COURT.**

17 (a) TITLE OF SPECIAL TRIAL JUDGE CHANGED TO
 18 MAGISTRATE JUDGE OF THE TAX COURT.—The heading
 19 of section 7443A is amended to read as follows:

20 **“SEC. 7443A. MAGISTRATE JUDGES OF THE TAX COURT.”.**

21 (b) APPOINTMENT, TENURE, AND REMOVAL.—Sub-
 22 section (a) of section 7443A is amended to read as follows:

23 “(a) APPOINTMENT, TENURE, AND REMOVAL.—

24 “(1) APPOINTMENT.—The chief judge may,
 25 from time to time, appoint and reappoint magistrate

1 judges of the Tax Court for a term of 8 years. The
2 magistrate judges of the Tax Court shall proceed
3 under such rules as may be promulgated by the Tax
4 Court.

5 “(2) REMOVAL.—Removal of a magistrate
6 judge of the Tax Court during the term for which
7 he or she is appointed shall be only for incom-
8 petency, misconduct, neglect of duty, or physical or
9 mental disability, but the office of a magistrate
10 judge of the Tax Court shall be terminated if the
11 judges of the Tax Court determine that the services
12 performed by the magistrate judge of the Tax Court
13 are no longer needed. Removal shall not occur unless
14 a majority of all the judges of the Tax Court concur
15 in the order of removal. Before any order of removal
16 shall be entered, a full specification of the charges
17 shall be furnished to the magistrate judge of the Tax
18 Court, and he or she shall be accorded by the judges
19 of the Tax Court an opportunity to be heard on the
20 charges.”.

21 (c) SALARY.—Section 7443A(d) (relating to salary)
22 is amended by striking “90” and inserting “92”.

23 (d) EXEMPTION FROM FEDERAL LEAVE PROVI-
24 SIONS.—Section 7443A is amended by adding at the end
25 the following new subsection:

1 “(f) EXEMPTION FROM FEDERAL LEAVE PROVI-
2 SIONS.—

3 “(1) IN GENERAL.—A magistrate judge of the
4 Tax Court appointed under this section shall be ex-
5 empt from the provisions of subchapter I of chapter
6 63 of title 5, United States Code.

7 “(2) TREATMENT OF UNUSED LEAVE.—

8 “(A) AFTER SERVICE AS MAGISTRATE
9 JUDGE.—If an individual who is exempted
10 under paragraph (1) from the subchapter re-
11 ferred to in such paragraph was previously sub-
12 ject to such subchapter and, without a break in
13 service, again becomes subject to such sub-
14 chapter on completion of the individual’s service
15 as a magistrate judge, the unused annual leave
16 and sick leave standing to the individual’s cred-
17 it when such individual was exempted from this
18 subchapter is deemed to have remained to the
19 individual’s credit.

20 “(B) COMPUTATION OF ANNUITY.—In
21 computing an annuity under section 8339 of
22 title 5, United States Code, the total service of
23 an individual specified in subparagraph (A) who
24 retires on an immediate annuity or dies leaving
25 a survivor or survivors entitled to an annuity

1 includes, without regard to the limitations im-
2 posed by subsection (f) of such section 8339,
3 the days of unused sick leave standing to the
4 individual's credit when such individual was ex-
5 empted from subchapter I of chapter 63 of title
6 5, United States Code, except that these days
7 will not be counted in determining average pay
8 or annuity eligibility.

9 “(C) LUMP SUM PAYMENT.—Any accumu-
10 lated and current accrued annual leave or vaca-
11 tion balances credited to a magistrate judge as
12 of the date of the enactment of this subsection
13 shall be paid in a lump sum at the time of sepa-
14 ration from service pursuant to the provisions
15 and restrictions set forth in section 5551 of
16 title 5, United States Code, and related provi-
17 sions referred to in such section.”.

18 (e) CONFORMING AMENDMENTS.—

19 (1) The heading of subsection (b) of section
20 7443A is amended by striking “SPECIAL TRIAL
21 JUDGES” and inserting “MAGISTRATE JUDGES OF
22 THE TAX COURT”.

23 (2) Section 7443A(b) is amended by striking
24 “special trial judges of the court” and inserting
25 “magistrate judges of the Tax Court”.

1 (3) Subsections (c) and (d) of section 7443A
 2 are amended by striking “special trial judge” and
 3 inserting “magistrate judge of the Tax Court” each
 4 place it appears.

5 (4) Section 7443A(e) is amended by striking
 6 “special trial judges” and inserting “magistrate
 7 judges of the Tax Court”.

8 (5) Section 7456(a) is amended by striking
 9 “special trial judge” each place it appears and in-
 10 serting “magistrate judge”.

11 (6) Subsection (c) of section 7471 is amend-
 12 ed—

13 (A) by striking the subsection heading and
 14 inserting “MAGISTRATE JUDGES OF THE TAX
 15 COURT.—”, and

16 (B) by striking “special trial judges” and
 17 inserting “magistrate judges”.

18 **SEC. 319. ANNUITIES TO SURVIVING SPOUSES AND DE-**
 19 **PENDENT CHILDREN OF MAGISTRATE**
 20 **JUDGES OF THE TAX COURT.**

21 (a) DEFINITIONS.—Section 7448(a) (relating to defi-
 22 nitions), as amended by this Act, is amended by redesign-
 23 nating paragraphs (5), (6), (7), and (8) as paragraphs (7),
 24 (8), (9), and (10), respectively, and by inserting after
 25 paragraph (4) the following new paragraphs:

1 “(5) The term ‘magistrate judge’ means a judi-
2 cial officer appointed pursuant to section 7443A, in-
3 cluding any individual receiving an annuity under
4 section 7443B, or chapters 83 or 84, as the case
5 may be, of title 5, United States Code, whether or
6 not performing judicial duties under section 7443C.

7 “(6) The term ‘magistrate judge’s salary’
8 means the salary of a magistrate judge received
9 under section 7443A(d), any amount received as an
10 annuity under section 7443B, or chapters 83 or 84,
11 as the case may be, of title 5, United States Code,
12 and compensation received under section 7443C.”.

13 (b) ELECTION.—Subsection (b) of section 7448 (re-
14 lating to annuities to surviving spouses and dependent
15 children of judges) is amended—

16 (1) by striking the subsection heading and in-
17 serting the following:

18 “(b) ELECTION.—

19 “(1) JUDGES.—”,

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) MAGISTRATE JUDGES.—Any magistrate
24 judge may by written election filed with the chief
25 judge bring himself or herself within the purview of

1 this section. Such election shall be filed not later
2 than the later of 6 months after—

3 “(A) 6 months after the date of the enact-
4 ment of this paragraph,

5 “(B) the date the judge takes office, or

6 “(C) the date the judge marries.”.

7 (c) CONFORMING AMENDMENTS.—

8 (1) The heading of section 7448 is amended by
9 inserting “**AND MAGISTRATE JUDGES**” after
10 “**JUDGES**”.

11 (2) The item relating to section 7448 in the
12 table of sections for part I of subchapter C of chap-
13 ter 76 is amended by inserting “and magistrate
14 judges” after “judges”.

15 (3) Subsections (c)(1), (d), (f), (g), (h), (j),
16 (m), (n), and (u) of section 7448, as amended by
17 this Act, are each amended—

18 (A) by inserting “or magistrate judge”
19 after “judge” each place it appears other than
20 in the phrase “chief judge”, and

21 (B) by inserting “or magistrate judge’s”
22 after “judge’s” each place it appears.

23 (4) Section 7448(c) is amended—

1 (A) in paragraph (1), by striking “Tax
2 Court judges” and inserting “Tax Court judi-
3 cial officers”,

4 (B) in paragraph (2)—

5 (i) in subparagraph (A), by inserting
6 “and section 7443A(d)” after “(a)(4)”,
7 and

8 (ii) in subparagraph (B), by striking
9 “subsection (a)(4)” and inserting “sub-
10 sections (a)(4) and (a)(6)”.

11 (5) Section 7448(g) is amended by inserting
12 “or section 7443B” after “section 7447” each place
13 it appears, and by inserting “or an annuity” after
14 “retired pay”.

15 (6) Section 7448(j)(1) is amended—

16 (A) in subparagraph (A), by striking
17 “service or retired” and inserting “service, re-
18 tired”, and by inserting “, or receiving any an-
19 nuity under section 7443B or chapters 83 or 84
20 of title 5, United States Code,” after “section
21 7447”, and

22 (B) in the last sentence, by striking “sub-
23 sections (a)(6) and (7)” and inserting “para-
24 graphs (8) and (9) of subsection (a)”.

1 (7) Section 7448(m)(1), as amended by this
2 Act, is amended—

3 (A) by inserting “or any annuity under
4 section 7443B or chapters 83 or 84 of title 5,
5 United States Code” after “7447(d)”, and

6 (B) by inserting “or 7443B(m)(1)(B) after
7 “7447(f)(4)”.

8 (8) Section 7448(n) is amended by inserting
9 “his years of service pursuant to any appointment
10 under section 7443A,” after “of the Tax Court,”.

11 (9) Section 3121(b)(5)(E) is amended by in-
12 serting “or magistrate judge” before “of the United
13 States Tax Court”.

14 (10) Section 210(a)(5)(E) of the Social Secu-
15 rity Act is amended by inserting “or magistrate
16 judge” before “of the United States Tax Court”.

17 **SEC. 320. RETIREMENT AND ANNUITY PROGRAM.**

18 (a) RETIREMENT AND ANNUITY PROGRAM.—Part I
19 of subchapter C of chapter 76 is amended by inserting
20 after section 7443A the following new section:

21 **“SEC. 7443B. RETIREMENT FOR MAGISTRATE JUDGES OF**
22 **THE TAX COURT.**

23 “(a) RETIREMENT BASED ON YEARS OF SERVICE.—
24 A magistrate judge of the Tax Court to whom this section
25 applies and who retires from office after attaining the age

1 of 65 years and serving at least 14 years, whether continu-
2 ously or otherwise, as such magistrate judge shall, subject
3 to subsection (f), be entitled to receive, during the remain-
4 der of the magistrate judge's lifetime, an annuity equal
5 to the salary being received at the time the magistrate
6 judge leaves office.

7 “(b) RETIREMENT UPON FAILURE OF REAPPOINT-
8 MENT.—A magistrate judge of the Tax Court to whom
9 this section applies who is not reappointed following the
10 expiration of the term of office of such magistrate judge,
11 and who retires upon the completion of the term shall,
12 subject to subsection (f), be entitled to receive, upon at-
13 taining the age of 65 years and during the remainder of
14 such magistrate judge's lifetime, an annuity equal to that
15 portion of the salary being received at the time the mag-
16 istrate judge leaves office which the aggregate number of
17 years of service, not to exceed 14, bears to 14, if—

18 “(1) such magistrate judge has served at least
19 1 full term as a magistrate judge, and

20 “(2) not earlier than 9 months before the date
21 on which the term of office of such magistrate judge
22 expires, and not later than 6 months before such
23 date, such magistrate judge notified the chief judge
24 of the Tax Court in writing that such magistrate

1 judge was willing to accept reappointment to the po-
2 sition in which such magistrate judge was serving.

3 “(c) SERVICE OF AT LEAST 8 YEARS.—A magistrate
4 judge of the Tax Court to whom this section applies and
5 who retires after serving at least 8 years, whether continu-
6 ously or otherwise, as such a magistrate judge shall, sub-
7 ject to subsection (f), be entitled to receive, upon attaining
8 the age of 65 years and during the remainder of the mag-
9 istrate judge’s lifetime, an annuity equal to that portion
10 of the salary being received at the time the magistrate
11 judge leaves office which the aggregate number of years
12 of service, not to exceed 14, bears to 14. Such annuity
13 shall be reduced by $\frac{1}{6}$ of 1 percent for each full month
14 such magistrate judge was under the age of 65 at the time
15 the magistrate judge left office, except that such reduction
16 shall not exceed 20 percent.

