

110TH CONGRESS  
1ST SESSION

# H. R. 3056

---

IN THE SENATE OF THE UNITED STATES

OCTOBER 15, 2007

Received; read twice and referred to the Committee on Finance

---

## AN ACT

To amend the Internal Revenue Code of 1986 to repeal the authority of the Internal Revenue Service to use private debt collection companies, to delay implementation of withholding taxes on government contractors, to revise the tax rules on expatriation, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*  
 2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE; AMENDMENT OF 1986 CODE;**

4 **TABLE OF CONTENTS.**

5 (a) SHORT TITLE.—This Act may be cited as the  
 6 “Tax Collection Responsibility Act of 2007”.

7 (b) AMENDMENT OF 1986 CODE.—Except as other-  
 8 wise expressly provided, whenever in this Act an amend-  
 9 ment or repeal is expressed in terms of an amendment  
 10 to, or repeal of, a section or other provision, the reference  
 11 shall be considered to be made to a section or other provi-  
 12 sion of the Internal Revenue Code of 1986.

13 (c) TABLE OF CONTENTS.—The table of contents of  
 14 this Act is as follows:

Sec. 1. Short title; amendment of 1986 Code; table of contents.

Sec. 2. Repeal of authority to enter into private debt collection contracts.

Sec. 3. Delay of application of withholding requirement on certain governmental  
payments for goods and services.

Sec. 4. Clarification of entitlement of Virgin Islands residents to protections of  
limitations on assessment and collection of tax.

Sec. 5. Revision of tax rules on expatriation.

Sec. 6. Repeal of suspension of certain penalties and interest.

Sec. 7. Increase in information return penalties.

Sec. 8. Time for payment of corporate estimated taxes.

15 **SEC. 2. REPEAL OF AUTHORITY TO ENTER INTO PRIVATE**  
 16 **DEBT COLLECTION CONTRACTS.**

17 (a) IN GENERAL.—Subchapter A of chapter 64 is  
 18 amended by striking section 6306.

19 (b) CONFORMING AMENDMENTS.—

1           (1) Subchapter B of chapter 76 is amended by  
2 striking section 7433A.

3           (2) Section 7811 is amended by striking sub-  
4 section (g).

5           (3) Section 1203 of the Internal Revenue Serv-  
6 ice Restructuring Act of 1998 is amended by strik-  
7 ing subsection (e).

8           (4) The table of sections for subchapter A of  
9 chapter 64 is amended by striking the item relating  
10 to section 6306.

11           (5) The table of sections for subchapter B of  
12 chapter 76 is amended by striking the item relating  
13 to section 7433A.

14       (c) EFFECTIVE DATE.—

15           (1) IN GENERAL.—Except as otherwise pro-  
16 vided in this subsection, the amendments made by  
17 this section shall take effect on the date of the en-  
18 actment of this Act.

19           (2) EXCEPTION FOR EXISTING CONTRACTS,  
20 ETC.—The amendments made by this section shall  
21 not apply to any contract which was entered into be-  
22 fore July 18, 2007, and is not renewed or extended  
23 on or after such date.

24           (3) UNAUTHORIZED CONTRACTS AND EXTEN-  
25 SIONS TREATED AS VOID.—Any qualified tax collec-

1       tion contract (as defined in section 6306 of the In-  
 2       ternal Revenue Code of 1986, as in effect before its  
 3       repeal) which is entered into on or after July 18,  
 4       2007, and any extension or renewal on or after such  
 5       date of any qualified tax collection contract (as so  
 6       defined) shall be void.

7       **SEC. 3. DELAY OF APPLICATION OF WITHHOLDING RE-**  
 8                               **QUIREMENT ON CERTAIN GOVERNMENTAL**  
 9                               **PAYMENTS FOR GOODS AND SERVICES.**

10       (a) IN GENERAL.—Subsection (b) of section 511 of  
 11       the Tax Increase Prevention and Reconciliation Act of  
 12       2005 is amended by striking “December 31, 2010” and  
 13       inserting “December 31, 2011”.

14       (b) REPORT TO CONGRESS.—Not later than 6  
 15       months after the date of the enactment of this Act, the  
 16       Secretary of the Treasury shall submit to the Committee  
 17       on Ways and Means of the House of Representatives and  
 18       the Committee on Finance of the Senate a report with  
 19       respect to the withholding requirements of section 3402(t)  
 20       of the Internal Revenue Code of 1986, including a detailed  
 21       analysis of—

22               (1) the problems, if any, which are anticipated  
 23       in administering and complying with such require-  
 24       ments,

1           (2) the burdens, if any, that such requirements  
2       will place on governments and businesses (taking  
3       into account such mechanisms as may be necessary  
4       to administer such requirements), and

5           (3) the application of such requirements to  
6       small expenditures for services and goods by govern-  
7       ments.

