

109TH CONGRESS
1ST SESSION

S. 1591

To amend the Internal Revenue Code of 1986 to modify the rules relating to the suspension of interest and certain penalties where the taxpayer is not contacted by the Internal Revenue Service within 18 months.

IN THE SENATE OF THE UNITED STATES

JULY 29, 2005

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 modify the rules relating to the suspension of interest and certain penalties where the taxpayer is not contacted by the Internal Revenue Service within 18 months.

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. MODIFICATIONS OF SUSPENSION OF INTEREST**
4 **AND PENALTIES WHERE INTERNAL REVENUE**
5 **SERVICE FAILS TO CONTACT TAXPAYER.**

6 (a) EFFECTIVE DATE OF EXCEPTION FROM SUSPEN-
7 SION RULES FOR CERTAIN LISTED AND REPORTABLE
8 TRANSACTIONS.—

1 (1) IN GENERAL.—Paragraph (2) of section
2 903(d) of the American Jobs Creation Act of 2004
3 is amended to read as follows:

4 “(2) EXCEPTION FOR REPORTABLE OR LISTED
5 TRANSACTIONS.—

6 “(A) IN GENERAL.—The amendments
7 made by subsection (c) shall apply with respect
8 to interest accruing after October 3, 2004.

9 “(B) SPECIAL RULE FOR CERTAIN LISTED
10 AND REPORTABLE TRANSACTIONS.—

11 “(i) IN GENERAL.—Except as pro-
12 vided in clause (ii) or (iii), the amendments
13 made by subsection (c) shall also apply
14 with respect to interest accruing on or be-
15 fore October 3, 2004.

16 “(ii) PARTICIPANTS IN SETTLEMENT
17 INITIATIVES.—Clause (i) shall not apply to
18 any transaction if, pursuant to a published
19 settlement initiative which is offered by the
20 Secretary of the Treasury to a group of
21 similarly situated taxpayers claiming bene-
22 fits from the transaction, the taxpayer has
23 entered into a settlement agreement with
24 respect to the tax liability arising in con-
25 nection with the transaction.

1 “(iii) CLOSED TRANSACTIONS.—

2 Clause (i) shall not apply to a transaction
3 if, as of July 29, 2005 (May 9, 2005 in
4 the case of a listed transaction)—

5 “(I) the assessment of all Fed-
6 eral income taxes for the taxable year
7 in which the tax liability to which the
8 interest relates arose is prevented by
9 the operation of any law or rule of
10 law, or

11 “(II) a closing agreement under
12 section 7121 has been entered into
13 with respect to the tax liability arising
14 in connection with the transaction.”.

15 (2) EFFECTIVE DATE.—The amendment made
16 by this subsection shall take effect as if included in
17 the provisions of the American Jobs Creation Act of
18 2004 to which it relates.

19 (b) TREATMENT OF AMENDED RETURNS AND
20 OTHER SIMILAR NOTICES OF ADDITIONAL TAX OWED.—

21 (1) IN GENERAL.—Section 6404(g)(1) of the
22 Internal Revenue Code of 1986 (relating to suspen-
23 sion) is amended by adding at the end the following
24 new sentence: “If, after the return for a taxable year
25 is filed, the taxpayer provides to the Secretary 1 or

1 more signed written documents showing that the
2 taxpayer owes an additional amount of tax for the
3 taxable year, clause (i) shall be applied by sub-
4 stituting the date the last of the documents was pro-
5 vided for the date on which the return is filed.”

6 (2) EFFECTIVE DATE.—The amendment made
7 by this subsection shall apply to documents provided
8 on or after July 29, 2005.

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