17 “(d) RETIREMENT FOR DISABILITY.—A magistrate
18 judge of the Tax Court to whom this section applies, who
19 has served at least 5 years, whether continuously or other-
20 wise, as such a magistrate judge, and who retires or is
21 removed from office upon the sole ground of mental or
22 physical disability shall, subject to subsection (f), be enti-
23 tled to receive, during the remainder of the magistrate
24 judge’s lifetime, an annuity equal to 40 percent of the sal-
25 ary being received at the time of retirement or removal

1 or, in the case of a magistrate judge who has served for
2 at least 10 years, an amount equal to that proportion of
3 the salary being received at the time of retirement or re-
4 moval which the aggregate number of years of service, not
5 to exceed 14, bears to 14.

6 “(e) COST-OF-LIVING ADJUSTMENTS.—A magistrate
7 judge of the Tax Court who is entitled to an annuity under
8 this section is also entitled to a cost-of-living adjustment
9 in such annuity, calculated and payable in the same man-
10 ner as adjustments under section 8340(b) of title 5,
11 United States Code, except that any such annuity, as in-
12 creased under this subsection, may not exceed the salary
13 then payable for the position from which the magistrate
14 judge retired or was removed.

15 “(f) ELECTION; ANNUITY IN LIEU OF OTHER ANNU-
16 ITIES.—

17 “(1) IN GENERAL.—A magistrate judge of the
18 Tax Court shall be entitled to an annuity under this
19 section if the magistrate judge elects an annuity
20 under this section by notifying the chief judge of the
21 Tax Court not later than the later of—

22 “(A) 5 years after the magistrate judge of
23 the Tax Court begins judicial service, or

24 “(B) 5 years after the date of the enact-
25 ment of this subsection.

1 Such notice shall be given in accordance with proce-
2 dures prescribed by the Tax Court.

3 “(2) ANNUITY IN LIEU OF OTHER ANNUITY.—

4 A magistrate judge who elects to receive an annuity
5 under this section shall not be entitled to receive—

6 “(A) any annuity to which such magistrate
7 judge would otherwise have been entitled under
8 subchapter III of chapter 83, or under chapter
9 84 (except for subchapters III and VII), of title
10 5, United States Code, for service performed as
11 a magistrate or otherwise,

12 “(B) an annuity or salary in senior status
13 or retirement under section 371 or 372 of title
14 28, United States Code,

15 “(C) retired pay under section 7447, or

16 “(D) retired pay under section 7296 of
17 title 38, United States Code.

18 “(3) COORDINATION WITH TITLE 5.—A mag-
19 istrate judge of the Tax Court who elects to receive
20 an annuity under this section—

21 “(A) shall not be subject to deductions and
22 contributions otherwise required by section
23 8334(a) of title 5, United States Code,

1 “(B) shall be excluded from the operation
2 of chapter 84 (other than subchapters III and
3 VII) of such title 5, and

4 “(C) is entitled to a lump-sum credit under
5 section 8342(a) or 8424 of such title 5, as the
6 case may be.

7 “(g) CALCULATION OF SERVICE.—For purposes of
8 calculating an annuity under this section—

9 “(1) service as a magistrate judge of the Tax
10 Court to whom this section applies may be credited,
11 and

12 “(2) each month of service shall be credited as
13 $\frac{1}{12}$ of a year, and the fractional part of any month
14 shall not be credited.

15 “(h) COVERED POSITIONS AND SERVICE.—This sec-
16 tion applies to any magistrate judge of the Tax Court or
17 special trial judge of the Tax Court appointed under this
18 subchapter, but only with respect to service as such a mag-
19 istrate judge or special trial judge after a date not earlier
20 than $9\frac{1}{2}$ years before the date of the enactment of this
21 subsection.

22 “(i) PAYMENTS PURSUANT TO COURT ORDER.—

23 “(1) IN GENERAL.—Payments under this sec-
24 tion which would otherwise be made to a magistrate
25 judge of the Tax Court based upon his or her service

1 shall be paid (in whole or in part) by the chief judge
2 of the Tax Court to another person if and to the
3 extent expressly provided for in the terms of any
4 court decree of divorce, annulment, or legal separa-
5 tion, or the terms of any court order or court-ap-
6 proved property settlement agreement incident to
7 any court decree of divorce, annulment, or legal sep-
8 aration. Any payment under this paragraph to a
9 person bars recovery by any other person.

10 “(2) REQUIREMENTS FOR PAYMENT.—Para-
11 graph (1) shall apply only to payments made by the
12 chief judge of the Tax Court after the date of re-
13 ceipt by the chief judge of written notice of such de-
14 cree, order, or agreement, and such additional infor-
15 mation as the chief judge may prescribe.

16 “(3) COURT DEFINED.—For purposes of this
17 subsection, the term ‘court’ means any court of any
18 State, the District of Columbia, the Commonwealth
19 of Puerto Rico, Guam, the Northern Mariana Is-
20 lands, or the Virgin Islands, and any Indian tribal
21 court or courts of Indian offense.

22 “(j) DEDUCTIONS, CONTRIBUTIONS, AND DEPOS-
23 ITS.—

24 “(1) DEDUCTIONS.—Beginning with the next
25 pay period after the chief judge of the Tax Court re-

1 ceives a notice under subsection (f) that a mag-
2 istrate judge of the Tax Court has elected an annu-
3 ity under this section, the chief judge shall deduct
4 and withhold 1 percent of the salary of such mag-
5 istrate judge. Amounts shall be so deducted and
6 withheld in a manner determined by the chief judge.
7 Amounts deducted and withheld under this sub-
8 section shall be deposited in the Treasury of the
9 United States to the credit of the Tax Court Judi-
10 cial Officers' Retirement Fund. Deductions under
11 this subsection from the salary of a magistrate judge
12 shall terminate upon the retirement of the mag-
13 istrate judge or upon completion of 14 years of serv-
14 ice for which contributions under this section have
15 been made, whether continuously or otherwise, as
16 calculated under subsection (g), whichever occurs
17 first.

18 “(2) CONSENT TO DEDUCTIONS; DISCHARGE OF
19 CLAIMS.—Each magistrate judge of the Tax Court
20 who makes an election under subsection (f) shall be
21 deemed to consent and agree to the deductions from
22 salary which are made under paragraph (1). Pay-
23 ment of such salary less such deductions (and any
24 deductions made under section 7448) is a full and
25 complete discharge and acquittance of all claims and

1 demands for all services rendered by such magistrate
2 judge during the period covered by such payment,
3 except the right to those benefits to which the mag-
4 istrate judge is entitled under this section (and sec-
5 tion 7448).

6 “(k) DEPOSITS FOR PRIOR SERVICE.—Each mag-
7 istrate judge of the Tax Court who makes an election
8 under subsection (f) may deposit, for service performed
9 before such election for which contributions may be made
10 under this section, an amount equal to 1 percent of the
11 salary received for that service. Credit for any period cov-
12 ered by that service may not be allowed for purposes of
13 an annuity under this section until a deposit under this
14 subsection has been made for that period.

15 “(l) INDIVIDUAL RETIREMENT RECORDS.—The
16 amounts deducted and withheld under subsection (j), and
17 the amounts deposited under subsection (k), shall be cred-
18 ited to individual accounts in the name of each magistrate
19 judge of the Tax Court from whom such amounts are re-
20 ceived, for credit to the Tax Court Judicial Officers’ Re-
21 tirement Fund.

22 “(m) ANNUITIES AFFECTED IN CERTAIN CASES.—

23 “(1) 1-YEAR FORFEITURE FOR FAILURE TO
24 PERFORM JUDICIAL DUTIES.—Subject to paragraph
25 (3), any magistrate judge of the Tax Court who re-

1 tires under this section and who fails to perform ju-
2 dicial duties required of such individual by section
3 7443C shall forfeit all rights to an annuity under
4 this section for a 1-year period which begins on the
5 1st day on which such individual fails to perform
6 such duties.

7 “(2) PERMANENT FORFEITURE OF RETIRED
8 PAY WHERE CERTAIN NON-GOVERNMENT SERVICES
9 PERFORMED.—Subject to paragraph (3), any mag-
10 istrate judge of the Tax Court who retires under this
11 section and who thereafter performs (or supervises
12 or directs the performance of) legal or accounting
13 services in the field of Federal taxation for the indi-
14 vidual’s client, the individual’s employer, or any of
15 such employer’s clients, shall forfeit all rights to an
16 annuity under this section for all periods beginning
17 on or after the first day on which the individual per-
18 forms (or supervises or directs the performance of)
19 such services. The preceding sentence shall not apply
20 to any civil office or employment under the Govern-
21 ment of the United States.

22 “(3) FORFEITURES NOT TO APPLY WHERE IN-
23 DIVIDUAL ELECTS TO FREEZE AMOUNT OF ANNU-
24 ITY.—

1 “(A) IN GENERAL.—If a magistrate judge
2 of the Tax Court makes an election under this
3 paragraph—

4 “(i) paragraphs (1) and (2) (and sec-
5 tion 7443C) shall not apply to such mag-
6 istrate judge beginning on the date such
7 election takes effect, and

8 “(ii) the annuity payable under this
9 section to such magistrate judge, for peri-
10 ods beginning on or after the date such
11 election takes effect, shall be equal to the
12 annuity to which such magistrate judge is
13 entitled on the day before such effective
14 date.

15 “(B) ELECTION REQUIREMENTS.—An elec-
16 tion under subparagraph (A)—

17 “(i) may be made by a magistrate
18 judge of the Tax Court eligible for retire-
19 ment under this section, and

20 “(ii) shall be filed with the chief judge
21 of the Tax Court.

22 Such an election, once it takes effect, shall be
23 irrevocable.

24 “(C) EFFECTIVE DATE OF ELECTION.—
25 Any election under subparagraph (A) shall take

1 effect on the first day of the first month fol-
2 lowing the month in which the election is made.

3 “(4) ACCEPTING OTHER EMPLOYMENT.—Any
4 magistrate judge of the Tax Court who retires under
5 this section and thereafter accepts compensation for
6 civil office or employment under the United States
7 Government (other than for the performance of
8 functions as a magistrate judge of the Tax Court
9 under section 7443C) shall forfeit all rights to an
10 annuity under this section for the period for which
11 such compensation is received. For purposes of this
12 paragraph, the term ‘compensation’ includes retired
13 pay or salary received in retired status.

14 “(n) LUMP-SUM PAYMENTS.—

15 “(1) ELIGIBILITY.—

16 “(A) IN GENERAL.—Subject to paragraph
17 (2), an individual who serves as a magistrate
18 judge of the Tax Court and—

19 “(i) who leaves office and is not re-
20 appointed as a magistrate judge of the Tax
21 Court for at least 31 consecutive days,

22 “(ii) who files an application with the
23 chief judge of the Tax Court for payment
24 of a lump-sum credit,

1 “(iii) is not serving as a magistrate
2 judge of the Tax Court at the time of fil-
3 ing of the application, and

4 “(iv) will not become eligible to re-
5 ceive an annuity under this section within
6 31 days after filing the application,

7 is entitled to be paid the lump-sum credit. Pay-
8 ment of the lump-sum credit voids all rights to
9 an annuity under this section based on the serv-
10 ice on which the lump-sum credit is based, until
11 that individual resumes office as a magistrate
12 judge of the Tax Court.

13 “(B) PAYMENT TO SURVIVORS.—Lump-
14 sum benefits authorized by subparagraphs (C),
15 (D), and (E) of this paragraph shall be paid to
16 the person or persons surviving the magistrate
17 judge of the Tax Court and alive on the date
18 title to the payment arises, in the order of prec-
19 edence set forth in subsection (o) of section 376
20 of title 28, United States Code, and in accord-
21 ance with the last 2 sentences of paragraph (1)
22 of that subsection. For purposes of the pre-
23 ceding sentence, the term ‘judicial official’ as
24 used in subsection (o) of such section 376 shall
25 be deemed to mean ‘magistrate judge of the

1 Tax Court' and the terms 'Administrative Of-
2 fice of the United States Courts' and 'Director
3 of the Administrative Office of the United
4 States Courts' shall be deemed to mean 'chief
5 judge of the Tax Court'.