8   **SEC. 4. CLARIFICATION OF ENTITLEMENT OF VIRGIN IS-**  
9                   **LANDS RESIDENTS TO PROTECTIONS OF LIM-**  
10                   **ITATIONS ON ASSESSMENT AND COLLECTION**  
11                   **OF TAX.**

12       (a) IN GENERAL.—Subsection (c) of section 932 (re-  
13       lating to treatment of Virgin Islands residents) is amended  
14       by adding at the end the following new paragraph:

15           “(5) TREATMENT OF INCOME TAX RETURN  
16       FILED WITH VIRGIN ISLANDS.—An income tax re-  
17       turn filed with the Virgin Islands by an individual  
18       claiming to be described in paragraph (1) for the  
19       taxable year shall be treated for purposes of subtitle  
20       F in the same manner as if such return were an in-  
21       come tax return filed with the United States for  
22       such taxable year. The preceding sentence shall not  
23       apply where such return is false or fraudulent with  
24       the intent to avoid tax or otherwise is a willful at-  
25       tempt in any manner to defeat or evade tax.”.

1 (b) EFFECTIVE DATE.—The amendment made by  
2 this section shall apply to taxable years beginning after  
3 1986.

4 **SEC. 5. REVISION OF TAX RULES ON EXPATRIATION.**

5 (a) IN GENERAL.—Subpart A of part II of sub-  
6 chapter N of chapter 1 is amended by inserting after sec-  
7 tion 877 the following new section:

8 **“SEC. 877A. TAX RESPONSIBILITIES OF EXPATRIATION.**

9 “(a) GENERAL RULES.—For purposes of this sub-  
10 title—

11 “(1) MARK TO MARKET.—All property of a cov-  
12 ered expatriate shall be treated as sold on the day  
13 before the expatriation date for its fair market  
14 value.

15 “(2) RECOGNITION OF GAIN OR LOSS.—In the  
16 case of any sale under paragraph (1)—

17 “(A) notwithstanding any other provision  
18 of this title, any gain arising from such sale  
19 shall be taken into account for the taxable year  
20 of the sale, and

21 “(B) any loss arising from such sale shall  
22 be taken into account for the taxable year of  
23 the sale to the extent otherwise provided by this  
24 title, except that section 1091 shall not apply to  
25 any such loss.

1 Proper adjustment shall be made in the amount of  
2 any gain or loss subsequently realized for gain or  
3 loss taken into account under the preceding sen-  
4 tence, determined without regard to paragraph (3).

5 “(3) EXCLUSION FOR CERTAIN GAIN.—

6 “(A) IN GENERAL.—The amount which  
7 would (but for this paragraph) be includible in  
8 the gross income of any individual by reason of  
9 paragraph (1) shall be reduced (but not below  
10 zero) by \$600,000.

11 “(B) ADJUSTMENT FOR INFLATION.—

12 “(i) IN GENERAL.—In the case of any  
13 taxable year beginning in a calendar year  
14 after 2008, the dollar amount in subpara-  
15 graph (A) shall be increased by an amount  
16 equal to—

17 “(I) such dollar amount, multi-  
18 plied by

19 “(II) the cost-of-living adjust-  
20 ment determined under section 1(f)(3)  
21 for the calendar year in which the tax-  
22 able year begins, by substituting ‘cal-  
23 endar year 2007’ for ‘calendar year  
24 1992’ in subparagraph (B) thereof.

1                   “(ii) ROUNDING.—If any amount as  
2                   adjusted under clause (i) is not a multiple  
3                   of \$1,000, such amount shall be rounded  
4                   to the nearest multiple of \$1,000.

5                   “(b) ELECTION TO DEFER TAX.—

6                   “(1) IN GENERAL.—If the taxpayer elects the  
7                   application of this subsection with respect to any  
8                   property treated as sold by reason of subsection (a),  
9                   the time for payment of the additional tax attrib-  
10                  utable to such property shall be extended until the  
11                  due date of the return for the taxable year in which  
12                  such property is disposed of (or, in the case of prop-  
13                  erty disposed of in a transaction in which gain is not  
14                  recognized in whole or in part, until such other date  
15                  as the Secretary may prescribe).

16                  “(2) DETERMINATION OF TAX WITH RESPECT  
17                  TO PROPERTY.—For purposes of paragraph (1), the  
18                  additional tax attributable to any property is an  
19                  amount which bears the same ratio to the additional  
20                  tax imposed by this chapter for the taxable year  
21                  solely by reason of subsection (a) as the gain taken  
22                  into account under subsection (a) with respect to  
23                  such property bears to the total gain taken into ac-  
24                  count under subsection (a) with respect to all prop-  
25                  erty to which subsection (a) applies.



1           “(3) TERMINATION OF EXTENSION.—The due  
2           date for payment of tax may not be extended under  
3           this subsection later than the due date for the re-  
4           turn of tax imposed by this chapter for the taxable  
5           year which includes the date of death of the expa-  
6           triate (or, if earlier, the time that the security pro-  
7           vided with respect to the property fails to meet the  
8           requirements of paragraph (4), unless the taxpayer  
9           corrects such failure within the time specified by the  
10          Secretary).