6 “(C) PAYMENT UPON DEATH OF JUDGE
7 BEFORE RECEIPT OF ANNUITY.—If a mag-
8 istrate judge of the Tax Court dies before re-
9 ceiving an annuity under this section, the lump-
10 sum credit shall be paid.

11 “(D) PAYMENT OF ANNUITY REMAIN-
12 DER.—If all annuity rights under this section
13 based on the service of a deceased magistrate
14 judge of the Tax Court terminate before the
15 total annuity paid equals the lump-sum credit,
16 the difference shall be paid.

17 “(E) PAYMENT UPON DEATH OF JUDGE
18 DURING RECEIPT OF ANNUITY.—If a magistrate
19 judge of the Tax Court who is receiving an an-
20 nuity under this section dies, any accrued annu-
21 ity benefits remaining unpaid shall be paid.

22 “(F) PAYMENT UPON TERMINATION.—Any
23 accrued annuity benefits remaining unpaid on
24 the termination, except by death, of the annuity

1 of a magistrate judge of the Tax Court shall be
2 paid to that individual.

3 “(G) PAYMENT UPON ACCEPTING OTHER
4 EMPLOYMENT.—Subject to paragraph (2), a
5 magistrate judge of the Tax Court who forfeits
6 rights to an annuity under subsection (m)(4)
7 before the total annuity paid equals the lump-
8 sum credit shall be entitled to be paid the dif-
9 ference if the magistrate judge of the Tax
10 Court files an application with the chief judge
11 of the Tax Court for payment of that dif-
12 ference. A payment under this subparagraph
13 voids all rights to an annuity on which the pay-
14 ment is based.

15 “(2) SPOUSES AND FORMER SPOUSES.—

16 “(A) IN GENERAL.—Payment of the lump-
17 sum credit under paragraph (1)(A) or a pay-
18 ment under paragraph (1)(G)—

19 “(i) may be made only if any current
20 spouse and any former spouse of the mag-
21 istrate judge of the Tax Court are notified
22 of the magistrate judge’s application, and

23 “(ii) shall be subject to the terms of
24 a court decree of divorce, annulment, or
25 legal separation, or any court or court ap-

1 proved property settlement agreement inci-
2 dent to such decree, if—

3 “(I) the decree, order, or agree-
4 ment expressly relates to any portion
5 of the lump-sum credit or other pay-
6 ment involved, and

7 “(II) payment of the lump-sum
8 credit or other payment would extin-
9 guish entitlement of the magistrate
10 judge’s spouse or former spouse to
11 any portion of an annuity under sub-
12 section (i).

13 “(B) NOTIFICATION.—Notification of a
14 spouse or former spouse under this paragraph
15 shall be made in accordance with such proce-
16 dures as the chief judge of the Tax Court shall
17 prescribe. The chief judge may provide under
18 such procedures that subparagraph (A)(i) may
19 be waived with respect to a spouse or former
20 spouse if the magistrate judge establishes to the
21 satisfaction of the chief judge that the where-
22 abouts of such spouse or former spouse cannot
23 be determined.

24 “(C) RESOLUTION OF 2 OR MORE OR-
25 DERS.—The chief judge shall prescribe proce-

1 dures under which this paragraph shall be ap-
2 plied in any case in which the chief judge re-
3 ceives 2 or more orders or decrees described in
4 subparagraph (A).

5 “(3) DEFINITION.—For purposes of this sub-
6 section, the term ‘lump-sum credit’ means the
7 unrefunded amount consisting of—

8 “(A) retirement deductions made under
9 this section from the salary of a magistrate
10 judge of the Tax Court,

11 “(B) amounts deposited under subsection
12 (k) by a magistrate judge of the Tax Court cov-
13 ering earlier service, and

14 “(C) interest on the deductions and depos-
15 its which, for any calendar year, shall be equal
16 to the overall average yield to the Tax Court
17 Judicial Officers’ Retirement Fund during the
18 preceding fiscal year from all obligations pur-
19 chased by the Secretary during such fiscal year
20 under subsection (o); but does not include inter-
21 est—

22 “(i) if the service covered thereby ag-
23 gregates 1 year or less, or

24 “(ii) for the fractional part of a
25 month in the total service.

1 “(o) TAX COURT JUDICIAL OFFICERS’ RETIREMENT
2 FUND.—

3 “(1) ESTABLISHMENT.—There is established in
4 the Treasury a fund which shall be known as the
5 ‘Tax Court Judicial Officers’ Retirement Fund’.
6 Amounts in the Fund are authorized to be appro-
7 priated for the payment of annuities, refunds, and
8 other payments under this section.

9 “(2) INVESTMENT OF FUND.—The Secretary
10 shall invest, in interest bearing securities of the
11 United States, such currently available portions of
12 the Tax Court Judicial Officers’ Retirement Fund as
13 are not immediately required for payments from the
14 Fund. The income derived from these investments
15 constitutes a part of the Fund.

16 “(3) UNFUNDED LIABILITY.—

17 “(A) IN GENERAL.—There are authorized
18 to be appropriated to the Tax Court Judicial
19 Officers’ Retirement Fund amounts required to
20 reduce to zero the unfunded liability of the
21 Fund.

22 “(B) UNFUNDED LIABILITY.—For pur-
23 poses of subparagraph (A), the term ‘unfunded
24 liability’ means the estimated excess, deter-
25 mined on an annual basis in accordance with

1 the provisions of section 9503 of title 31,
2 United States Code, of the present value of all
3 benefits payable from the Tax Court Judicial
4 Officers' Retirement Fund over the sum of—

5 “(i) the present value of deductions to
6 be withheld under this section from the fu-
7 ture basic pay of magistrate judges of the
8 Tax Court, plus

9 “(ii) the balance in the Fund as of the
10 date the unfunded liability is determined.

11 “(p) PARTICIPATION IN THRIFT SAVINGS PLAN.—

12 “(1) ELECTION TO CONTRIBUTE.—

13 “(A) IN GENERAL.—A magistrate judge of
14 the Tax Court who elects to receive an annuity
15 under this section or under section 321 of the
16 Tax Administration Good Government Act may
17 elect to contribute an amount of such individ-
18 ual's basic pay to the Thrift Savings Fund es-
19 tablished by section 8437 of title 5, United
20 States Code.

21 “(B) PERIOD OF ELECTION.—An election
22 may be made under this paragraph only during
23 a period provided under section 8432(b) of title
24 5, United States Code, for individuals subject to
25 chapter 84 of such title.

1 “(2) APPLICABILITY OF TITLE 5 PROVISIONS.—
2 Except as otherwise provided in this subsection, the
3 provisions of subchapters III and VII of chapter 84
4 of title 5, United States Code, shall apply with re-
5 spect to a magistrate judge who makes an election
6 under paragraph (1).

7 “(3) SPECIAL RULES.—

8 “(A) AMOUNT CONTRIBUTED.—The
9 amount contributed by a magistrate judge to
10 the Thrift Savings Fund in any pay period shall
11 not exceed the maximum percentage of such
12 judge’s basic pay for such pay period as allow-
13 able under section 8440f of title 5, United
14 States Code.

15 “(B) CONTRIBUTIONS FOR BENEFIT OF
16 JUDGE.—No contributions may be made for the
17 benefit of a magistrate judge under section
18 8432(c) of title 5, United States Code.

19 “(C) APPLICABILITY OF SECTION 8433(b)
20 OF TITLE 5.—Section 8433(b) of title 5, United
21 States Code, applies with respect to a mag-
22 istrate judge who makes an election under para-
23 graph (1) and—

24 “(i) who retires entitled to an imme-
25 diate annuity under this section (including

1 a disability annuity under subsection (d) of
2 this section) or section 321 of the Tax Ad-
3 ministration Good Government Act,

4 “(ii) who retires before attaining age
5 65 but is entitled, upon attaining age 65,
6 to an annuity under this section or section
7 321 of the Tax Administration Good Gov-
8 ernment Act, or

9 “(iii) who retires before becoming en-
10 titled to an immediate annuity, or an an-
11 nuity upon attaining age 65, under this
12 section or section 321 of the Tax Adminis-
13 tration Good Government Act.

14 “(D) SEPARATION FROM SERVICE.—With
15 respect to a magistrate judge to whom this sub-
16 section applies, retirement under this section or
17 section 321 of the Tax Administration Good
18 Government Act is a separation from service for
19 purposes of subchapters III and VII of chapter
20 84 of title 5, United States Code.

21 “(4) DEFINITIONS.—For purposes of this sub-
22 section, the terms ‘retirement’ and ‘retire’ include
23 removal from office under section 7443A(a)(2) on
24 the sole ground of mental or physical disability.

1 “(5) OFFSET.—In the case of a magistrate
2 judge who receives a distribution from the Thrift
3 Savings Fund and who later receives an annuity
4 under this section, that annuity shall be offset by an
5 amount equal to the amount which represents the
6 Government’s contribution to that person’s Thrift
7 Savings Account, without regard to earnings attrib-
8 utable to that amount. Where such an offset would
9 exceed 50 percent of the annuity to be received in
10 the first year, the offset may be divided equally over
11 the first 2 years in which that person receives the
12 annuity.

13 “(6) EXCEPTION.—Notwithstanding clauses (i)
14 and (ii) of paragraph (3)(C), if any magistrate judge
15 retires under circumstances making such magistrate
16 judge eligible to make an election under subsection
17 (b) of section 8433 of title 5, United States Code,
18 and such magistrate judge’s nonforfeitable account
19 balance is less than an amount that the Executive
20 Director of the Office of Personnel Management pre-
21 scribes by regulation, the Executive Director shall
22 pay the nonforfeitable account balance to the partici-
23 pant in a single payment.”.

24 (b) CONFORMING AMENDMENT.—The table of sec-
25 tion for part I of subchapter C of chapter 76 is amended

1 by inserting after the item relating to section 7443A the
2 following new item:

“Sec. 7443B. Retirement for magistrate judges of the Tax
Court.”.

3 **SEC. 321. INCUMBENT MAGISTRATE JUDGES OF THE TAX**
4 **COURT.**

5 (a) RETIREMENT ANNUITY UNDER TITLE 5 AND
6 SECTION 7443B OF THE INTERNAL REVENUE CODE OF
7 1986.—A magistrate judge of the United States Tax
8 Court in active service on the date of the enactment of
9 this Act shall, subject to subsection (b), be entitled, in lieu
10 of the annuity otherwise provided under the amendments
11 made by this title, to—

12 (1) an annuity under subchapter III of chapter
13 83, or under chapter 84 (except for subchapters III
14 and VII), of title 5, United States Code, as the case
15 may be, for creditable service before the date on
16 which service would begin to be credited for pur-
17 poses of paragraph (2), and

18 (2) an annuity calculated under subsection (b)
19 or (c) and subsection (g) of section 7443B of the In-
20 ternal Revenue Code of 1986, as added by this Act,
21 for any service as a magistrate judge of the United
22 States Tax Court or special trial judge of the United
23 States Tax Court but only with respect to service as
24 such a magistrate judge or special trial judge after

1 a date not earlier than 9½ years prior to the date
2 of the enactment of this Act (as specified in the elec-
3 tion pursuant to subsection (b)) for which deduc-
4 tions and deposits are made under subsections (j)
5 and (k) of such section 7443B, as applicable, with-
6 out regard to the minimum number of years of serv-
7 ice as such a magistrate judge of the United States
8 Tax Court, except that—

9 (A) in the case of a magistrate judge who
10 retired with less than 8 years of service, the an-
11 nuity under subsection (c) of such section
12 7443B shall be equal to that proportion of the
13 salary being received at the time the magistrate
14 judge leaves office which the years of service
15 bears to 14, subject to a reduction in accord-
16 ance with subsection (c) of such section 7443B
17 if the magistrate judge is under age 65 at the
18 time he or she leaves office, and

19 (B) the aggregate amount of the annuity
20 initially payable on retirement under this sub-
21 section may not exceed the rate of pay for the
22 magistrate judge which is in effect on the day
23 before the retirement becomes effective.

24 (b) FILING OF NOTICE OF ELECTION.—A magistrate
25 judge of the United States Tax Court shall be entitled to

1 an annuity under this section only if the magistrate judge
2 files a notice of that election with the chief judge of the
3 United States Tax Court specifying the date on which
4 service would begin to be credited under section 7443B
5 of the Internal Revenue Code of 1986, as added by this
6 Act, in lieu of chapter 83 or chapter 84 of title 5, United
7 States Code. Such notice shall be filed in accordance with
8 such procedures as the chief judge of the United States
9 Tax Court shall prescribe.

10 (c) LUMP-SUM CREDIT UNDER TITLE 5.—A mag-
11 istrate judge of the United States Tax Court who makes
12 an election under subsection (b) shall be entitled to a
13 lump-sum credit under section 8342 or 8424 of title 5,
14 United States Code, as the case may be, for any service
15 which is covered under section 7443B of the Internal Rev-
16 enue Code of 1986, as added by this Act, pursuant to that
17 election, and with respect to which any contributions were
18 made by the magistrate judge under the applicable provi-
19 sions of title 5, United States Code.

20 (d) RECALL.—With respect to any magistrate judge
21 of the United States Tax Court receiving an annuity under
22 this section who is recalled to serve under section 7443C
23 of the Internal Revenue Code of 1986, as added by this
24 Act—

1 (1) the amount of compensation which such re-
2 called magistrate judge receives under such section
3 7443C shall be calculated on the basis of the annu-
4 ity received under this section, and

5 (2) such recalled magistrate judge of the United
6 States Tax Court may serve as a reemployed annu-
7 itant to the extent otherwise permitted under title 5,
8 United States Code.

9 Section 7443B(m)(4) of the Internal Revenue Code of
10 1986, as added by this Act, shall not apply with respect
11 to service as a reemployed annuitant described in para-
12 graph (2).

13 **SEC. 322. PROVISIONS FOR RECALL.**

14 (a) IN GENERAL.—Part I of subchapter C of chapter
15 76, as amended by this Act, is amended by inserting after
16 section 7443B the following new section:

17 **“SEC. 7443C. RECALL OF MAGISTRATE JUDGES OF THE TAX**
18 **COURT.**

19 “(a) RECALLING OF RETIRED MAGISTRATE
20 JUDGES.—Any individual who has retired pursuant to sec-
21 tion 7443B or the applicable provisions of title 5, United
22 States Code, upon reaching the age and service require-
23 ments established therein, may at or after retirement be
24 called upon by the chief judge of the Tax Court to perform
25 such judicial duties with the Tax Court as may be re-

1 requested of such individual for any period or periods speci-
2 fied by the chief judge; except that in the case of any such
3 individual—

4 “(1) the aggregate of such periods in any 1 cal-
5 endar year shall not (without such individual’s con-
6 sent) exceed 90 calendar days, and

7 “(2) such individual shall be relieved of per-
8 forming such duties during any period in which ill-
9 ness or disability precludes the performance of such
10 duties.

11 Any act, or failure to act, by an individual performing ju-
12 dicial duties pursuant to this subsection shall have the
13 same force and effect as if it were the act (or failure to
14 act) of a magistrate judge of the Tax Court.

15 “(b) COMPENSATION.—For the year in which a pe-
16 riod of recall occurs, the magistrate judge shall receive,
17 in addition to the annuity provided under the provisions
18 of section 7443B or under the applicable provisions of title
19 5, United States Code, an amount equal to the difference
20 between that annuity and the current salary of the office
21 to which the magistrate judge is recalled. The annuity of
22 the magistrate judge who completes that period of service,
23 who is not recalled in a subsequent year, and who retired
24 under section 7443B, shall be equal to the salary in effect

1 at the end of the year in which the period of recall oc-
 2 curred for the office from which such individual retired.

3 “(c) RULEMAKING AUTHORITY.—The provisions of
 4 this section may be implemented under such rules as may
 5 be promulgated by the Tax Court.”.

6 (b) CONFORMING AMENDMENT.—The table of sec-
 7 tions for part I of subchapter C of chapter 76, as amended
 8 by this Act, is amended by inserting after the item relating
 9 to section 7443B the following new item:

“Sec. 7443C. Recall of magistrate judges of the Tax Court.”.

10 **SEC. 323. EFFECTIVE DATE.**

11 Except as otherwise provided, the amendments made
 12 by this subtitle shall take effect on the date of the enact-
 13 ment of this Act.

14 **TITLE IV—CONFIDENTIALITY**
 15 **AND DISCLOSURE**

16 **SEC. 401. CLARIFICATION OF DEFINITION OF CHURCH TAX**
 17 **INQUIRY.**

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

23 “(6) information provided by the Secretary re-
 24 lated to the standards for exemption from tax under

1 this title and the requirements under this title relat-
2 ing to unrelated business taxable income.”.

3 **SEC. 402. COLLECTION ACTIVITIES WITH RESPECT TO**
4 **JOINT RETURN DISCLOSABLE TO EITHER**
5 **SPOUSE BASED ON ORAL REQUEST.**

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

10 (b) **ELIMINATION OF REPORTING REQUIREMENT.**—
11 Section 7803(d)(1) (relating to annual reporting) is
12 amended by striking subparagraph (B) and by redesignig-
13 nating subparagraphs (C), (D), (E), (F), and (G) as sub-
14 paragraphs (B), (C), (D), (E), and (F), respectively.

15 (c) **EFFECTIVE DATES.**—

16 (1) **SUBSECTION (a).**—The amendment made
17 by subsection (a) shall apply to requests made after
18 the date of the enactment of this Act.

19 (2) **SUBSECTION (b).**—The amendment made
20 by subsection (b) shall apply to reports made after
21 the date of the enactment of this Act.

1 **SEC. 403. TAXPAYER REPRESENTATIVES NOT SUBJECT TO**
2 **EXAMINATION ON SOLE BASIS OF REPRESENTATION OF TAXPAYERS.**
3

4 (a) IN GENERAL.—Paragraph (1) of section 6103(h)
5 (relating to disclosure to certain Federal officers and em-
6 ployees for purposes of tax administration, etc.) is amend-
7 ed—

8 (1) by striking “TREASURY.—Returns and re-
9 turn information” and inserting “TREASURY.—

10 “(A) IN GENERAL.—Returns and return
11 information”, and

12 (2) by adding at the end the following new sub-
13 paragraph:

14 “(B) TAXPAYER REPRESENTATIVES.—Not-
15 withstanding subparagraph (A), the return or
16 return information of the representative of a
17 taxpayer whose return is being examined by an
18 officer or employee of the Department of the
19 Treasury shall not be open to inspection by
20 such officer or employee on the sole basis of the
21 representative’s relationship to the taxpayer un-
22 less a supervisor of such officer or employee has
23 approved the inspection of the return or return
24 information of such representative on a basis
25 other than by reason of such relationship.”.

1 (b) EFFECTIVE DATE.—The amendments made by
2 this section shall take effect on the date which is 180 days
3 after the date of the enactment of this Act.

4 **SEC. 404. PROHIBITION OF DISCLOSURE OF TAXPAYER**
5 **IDENTIFYING NUMBER WITH RESPECT TO**
6 **DISCLOSURE OF ACCEPTED OFFERS-IN-COM-**
7 **PROMISE.**

8 (a) IN GENERAL.—Paragraph (1) of section 6103(k)
9 (relating to disclosure of certain returns and return infor-
10 mation for tax administrative purposes) is amended by in-
11 serting “(other than the taxpayer’s identifying number)”
12 after “Return information”.

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

16 **SEC. 405. COMPLIANCE BY CONTRACTORS AND OTHER**
17 **AGENTS WITH CONFIDENTIALITY SAFE-**
18 **GUARDS.**

19 (a) IN GENERAL.—Section 6103(p) (relating to State
20 law requirements) is amended by adding at the end the
21 following new paragraph:

22 “(9) DISCLOSURE TO CONTRACTORS AND
23 OTHER AGENTS.—Notwithstanding any other provi-
24 sion of this section, no return or return information
25 shall be disclosed to any contractor or other agent

1 of a Federal, State, or local agency unless such
2 agency, to the satisfaction of the Secretary—

3 “(A) has requirements in effect which re-
4 quire each such contractor or other agent which
5 would have access to returns or return informa-
6 tion to provide safeguards (within the meaning
7 of paragraph (4)) to protect the confidentiality
8 of such returns or return information,

9 “(B) agrees to conduct an on-site review
10 every 3 years (mid-point review in the case of
11 contracts or agreements of less than 1 year in
12 duration) of each contractor or other agent to
13 determine compliance with such requirements,

14 “(C) submits the findings of the most re-
15 cent review conducted under subparagraph (B)
16 to the Secretary as part of the report required
17 by paragraph (4)(E), and

18 “(D) certifies to the Secretary for the most
19 recent annual period that such contractor or
20 other agent is in compliance with all such re-
21 quirements.

22 The certification required by subparagraph (D) shall
23 include the name and address of each contractor and
24 other agent, a description of the contract or agree-
25 ment with such contractor or other agent, and the

1 duration of such contract or agreement. The require-
 2 ments of this paragraph shall not apply to disclo-
 3 sures pursuant to subsection (n) for purposes of
 4 Federal tax administration.”.

5 (b) CONFORMING AMENDMENT.—Subparagraph (B)
 6 of section 6103(p)(8) is amended by inserting “or para-
 7 graph (9)” after “subparagraph (A)”.

8 (c) EFFECTIVE DATE.—

9 (1) IN GENERAL.—The amendments made by
 10 this section shall apply to disclosures made after De-
 11 cember 31, 2003.

12 (2) CERTIFICATIONS.—The first certification
 13 under section 6103(p)(9)(D) of the Internal Revenue
 14 Code of 1986, as added by subsection (a), shall be
 15 made with respect to calendar year 2004.

16 **SEC. 406. HIGHER STANDARDS FOR REQUESTS FOR AND**
 17 **CONSENTS TO DISCLOSURE.**

18 (a) IN GENERAL.—Subsection (c) of section 6103
 19 (relating to disclosure of returns and return information
 20 to designee of taxpayer) is amended—

21 (1) by striking “TAXPAYER.—The Secretary”
 22 and inserting “TAXPAYER.—

23 “(1) IN GENERAL.—The Secretary”, and

24 (2) by adding at the end the following new
 25 paragraphs:

1 “(2) RESTRICTIONS ON PERSONS OBTAINING
2 INFORMATION.—The return of any taxpayer, or re-
3 turn information with respect to such taxpayer, dis-
4 closed to a person or persons under paragraph (1)
5 for a purpose specified in writing, electronically, or
6 orally may be disclosed or used by such person or
7 persons only for the purpose of, and to the extent
8 necessary in, accomplishing the purpose for disclo-
9 sure specified and shall not be disclosed or used for
10 any other purpose.

11 “(3) REQUIREMENTS FOR FORM PRESCRIBED
12 BY SECRETARY.—For purposes of this subsection,
13 the Secretary shall prescribe a form for written re-
14 quests and consents which shall—

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

18 “(B) state that if the taxpayer believes
19 there is an attempt to coerce him to sign an in-
20 complete or blank form, the taxpayer should re-
21 port the matter to the Treasury Inspector Gen-
22 eral for Tax Administration, and

23 “(C) contain the address and telephone
24 number of the Treasury Inspector General for
25 Tax Administration.

1 “(4) CROSS REFERENCE.—

“**For provision providing for civil damages for violation of paragraph (2), see section 7431(i).**”

2 (b) CIVIL DAMAGES.—Section 7431 (relating to civil
3 damages for unauthorized inspection or disclosure of re-
4 turns and return information) is amended by adding at
5 the end the following new subsection:

6 “(i) DISCLOSURE OR USE OF RETURNS AND RETURN
7 INFORMATION OBTAINED UNDER SUBSECTION
8 6103(c).—Disclosure or use of returns or return informa-
9 tion obtained under section 6103(c) other than for—

10 “(1) the purpose of, and to the extent necessary
11 in, accomplishing the purpose for disclosure specified
12 in writing, electronically, or orally, or

13 “(2) subject to the safeguards set forth in sec-
14 tion 6103, for purposes permitted under section
15 6103,
16 shall be treated as a violation of section 6103(a).”

17 (b) REPORT.—Not later than 18 months after the
18 date of the enactment of this Act, the Secretary of the
19 Treasury shall submit a report to the Congress on compli-
20 ance with the designation and certification requirements
21 applicable to requests for or consent to disclosure of re-
22 turns and return information under section 6103(c) of the
23 Internal Revenue Code of 1986, as amended by subsection
24 (a). Such report shall—

1 (1) evaluate (on the basis of random sampling)
2 whether—

3 (A) the amendment made by subsection (a)
4 is achieving the purposes of this section;

5 (B) requesters and submitters for such dis-
6 closure are continuing to evade the purposes of
7 this section and, if so, how; and

8 (C) the sanctions for violations of such re-
9 quirements are adequate; and

10 (2) include such recommendations that the Sec-
11 retary of the Treasury considers necessary or appro-
12 priate to better achieve the purposes of this section.

13 (d) SUNSET OF EXISTING CONSENTS.—Notwith-
14 standing any other provision of law, any request for or
15 consent to disclose any return or return information under
16 section 6103(c) of the Internal Revenue Code of 1986
17 made before the date of the enactment of this Act shall
18 remain in effect until the earlier of the date such request
19 or consent is otherwise terminated or the date which is
20 3 taxable years after such date of enactment.

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

1 **SEC. 407. CIVIL DAMAGES FOR UNAUTHORIZED INSPEC-**
2 **TION OR DISCLOSURE.**

3 (a) NOTICE TO TAXPAYER.—Subsection (e) of section
4 7431 (relating to notification of unlawful inspection and
5 disclosure) is amended by adding at the end the following:
6 “The Secretary shall also notify such taxpayer if the Inter-
7 nal Revenue Service or, upon notice to the Secretary by
8 a Federal or State agency, if such Federal or State agen-
9 cy, proposes an administrative determination as to dis-
10 ciplinary or adverse action against an employee arising
11 from the employee’s unauthorized inspection or disclosure
12 of the taxpayer’s return or return information. The notice
13 described in this subsection shall include the date of the
14 inspection or disclosure and the rights of the taxpayer
15 under such administrative determination.”.

16 (b) EXHAUSTION OF ADMINISTRATIVE REMEDIES
17 REQUIRED.—Section 7431, as amended by this Act, is
18 amended by adding at the end the following new sub-
19 section:

20 “(j) EXHAUSTION OF ADMINISTRATIVE REMEDIES
21 REQUIRED.—A judgment for damages shall not be award-
22 ed under subsection (c) unless the court determines that
23 the plaintiff has exhausted the administrative remedies
24 available to such plaintiff within the Internal Revenue
25 Service.”.

26 (c) PAYMENT AUTHORITY CLARIFIED.—

1 (1) IN GENERAL.—Section 7431, as amended
2 by subsection (b), is amended by adding at the end
3 the following new subsection:

4 “(k) PAYMENT AUTHORITY.—Claims pursuant to
5 this section shall be payable out of funds appropriated
6 under section 1304 of title 31, United States Code.”.

7 (2) ANNUAL REPORTS OF PAYMENTS.—The
8 Secretary of the Treasury shall annually report to
9 the Committee of Finance of the Senate and the
10 Committee on Ways and Means of the House of
11 Representatives regarding payments made from the
12 United States Judgment Fund under section
13 7431(k) of the Internal Revenue Code of 1986.

14 (d) BURDEN OF PROOF FOR GOOD FAITH EXCEP-
15 TION RESTS WITH SECRETARY.—Section 7431(b) (relat-
16 ing to exceptions) is amended by adding at the end the
17 following new flush sentence:

18 “In any proceeding involving the issue of the existence of
19 good faith, the burden of proof with respect to such issue
20 shall be on the Secretary.”.

21 (e) REPORTS.—Subsection (p) of section 6103 (relat-
22 ing to procedure and recordkeeping), as amended by this
23 Act, is amended by adding at the end the following new
24 paragraph:

1 “(10) REPORT ON WILLFUL UNAUTHORIZED
2 DISCLOSURE AND INSPECTION.—As part of the re-
3 port required by paragraph (3)(C) for each calendar
4 year, the Secretary shall furnish information regard-
5 ing the willful unauthorized disclosure and inspec-
6 tion of returns and return information, including the
7 number, status, and results of—

8 “(A) administrative investigations,

9 “(B) civil lawsuits brought under section
10 7431 (including the amounts for which such
11 lawsuits were settled and the amounts of dam-
12 ages awarded), and

13 “(C) criminal prosecutions.”.

14 (c) EFFECTIVE DATES.—

15 (1) NOTICE.—The amendment made by sub-
16 section (a) shall apply to determinations made after
17 the date of the enactment of this Act.

18 (2) EXHAUSTION OF REMEDIES AND BURDEN
19 OF PROOF.—The amendments made by subsections
20 (b) and (d) shall apply to inspections and disclosures
21 occurring on and after the date of the enactment of
22 this Act.

23 (3) PAYMENT AUTHORITY.—The amendment
24 made by subsection (c)(1) shall take effect on the
25 date of the enactment of this Act.

1 (4) REPORTS.—The amendment made by sub-
2 section (e) shall apply to calendar years ending after
3 the date of the enactment of this Act.

4 **SEC. 408. EXPANDED DISCLOSURE IN EMERGENCY CIR-**
5 **CUMSTANCES.**

6 (a) IN GENERAL.—Section 6103(i)(3)(B)(i) (relating
7 to danger of death or physical injury) is amended by strik-
8 ing “or State law enforcement agency” and inserting “,
9 State, or local law enforcement agency”.

10 (b) CONFORMING AMENDMENTS.—Section
11 6103(p)(4) is amended—

12 (1) by striking “(i)(3)(B)(i) or (7)(A)(ii)” and
13 inserting “(i)(7)(A)(ii)”, and

14 (2) by striking “, (i)(3)(B)(i),”.

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

18 **SEC. 409. DISCLOSURE OF TAXPAYER IDENTITY FOR TAX**
19 **REFUND PURPOSES.**

20 (a) IN GENERAL.—Section 6103(m)(1) (relating to
21 tax refunds) is amended by striking “taxpayer identity in-
22 formation to the press and other media” and by inserting
23 “a person’s name and the city, State, and zip code of the
24 person’s mailing address to the press, other media, and
25 through any other means of mass communication,”.

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

4 **SEC. 410. DISCLOSURE TO STATE OFFICIALS OF PROPOSED**
 5 **ACTIONS RELATED TO SECTION 501(c) ORGA-**
 6 **NIZATIONS.**

7 (a) IN GENERAL.—Subsection (c) of section 6104 is
 8 amended by striking paragraph (2) and inserting the fol-
 9 lowing new paragraphs:

10 “(2) DISCLOSURE OF PROPOSED ACTIONS RE-
 11 LATED TO CHARITABLE ORGANIZATIONS.—

12 “(A) SPECIFIC NOTIFICATIONS.—In the
 13 case of an organization to which paragraph (1)
 14 applies, the Secretary may disclose to the ap-
 15 propriate State officer—

16 “(i) a notice of proposed refusal to
 17 recognize such organization as an organi-
 18 zation described in section 501(c)(3) or a
 19 notice of proposed revocation of such orga-
 20 nization’s recognition as an organization
 21 exempt from taxation,

22 “(ii) the issuance of a letter of pro-
 23 posed deficiency of tax imposed under sec-
 24 tion 507 or chapter 41 or 42, and

1 “(iii) the names, addresses, and tax-
2 payer identification numbers of organiza-
3 tions which have applied for recognition as
4 organizations described in section
5 501(c)(3).

6 “(B) ADDITIONAL DISCLOSURES.—Returns
7 and return information of organizations with
8 respect to which information is disclosed under
9 subparagraph (A) may be made available for in-
10 spection by or disclosed to an appropriate State
11 officer.

12 “(C) PROCEDURES FOR DISCLOSURE.—In-
13 formation may be inspected or disclosed under
14 subparagraph (A) or (B) only—

15 “(i) upon written request by an ap-
16 propriate State officer, and

17 “(ii) for the purpose of, and only to
18 the extent necessary in, the administration
19 of State laws regulating such organiza-
20 tions.

21 Such information may only be inspected by or
22 disclosed to representatives of the appropriate
23 State officer designated as the individuals who
24 are to inspect or to receive the returns or re-
25 turn information under this paragraph on be-

1 half of such officer. Such representatives shall
2 not include any contractor or agent.

3 “(D) DISCLOSURES OTHER THAN BY RE-
4 QUEST.—The Secretary may make available for
5 inspection or disclose returns and return infor-
6 mation of an organization to which paragraph
7 (1) applies to an appropriate State officer of
8 any State if the Secretary determines that such
9 inspection or disclosure may facilitate the reso-
10 lution of Federal or State issues relating to the
11 tax-exempt status of such organization.

12 “(3) DISCLOSURE WITH RESPECT TO CERTAIN
13 OTHER EXEMPT ORGANIZATIONS.—Upon written re-
14 quest by an appropriate State officer, the Secretary
15 may make available for inspection or disclosure re-
16 turns and return information of an organization de-
17 scribed in paragraph (2), (4), (6), (7), (8), (10), or
18 (13) of section 501(c) for the purpose of, and to the
19 extent necessary in, the administration of State laws
20 regulating the solicitation or administration of the
21 charitable funds or charitable assets of such organi-
22 zations. Such information may be inspected only by
23 or disclosed only to representatives of the appro-
24 priate State officer designated as the individuals who
25 are to inspect or to receive the returns or return in-

1 formation under this paragraph on behalf of such of-
2 ficer. Such representatives shall not include any con-
3 tractor or agent.

4 “(4) USE IN CIVIL JUDICIAL AND ADMINISTRA-
5 TIVE PROCEEDINGS.—Returns and return informa-
6 tion disclosed pursuant to this subsection may be
7 disclosed in civil administrative and civil judicial pro-
8 ceedings pertaining to the enforcement of State laws
9 regulating such organizations in a manner pre-
10 scribed by the Secretary similar to that for tax ad-
11 ministration proceedings under section 6103(h)(4).

12 “(5) NO DISCLOSURE IF IMPAIRMENT.—Re-
13 turns and return information shall not be disclosed
14 under this subsection, or in any proceeding described
15 in paragraph (4), to the extent that the Secretary
16 determines that such disclosure would seriously im-
17 pair Federal tax administration.

18 “(6) DEFINITIONS.—For purposes of this sub-
19 section—

20 “(A) RETURN AND RETURN INFORMA-
21 TION.—The terms ‘return’ and ‘return informa-
22 tion’ have the respective meanings given to such
23 terms by section 6103(b).

24 “(B) APPROPRIATE STATE OFFICER.—The
25 term ‘appropriate State officer’ means—

1 “(i) the State attorney general,

2 “(ii) in the case of an organization to
3 which paragraph (1) applies, any other
4 State official charged with overseeing orga-
5 nizations of the type described in section
6 501(c)(3), and

7 “(iii) in the case of an organization to
8 which paragraph (3) applies, the head of
9 an agency designated by the State attorney
10 general as having primary responsibility
11 for overseeing the solicitation of funds for
12 charitable purposes.”.

13 (b) CONFORMING AMENDMENTS.—

14 (1) Subsection (a) of section 6103 is amend-
15 ed—

16 (A) by inserting “or any appropriate State
17 officer who has or had access to returns or re-
18 turn information under section 6104(c)” after
19 “this section” in paragraph (2), and

20 (B) by striking “or subsection (n)” in
21 paragraph (3) and inserting “subsection (n), or
22 section 6104(c)”.

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

1 (3) Paragraph (4) of section 6103(p), as
2 amended by section 202(b)(2)(B) of the Trade Act
3 of 2002 (Public Law 107–210; 116 Stat. 961), is
4 amended by striking “or (17)” after “any other per-
5 son described in subsection (l)(16)” each place it ap-
6 pears and inserting “or (18) or any appropriate
7 State officer (as defined in section 6104(c))”.

8 (4) The heading for paragraph (1) of section
9 6104(c) is amended by inserting “FOR CHARITABLE
10 ORGANIZATIONS”.

11 (5) Paragraph (2) of section 7213(a) is amend-
12 ed by inserting “or under section 6104(c)” after
13 “6103”.

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

16 (7) Paragraph (2) of section 7431(a) is amend-
17 ed by inserting “(including any disclosure in viola-
18 tion of section 6104(c))” after “6103”.

19 (c) EFFECTIVE DATE.—The amendments made by
20 this section shall take effect on the date of the enactment
21 of this Act but shall not apply to requests made before
22 such date.

1 **SEC. 411. TREATMENT OF PUBLIC RECORDS.**

2 (a) IN GENERAL.—Section 6103(b) (relating to defi-
3 nitions) is amended by adding at the end the following
4 new paragraph:

5 “(12) TREATMENT OF PUBLIC RECORDS.—Re-
6 turns and return information shall not be subject to
7 subsection (a) if disclosed—

8 “(A) in the course of any judicial or ad-
9 ministrative proceeding or pursuant to tax ad-
10 ministration activities, and

11 “(B) properly made part of the public
12 record.”.

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

16 **SEC. 412. INVESTIGATIVE DISCLOSURES.**

17 (a) IN GENERAL.—Section 6103 (confidentiality and
18 disclosure of returns and return information) is amended
19 by redesignating subsection (q) as subsection (r) and by
20 inserting after subsection (p) the following new subsection:

21 “(q) INVESTIGATIVE DISCLOSURES.—Nothing in this
22 section may be construed to prohibit investigative agents
23 of the Internal Revenue Service from identifying them-
24 selves, their organizational affiliation, and the criminal na-
25 ture of an investigation when contacting third parties in
26 writing or in person.”.

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

4 **SEC. 413. TIN MATCHING.**

5 (a) IN GENERAL.—Section 6103(k) (relating to dis-
6 closure of certain returns and return information for tax
7 administration purposes) is amended by adding at the end
8 the following new paragraph:

9 “(10) TIN MATCHING.—The Secretary may dis-
10 close to any person required to provide a taxpayer
11 identifying number (as described in section 6109) to
12 the Secretary whether such information matches
13 records maintained by the Secretary.”.

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

17 **SEC. 414. FORM 8300 DISCLOSURES.**

18 (a) IN GENERAL.—Section 6103(p)(4) (relating to
19 safeguards) is amended by striking “(15),” both places it
20 appears.

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

1 **SEC. 415. TECHNICAL AMENDMENT.**

2 (a) IN GENERAL.—Section 6103(i)(7)(A) (relating to
3 disclosure to law enforcement agencies) is amended by
4 adding at the end the following new clause:

5 “(v) TAXPAYER IDENTITY.—For pur-
6 poses of this subparagraph, a taxpayer’s
7 identity shall not be treated as taxpayer
8 return information.”.

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

12 **TITLE V—SIMPLIFICATION**
13 **THROUGH ELIMINATION OF**
14 **INOPERATIVE PROVISIONS**

15 **SEC. 501. SIMPLIFICATION THROUGH ELIMINATION OF IN-**
16 **OPERATIVE PROVISIONS.**

17 (a) IN GENERAL.—

18 (1) ADJUSTMENTS IN TAX TABLES SO THAT IN-
19 FLATION WILL NOT RESULT IN TAX INCREASES.—
20 Paragraph (7) of section 1(f) is amended to read as
21 follows:

22 “(7) SPECIAL RULE FOR CERTAIN BRACKETS.—
23 In prescribing tables under paragraph (1) which
24 apply to taxable years beginning in a calendar year
25 after 1994, the cost-of-living adjustment used in
26 making adjustments to the dollar amounts at which

1 the 36 percent rate bracket begins or at which the
2 39.6 percent rate bracket begins shall be determined
3 under paragraph (3) by substituting ‘1993’ for
4 ‘1992’.”.

5 (2) REDUCED CAPITAL GAIN RATES FOR QUALI-
6 FIED 5-YEAR GAIN.—Paragraph (2) of section 1(h)
7 is amended by striking “In the case of any taxable
8 year beginning after December 31, 2000, the” and
9 inserting “The”.

10 (3) CREDIT FOR PRODUCING FUEL FROM NON-
11 CONVENTIONAL SOURCE.—Section 29 is amended by
12 striking subsection (e) and by redesignating sub-
13 sections (f) and (g) as subsections (e) and (f), re-
14 spectively.

15 (4) EARNED INCOME CREDIT.—Paragraph (1)
16 of section 32(b) is amended—

17 (A) by striking subparagraphs (B) and
18 (C), and

19 (B) in subparagraph (A) by striking “(A)
20 IN GENERAL.—In the case of taxable years be-
21 ginning after 1995” and moving the table 2
22 ems to the left.

23 (5) GENERAL BUSINESS CREDITS.—Subsection
24 (d) of section 38 is amended by striking paragraph
25 (3).

1 (6) CARRYBACK AND CARRYFORWARD OF UN-
2 USED CREDITS.—Subsection (d) of section 39 is
3 amended by striking paragraphs (1) through (8) and
4 by redesignating paragraphs (9) and (10) as para-
5 graphs (1) and (2), respectively.

6 (7) ADJUSTMENTS BASED ON ADJUSTED CUR-
7 RENT EARNINGS.—Clause (ii) of section 56(g)(4)(F)
8 is amended by striking “In the case of any taxable
9 year beginning after December 31, 1992, clause”
10 and inserting “Clause”.

11 (8) ITEMS OF TAX PREFERENCE; DEPLETION.—
12 Paragraph (1) of section 57(a) is amended by strik-
13 ing “Effective with respect to taxable years begin-
14 ning after December 31, 1992, this” and inserting
15 “This”.

16 (9) INTANGIBLE DRILLING COSTS.—

17 (A) Clause (i) of section 57(a)(2)(E) is
18 amended by striking “In the case of any taxable
19 year beginning after December 31, 1992, this”
20 and inserting “This”.

21 (B) Clause (ii) of section 57(a)(2)(E) is
22 amended by striking “(30 percent in the case of
23 taxable years beginning in 1993)”.

1 (10) ANNUITIES; CERTAIN PROCEEDS OF EN-
2 DOWMENT AND LIFE INSURANCE CONTRACTS.—Sec-
3 tion 72 is amended—

4 (A) in subsection (c)(4) by striking “; ex-
5 cept that if such date was before January 1,
6 1954, then the annuity starting date is January
7 1, 1954”, and

8 (B) in subsection (g)(3) by striking “Janu-
9 ary 1, 1954, or” and “, whichever is later”.

10 (11) ACCIDENT AND HEALTH PLANS.—Section
11 105(f) is amended by striking “or (d)”.

12 (12) FLEXIBLE SPENDING ARRANGEMENTS.—
13 Section 106(c)(1) is amended by striking “Effective
14 on and after January 1, 1997, gross” and inserting
15 “Gross”.

16 (13) CERTAIN COMBAT ZONE COMPENSATION
17 OF MEMBERS OF THE ARMED FORCES.—Subsection
18 (c) of section 112 is amended—

19 (A) by striking “(after June 24, 1950)” in
20 paragraph (2), and

21 (B) striking “such zone;” and all that fol-
22 lows in paragraph (3) and inserting “such
23 zone.”.

24 (14) PRINCIPAL RESIDENCE.—Section
25 121(b)(3) is amended—

1 (A) by striking subparagraph (B); and

2 (B) in subparagraph (A) by striking “(A)
3 IN GENERAL.—” and moving the text 2 ems to
4 the left.

5 (15) CERTAIN REDUCED UNIFORMED SERVICES
6 RETIREMENT PAY.—Section 122(b)(1) is amended
7 by striking “after December 31, 1965,”.

8 (16) GREAT PLAINS CONSERVATION PRO-
9 GRAM.—Section 126(a) is amended by striking para-
10 graph (6) and by redesignating paragraphs (7), (8),
11 (9), and (10) as paragraphs (6), (7), (8), and (9),
12 respectively.

13 (17) MORTGAGE REVENUE BONDS FOR RESI-
14 DENCES IN FEDERAL DISASTER AREAS.—Section
15 143(k) is amended by striking paragraph (11).

16 (18) INTERIM AUTHORITY FOR GOVERNOR.—

17 (A) Section 146(e) is amended by striking
18 paragraph (2) and by redesignating paragraph
19 (3) as paragraph (2).

20 (B) Section 42(h)(3)(F) is amended by
21 striking “(other than paragraph (2)(B) there-
22 of)”.

23 (19) TREBLE DAMAGE PAYMENTS UNDER THE
24 ANTITRUST LAW.—Section 162(g) is amended by
25 striking the last sentence.

1 (20) STATE LEGISLATORS' TRAVEL EXPENSES
2 AWAY FROM HOME.—Paragraph (4) of section
3 162(h) is amended by striking “For taxable years
4 beginning after December 31, 1980, this” and in-
5 serting “This”.

6 (21) INTEREST.—

7 (A) Section 163 is amended by striking
8 paragraph (6) of subsection (d) and paragraph
9 (5) (relating to phase-in of limitation) of sub-
10 section (h).

11 (B) Section 56(b)(1)(C) is amended by
12 striking clause (ii) and by redesignating clauses
13 (iii), (iv), and (v) as clauses (ii), (iii), and (iv),
14 respectively.

15 (22) CHARITABLE, ETC., CONTRIBUTIONS AND
16 GIFTS.—Section 170 is amended by striking sub-
17 section (k).

18 (23) AMORTIZABLE BOND PREMIUM.—Subpara-
19 graph (B) of section 171(b)(1) is amended to read
20 as follows:

21 “(B)(i) in the case of a bond described in
22 subsection (a)(2), with reference to the amount
23 payable on maturity or earlier call date, and

24 “(ii) in the case of a bond described in
25 subsection (a)(1), with reference to the amount

1 payable on maturity (or if it results in a smaller
2 amortizable bond premium attributable to the
3 period of earlier call date, with reference to the
4 amount payable on earlier call date), and”.

5 (24) NET OPERATING LOSS CARRYBACKS AND
6 CARRYOVERS.—

7 (A) Section 172 is amended—

8 (i) by striking subparagraph (D) of
9 subsection (b)(1) and by redesignating
10 subparagraphs (E), (F), and (G) as sub-
11 paragraphs (D), (E), and (F), respectively,

12 (ii) by striking subsection (g), and

13 (iii) by striking subparagraph (F) of
14 subsection (h)(2).

15 (B) Section 172(h)(4) is amended by strik-
16 ing “subsection (b)(1)(E)” each place it ap-
17 pears and inserting “subsection (b)(1)(D)”.

18 (C) Section 172(i)(3) is amended by strik-
19 ing “subsection (b)(1)(G)” each place it ap-
20 pears and inserting “subsection (b)(1)(F)”.

21 (D) Section 172(j) is amended by striking
22 “subsection (b)(1)(H)” each place it appears
23 and inserting “subsection (b)(1)(G)”.

1 (E) Section 172, as amended by subpara-
2 graphs (A) through (D) of this paragraph, is
3 amended—

4 (i) by redesignating subsections (h),
5 (i), and (j) as subsections (g), (h), and (i),
6 respectively,

7 (ii) by striking “subsection (h)” each
8 place it appears and inserting “subsection
9 (g)”, and

10 (iii) by striking “subsection (i)” each
11 place it appears and inserting “subsection
12 (h)”.

13 (25) RESEARCH AND EXPERIMENTAL EXPENDI-
14 TURES.—Subparagraph (A) of section 174(a)(2) is
15 amended to read as follows:

16 “(A) WITHOUT CONSENT.—A taxpayer
17 may, without the consent of the Secretary,
18 adopt the method provided in this subsection
19 for his first taxable year for which expenditures
20 described in paragraph (1) are paid or in-
21 curred.”.

22 (26) AMORTIZATION OF CERTAIN RESEARCH
23 AND EXPERIMENTAL EXPENDITURES.—Paragraph
24 (2) of section 174(b)(2) is amended by striking “be-
25 ginning after December 31, 1953”.

1 (27) SOIL AND WATER CONSERVATION EXPEND-
2 ITURES.—Paragraph (1) of section 175(d) is amend-
3 ed to read as follows:

4 “(1) WITHOUT CONSENT.—A taxpayer may,
5 without the consent of the Secretary, adopt the
6 method provided in this section for his first taxable
7 year for which expenditures described in subsection
8 (a) are paid or incurred.”.

9 (28) ACTIVITIES NOT ENGAGED IN FOR PROF-
10 IT.—Section 183(e)(1) is amended by striking the
11 last sentence.

12 (29) DIVIDENDS RECEIVED ON CERTAIN PRE-
13 FERRED STOCK; AND DIVIDENDS PAID ON CERTAIN
14 PREFERRED STOCK OF PUBLIC UTILITIES.—

15 (A) Sections 244 and 247 are hereby re-
16 pealed and the table of sections for part VIII
17 of subchapter B of chapter 1 is amended by
18 striking the items relating to sections 244 and
19 247.

20 (B) Paragraph (5) of section 172(d) is
21 amended to read as follows:

22 “(5) COMPUTATION OF DEDUCTION FOR DIVI-
23 DENDS RECEIVED.—The deductions allowed by sec-
24 tion 243 (relating to dividends received by corpora-
25 tions) and 245 (relating to dividends received from

1 certain foreign corporations) shall be computed with-
2 out regard to section 246(b) (relating to limitation
3 on aggregate amount of deductions).”.

4 (C) Paragraph (1) of section 243(c) is
5 amended to read as follows:

6 “(1) IN GENERAL.—In the case of any dividend
7 received from a 20-percent owned corporation, sub-
8 section (a)(1) shall be applied by substituting ‘80
9 percent’ for ‘70 percent’.”.

10 (D) Section 243(d) is amended by striking
11 paragraph (4).

12 (E) Section 246 is amended—

13 (i) by striking “, 244,” in subsection
14 (a)(1),

15 (ii) in subsection (b)(1)—

16 (I) by striking “sections
17 243(a)(1), and 244(a),” the first
18 place it appears and inserting “section
19 243(a)(1),”.

20 (II) by striking “244(a),” the
21 second place it appears therein, and

22 (III) by striking “subsection (a)
23 or (b) of section 245, and 247,” and
24 inserting “and subsection (a) or (b) of
25 section 245,” and

1 (iii) by striking “, 244,” in subsection
2 (c)(1).

3 (F) Section 246A is amended by striking
4 “, 244,” both places it appears in subsections
5 (a) and (e).

6 (G) Sections 263(g)(2)(B)(iii), 277(a),
7 301(e)(2), 469(e)(4), 512(a)(3)(A), subpara-
8 graphs (A), (C), and (D) of section 805(a)(4),
9 805(b)(5), 812(e)(2)(A), 815(c)(2)(A)(iii),
10 832(b)(5), 833(b)(3)(E), 1059(b)(2)(B), and
11 1244(c)(2)(C) are each amended by striking “,
12 244,” each place it appears.

13 (H) Section 805(a)(4)(B) is amended by
14 striking “, 244(a),” each place it appears.

15 (I) Section 810(c)(2)(B) is amended by
16 striking “244 (relating to dividends on certain
17 preferred stock of public utilities),”.

18 (30) ORGANIZATION EXPENSES.—Section
19 248(c) is amended by striking “beginning after De-
20 cember 31, 1953,” and by striking the last sentence.

21 (31) BOND REPURCHASE PREMIUM.—Section
22 249(b)(1) is amended by striking “, in the case of
23 bonds or other evidences of indebtedness issued after
24 February 28, 1913,”.

1 (32) AMOUNT OF GAIN WHERE LOSS PRE-
2 VIOUSLY DISALLOWED.—Section 267(d) is amended
3 by striking “(or by reason of section 24(b) of the In-
4 ternal Revenue Code of 1939)” in paragraph (1), by
5 striking “after December 31, 1953,” in paragraph
6 (2), by striking the second sentence, and by striking
7 “or by reason of section 118 of the Internal Revenue
8 Code of 1939” in the last sentence.

9 (33) ACQUISITIONS MADE TO EVADE OR AVOID
10 INCOME TAX.—Paragraphs (1) and (2) of section
11 269(a) are each amended by striking “or acquired
12 on or after October 8, 1940,”.

13 (34) INTEREST ON INDEBTEDNESS INCURRED
14 BY CORPORATIONS TO ACQUIRE STOCK OR ASSETS
15 OF ANOTHER CORPORATION.—Section 279 is amend-
16 ed—

17 (A) by striking “after December 31,
18 1967,” in subsection (a)(2),

19 (B) by striking “after October 9, 1969,” in
20 subsection (b),

21 (C) by striking “after October 9, 1969,
22 and” in subsection (d)(5), and

23 (D) by striking subsection (i) and by re-
24 designating subsection (j) as subsection (i).

1 (35) SPECIAL RULES RELATING TO CORPORATE
2 PREFERENCE ITEMS.—Paragraph (4) of section
3 291(a) is amended by striking “In the case of tax-
4 able years beginning after December 31, 1984, sec-
5 tion” and inserting “Section”.

6 (36) QUALIFICATIONS FOR TAX CREDIT EM-
7 PLOYEE STOCK OWNERSHIP PLAN.—Section 409 is
8 amended by striking subsections (a), (g), and (q).

9 (37) FUNDING STANDARDS.—Section
10 412(m)(4) is amended—

11 (A) by striking “the applicable percentage”
12 in subparagraph (A) and inserting “25 per-
13 cent”, and

14 (B) by striking subparagraph (C) and by
15 redesignating subparagraph (D) as subpara-
16 graph (C).

17 (38) RETIREE HEALTH ACCOUNTS.—Section
18 420 is amended—

19 (A) by striking paragraph (4) in subsection
20 (b) and by redesignating paragraph (5) as para-
21 graph (4), and

22 (B) by amending paragraph (2) of sub-
23 section (c) to read as follows:

24 “(2) REQUIREMENTS RELATING TO PENSION
25 BENEFITS ACCRUING BEFORE TRANSFER.—The re-

1 requirements of this paragraph are met if the plan
2 provides that the accrued pension benefits of any
3 participant or beneficiary under the plan become
4 nonforfeitable in the same manner which would be
5 required if the plan had terminated immediately be-
6 fore the qualified transfer (or in the case of a partic-
7 ipant who separated during the 1-year period ending
8 on the date of the transfer, immediately before such
9 separation).”.

10 (39) EMPLOYEE STOCK PURCHASE PLANS.—
11 Section 423(a) is amended by striking “after De-
12 cember 31, 1963,”.

13 (40) LIMITATION ON DEDUCTIONS FOR CER-
14 TAIN FARMING.—Section 464 is amended—

15 (A) by striking “any farming syndicate (as
16 defined in subsection (c))” both places it ap-
17 pears in subsections (a) and (b) and inserting
18 “any taxpayer to whom subsection (f) applies”,
19 and

20 (B) by striking subsection (g).

21 (41) DEDUCTIONS LIMITED TO AMOUNT AT
22 RISK.—

23 (A) Paragraph (3) of section 465(c) is
24 amended by striking “In the case of taxable

1 years beginning after December 31, 1978, this”
2 and inserting “This”.

3 (B) Paragraph (2) of section 465(e)(2)(A)
4 is amended by striking “beginning after Decem-
5 ber 31, 1978”.

6 (42) NUCLEAR DECOMMISSIONING COSTS.—Sec-
7 tion 468A(e)(2) is amended—

8 (A) by striking “at the rate set forth in
9 subparagraph (B)” in subparagraph (A) and in-
10 serting “at a rate of 20 percent”, and

11 (B) by striking subparagraph (B) and by
12 redesignating subparagraphs (C) and (D) as
13 subparagraphs (B) and (C), respectively.

14 (43) PASSIVE ACTIVITY LOSSES AND CREDITS
15 LIMITED.—

16 (A) Section 469 is amended by striking
17 subsection (m).

18 (B) Subsection (b) of section 58 is amend-
19 ed by adding “and” at the end of paragraph
20 (1), by striking paragraph (2), and by redesign-
21 ating paragraph (3) as paragraph (2).

22 (44) ADJUSTMENTS REQUIRED BY CHANGES IN
23 METHOD OF ACCOUNTING.—Section 481(b)(3) is
24 amended by striking subparagraph (C).

1 (45) EXEMPTION FROM TAX ON CORPORATIONS,
2 CERTAIN TRUSTS, ETC.—Section 501 is amended by
3 striking subsection (p).

4 (46) REQUIREMENTS FOR EXEMPTION.—

5 (A) Section 503(a)(1) is amended to read
6 as follows:

7 “(1) GENERAL RULE.—An organization de-
8 scribed in paragraph (17) or (18) of section 501(a)
9 or described in section 401(a) and referred to in sec-
10 tion 4975(g)(2) or (3) shall not be exempt from tax-
11 ation under section 501(a) if it has engaged in a
12 prohibited transaction.”.

13 (B) Paragraph (2) of section 503(a) is
14 amended by striking “described in section
15 501(c)(17) or (18) or paragraph (a)(1)(B)” and
16 inserting “described in paragraph (1)”.

17 (C) Subsection (c) of section 503 is
18 amended by striking “described in section
19 501(c)(17) or (18) or subsection (a)(1)(B)” and
20 inserting “described in subsection (a)(1)”.

21 (47) AMOUNTS RECEIVED BY SURVIVING ANNU-
22 ITANT UNDER JOINT AND SURVIVOR ANNUITY CON-
23 TRACT.—Subparagraph (A) of section 691(d)(1) is
24 amended by striking “after December 31, 1953,
25 and”.

1 (48) INCOME TAXES OF MEMBERS OF ARMED
2 FORCES ON DEATH.—Section 692(a)(1) is amended
3 by striking “after June 24, 1950”.

4 (49) INSURANCE COMPANY TAXABLE INCOME.—

5 (A) Section 832(e) is amended by striking
6 “of taxable years beginning after December 31,
7 1966,”.

8 (B) Section 832(e)(6) is amended by strik-
9 ing “In the case of any taxable year beginning
10 after December 31, 1970, the’ and by inserting
11 “The”.

12 (50) TAX ON NONRESIDENT ALIEN INDIVID-
13 UALS.—Subparagraph (B) of section 871(a)(1) is
14 amended to read as follows:

15 “(B) gains described in subsection (b) or
16 (c) of section 631,”.

17 (51) PROPERTY ON WHICH LESSEE HAS MADE
18 IMPROVEMENTS.—Section 1019 is amended by strik-
19 ing the last sentence.

20 (52) INVOLUNTARY CONVERSION.—Section
21 1033 is amended by striking subsection (j) and by
22 redesignating subsection (k) as subsection (j).

23 (53) PROPERTY ACQUIRED DURING AFFILI-
24 ATION.—Section 1051 is repealed and the table of
25 sections for part IV of subchapter O of chapter 1 is

1 amended by striking the item relating to section
2 1051.

3 (54) HOLDING PERIOD OF PROPERTY.—

4 (A) Paragraph (5) of section 1223 is
5 amended by striking “(or under so much of sec-
6 tion 1052(c) as refers to section 113(a)(23) of
7 the Internal Revenue Code of 1939)”.

8 (B) Paragraph (7) of section 1223 is
9 amended by striking the last sentence.

10 (C) Paragraph (9) of section 1223 is re-
11 pealed.

12 (55) PROPERTY USED IN THE TRADE OR BUSI-
13 NESS AND INVOLUNTARY CONVERSIONS.—Subpara-
14 graph (A) of section 1231(c)(2) is amended by strik-
15 ing “beginning after December 31, 1981”.

16 (56) SALE OR EXCHANGE OF PATENTS.—Sec-
17 tion 1235 is amended—

18 (A) by striking subsection (c) and by re-
19 designating subsections (d) and (e) as (c) and
20 (d), respectively, and

21 (B) by striking “(d)” in subsection (b) and
22 inserting “(c)”.

23 (57) DEALERS IN SECURITIES.—Subsection (b)
24 of section 1236 is amended by striking “after No-
25 vember 19, 1951,”.

1 (58) SALE OF PATENTS.—Subsection (a) of sec-
 2 tion 1249 is amended by striking “after December
 3 31, 1962,”.

4 (59) GAIN FROM DISPOSITION OF FARM
 5 LAND.—Paragraph (1) of section 1252(a) is amend-
 6 ed by striking “after December 31, 1969,” both
 7 places it appears.

8 (60) TREATMENT OF AMOUNTS RECEIVED ON
 9 RETIREMENT OR SALE OR EXCHANGE OF DEBT IN-
 10 STRUMENTS.—Subsection (c) of section 1271 is
 11 amended to read as follows:

12 “(c) SPECIAL RULE FOR CERTAIN OBLIGATIONS
 13 WITH RESPECT TO WHICH ORIGINAL ISSUE DISCOUNT
 14 NOT CURRENTLY INCLUDIBLE.—

15 “(1) IN GENERAL.—On the sale or exchange of
 16 debt instruments issued by a government or political
 17 subdivision thereof after December 31, 1954, and
 18 before July 2, 1982, or by a corporation after De-
 19 cember 31, 1954, and on or before May 27, 1969,
 20 any gain realized which does not exceed—

21 “(A) an amount equal to the original issue
 22 discount, or

23 “(B) if at the time of original issue there
 24 was no intention to call the debt instrument be-
 25 fore maturity, an amount which bears the same

1 ratio to the original issue discount as the num-
2 ber of complete months that the debt instru-
3 ment was held by the taxpayer bears to the
4 number of complete months from the date of
5 original issue to the date of maturity,
6 shall be considered as ordinary income.

7 “(2) SUBSECTION (a)(2)(A) NOT TO APPLY.—
8 Subsection (a)(2)(A) shall not apply to any debt in-
9 strument referred to in subparagraph (A) of this
10 paragraph.

11 “(3) CROSS REFERENCE.—

“**For current inclusion of original issue discount,
see section 1272.**”.

12 (61) AMOUNT AND METHOD OF ADJUST-
13 MENT.—Section 1314 is amended by striking sub-
14 section (d) and by redesignating subsection (e) as
15 subsection (d).

16 (62) ELECTION; REVOCATION; TERMINATION.—
17 Clause (iii) of section 1362(d)(3) is amended by
18 striking “unless” and all that follows and inserting
19 “unless the corporation was an S corporation for
20 such taxable year.”.

21 (63) OLD-AGE, SURVIVORS, AND DISABILITY IN-
22 SURANCE.—Subsection (a) of section 1401 is amend-
23 ed by striking “the following percent” and all that

1 follows and inserting “12.4 percent of the amount of
2 the self-employment income for such taxable year.”.

3 (64) HOSPITAL INSURANCE.—Subsection (b) of
4 section 1401 is amended by striking “the following
5 percent” and all that follows and inserting “2.9 per-
6 cent of the amount of the self-employment income
7 for such taxable year.”.

8 (65) MINISTERS, MEMBERS OF RELIGIOUS OR-
9 DERS, AND CHRISTIAN SCIENCE PRACTITIONERS.—
10 Paragraph (3) of section 1402(e) is amended by
11 striking “whichever of the following dates is later:
12 (A)” and by striking “; or (B)” and all that follows
13 and by inserting a period.

14 (66) WITHHOLDING OF TAX ON NONRESIDENT
15 ALIENS.—The first sentence of subsection (b) of sec-
16 tion 1441 and the first sentence of paragraph (5) of
17 section 1441(c) are each amended by striking “gains
18 subject to tax” and all that follows through “Octo-
19 ber 4, 1966” and inserting “and gains subject to tax
20 under section 871(a)(1)(D)”.

21 (67) AFFILIATED GROUP DEFINED.—Subpara-
22 graph (A) of section 1504(a)(3) is amended by strik-
23 ing “for a taxable year which includes any period
24 after December 31, 1984” in clause (i) and by strik-

1 ing “in a taxable year beginning after December 31,
2 1984” in clause (ii).

3 (68) DISALLOWANCE OF THE BENEFITS OF
4 THE GRADUATED CORPORATE RATES AND ACCUMU-
5 LATED EARNINGS CREDIT.—

6 (A) Subsection (a) of section 1551 is
7 amended by striking paragraph (1) and by re-
8 designating paragraphs (2) and (3) as para-
9 graphs (1) and (2), respectively.

10 (B) Section 1551(b) is amended—

11 (i) by striking “or (2)” in paragraph
12 (1), and

13 (ii) by striking “(a)(3)” in paragraph
14 (2) and inserting “(a)(2)”.

15 (69) DEFINITION OF WAGES.—Section 3121(b)
16 is amended by striking paragraph (17).

17 (70) CREDITS AGAINST TAX.—

18 (A) Paragraph (4) of section 3302(f) is
19 amended by striking “subsection—” and all
20 that follows through “(A) IN GENERAL.—”, by
21 striking subparagraph (B), by redesignating
22 clauses (i) and (ii) as subparagraphs (A) and
23 (B), respectively, and by moving the text of
24 such subparagraphs (as so redesignated) 2 ems
25 to the left.

1 (B) Paragraph (5) of section 3302(f) is
2 amended by striking subparagraphs (D) and by
3 redesignating subparagraph (E) as subpara-
4 graph (D).

5 (71) DOMESTIC SERVICE EMPLOYMENT
6 TAXES.—Section 3510(b) is amended by striking
7 paragraph (4).

8 (72) TAX ON FUEL USED IN COMMERCIAL
9 TRANSPORTATION ON INLAND WATERWAYS.—Section
10 4042(b)(2)(A) is amended to read as follows:

11 “(A) The Inland Waterways Trust Fund
12 financing rate is 20 cents per gallon.”.

13 (73) TRANSPORTATION BY AIR.—Section
14 4261(e) is amended—

15 (A) in paragraph (1) by striking subpara-
16 graph (C), and

17 (B) by striking paragraph (5).

18 (74) TAXES ON FAILURE TO DISTRIBUTE IN-
19 COME.—Section 4942 is amended—

20 (A) by striking subsection (f)(2)(D),

21 (B) in subsection (g)(2)(A) by striking
22 “For all taxable years beginning on or after
23 January 1, 1975, subject” and inserting “Sub-
24 ject”,

1 (C) in subsection (g) by striking paragraph
2 (4), and

3 (D) in subsection (i)(2) by striking “begin-
4 ning after December 31, 1969, and”.

5 (75) TAXES ON TAXABLE EXPENDITURES.—
6 Section 4945(f) is amended by striking “(excluding
7 therefrom any preceding taxable year which begins
8 before January 1, 1970)”.

9 (76) RETURNS.—Subsection (a) of section
10 6039D is amended by striking “beginning after De-
11 cember 31, 1984,”.

12 (77) INFORMATION RETURNS.—Subsection (c)
13 of section 6060 is amended by striking “year” and
14 all that follows and inserting “year.”.

15 (78) ABATEMENTS.—Section 6404(f) is amend-
16 ed by striking paragraph (3).

17 (79) FAILURE BY CORPORATION TO PAY ESTI-
18 MATED INCOME TAX.—Clause (i) of section
19 6655(g)(4)(A) is amended by striking “(or the cor-
20 responding provisions of prior law)”.

21 (80) RETIREMENT.—Section 7447(i)(3)(B)(ii)
22 is amended by striking “at 4 percent per annum to
23 December 31, 1947, and at 3 percent per annum
24 thereafter”, and inserting “at 3 percent per
25 annum”.

1 (81) ANNUITIES TO SURVIVING SPOUSES AND
2 DEPENDENT CHILDREN OF JUDGES.—

3 (A) Paragraph (2) of section 7448(a) is
4 amended by striking “or under section 1106 of
5 the Internal Revenue Code of 1939” and by
6 striking “or pursuant to section 1106(d) of the
7 Internal Revenue Code of 1939”.

8 (B) Subsection (g) of section 7448 is
9 amended by striking “or other than pursuant to
10 section 1106 of the Internal Revenue Code of
11 1939”.

12 (C) Subsection (j)(1) and (j)(2) of section
13 7448 are each amended by striking “at 4 per-
14 cent per annum to December 31, 1947, and at
15 3 percent per annum thereafter” and inserting
16 “at 3 percent per annum”.

17 (82) MERCHANT MARINE CAPITAL CONSTRUC-
18 TION FUNDS.—Paragraph (4) of section 7518(g) is
19 amended by striking “any nonqualified withdrawal”
20 and all that follows through “shall be determined”
21 and inserting “any nonqualified withdrawal shall be
22 determined”.

23 (83) VALUATION TABLES.—Paragraph (3) of
24 section 7520(c) is amended—

1 (A) by striking “Not later than December
2 31, 1989, the” and inserting “The”, and

3 (B) by striking “thereafter” in the last
4 sentence thereof.

5 (84) ADMINISTRATION AND COLLECTION OF
6 TAXES IN POSSESSIONS.—Section 7651 is amended
7 by striking paragraph (4) and by redesignating
8 paragraph (5) as paragraph (4).

9 (85) DEFINITION OF EMPLOYEE.—(A) Section
10 7701(a)(20) is amended by striking “chapter 21”
11 and all that follows and inserting “chapter 21.”.

12 (b) EFFECTIVE DATE.—

13 (1) GENERAL RULE.—~~E~~xcept as otherwise pro-
14 vided in paragraph (2), the amendments made by
15 subsection (a) shall take effect on the date of enact-
16 ment of this Act.

17 (2) SAVINGS PROVISION.—If—

18 (A) any provision amended or repealed by
19 subsection (a) applied to—

20 (i) any transaction occurring before
21 the date of the enactment of this Act,

22 (ii) any property acquired before such
23 date of enactment, or

1 (iii) any item of income, loss, deduc-
2 tion, or credit taken into account before
3 such date of enactment, and
4 (B) the treatment of such transaction,
5 property, or item under such provision would
6 (without regard to the amendments made by
7 subsection (a)) affect the liability for tax for pe-
8 riods ending after such date of enactment,
9 nothing in the amendments made by subsection (a)
10 shall be construed to affect the treatment of such
11 transaction, property, or item for purposes of deter-
12 mining liability for tax for periods ending after such
13 date of enactment.

○