11          “(4) SECURITY.—

12               “(A) IN GENERAL.—No election may be  
13               made under paragraph (1) with respect to any  
14               property unless adequate security is provided  
15               with respect to such property.

16               “(B) ADEQUATE SECURITY.—For purposes  
17               of subparagraph (A), security with respect to  
18               any property shall be treated as adequate secu-  
19               rity if—

20                       “(i) it is a bond which is furnished to,  
21                       and accepted by, the Secretary, which is  
22                       conditioned on the payment of tax (and in-  
23                       terest thereon), and which meets the re-  
24                       quirements of section 6325, or

1                   “(ii) it is another form of security for  
2                   such payment (including letters of credit)  
3                   that meets such requirements as the Sec-  
4                   retary may prescribe.

5                   “(5) WAIVER OF CERTAIN RIGHTS.—No elec-  
6                   tion may be made under paragraph (1) unless the  
7                   taxpayer makes an irrevocable waiver of any right  
8                   under any treaty of the United States which would  
9                   preclude assessment or collection of any tax imposed  
10                  by reason of this section.

11                  “(6) ELECTIONS.—An election under paragraph  
12                  (1) shall only apply to property described in the elec-  
13                  tion and, once made, is irrevocable.

14                  “(7) INTEREST.—For purposes of section 6601,  
15                  the last date for the payment of tax shall be deter-  
16                  mined without regard to the election under this sub-  
17                  section.

18                  “(c) EXCEPTION FOR CERTAIN PROPERTY.—Sub-  
19                  section (a) shall not apply to—

20                   “(1) any deferred compensation item (as de-  
21                   fined in subsection (d)(4)),

22                   “(2) any specified tax deferred account (as de-  
23                   fined in subsection (e)(2)), and

24                   “(3) any interest in a nongrantor trust (as de-  
25                   fined in subsection (f)(3)).

1       “(d) TREATMENT OF DEFERRED COMPENSATION  
2 ITEMS.—

3               “(1) WITHHOLDING ON ELIGIBLE DEFERRED  
4 COMPENSATION ITEMS.—

5               “(A) IN GENERAL.—In the case of any eli-  
6 gible deferred compensation item, the payor  
7 shall deduct and withhold from any taxable  
8 payment to a covered expatriate with respect to  
9 such item a tax equal to 30 percent thereof.

10              “(B) TAXABLE PAYMENT.—For purposes  
11 of subparagraph (A), the term ‘taxable pay-  
12 ment’ means with respect to a covered expa-  
13 triate any payment to the extent it would be in-  
14 cludible in the gross income of the covered ex-  
15 patriate if such expatriate continued to be sub-  
16 ject to tax as a citizen or resident of the United  
17 States. A deferred compensation item shall be  
18 taken into account as a payment under the pre-  
19 ceding sentence when such item would be so in-  
20 cludible.

21              “(2) OTHER DEFERRED COMPENSATION  
22 ITEMS.—In the case of any deferred compensation  
23 item which is not an eligible deferred compensation  
24 item—

1 “(A)(i) with respect to any deferred com-  
2 pensation item to which clause (ii) does not  
3 apply, an amount equal to the present value of  
4 the covered expatriate’s accrued benefit shall be  
5 treated as having been received by such indi-  
6 vidual on the day before the expatriation date  
7 as a distribution under the plan, and

8 “(ii) with respect to any deferred com-  
9 pensation item referred to in paragraph (4)(D),  
10 the rights of the covered expatriate to such item  
11 shall be treated as becoming transferable and  
12 not subject to a substantial risk of forfeiture on  
13 the day before the expatriation date,

14 “(B) no early distribution tax shall apply  
15 by reason of such treatment, and

16 “(C) appropriate adjustments shall be  
17 made to subsequent distributions from the plan  
18 to reflect such treatment.

19 “(3) ELIGIBLE DEFERRED COMPENSATION  
20 ITEMS.—For purposes of this subsection, the term  
21 ‘eligible deferred compensation item’ means any de-  
22 ferred compensation item with respect to which—

23 “(A) the payor of such item is—

24 “(i) a United States person, or

1           “(ii) a person who is not a United  
2           States person but who elects to be treated  
3           as a United States person for purposes of  
4           paragraph (1) and meets such require-  
5           ments as the Secretary may provide to en-  
6           sure that the payor will meet the require-  
7           ments of paragraph (1), and

8           “(B) the covered expatriate—

9           “(i) notifies the payor of his status as  
10          a covered expatriate, and

11          “(ii) makes an irrevocable waiver of  
12          any right to claim any reduction under any  
13          treaty with the United States in with-  
14          holding on such item.

15          “(4) DEFERRED COMPENSATION ITEM.—For  
16          purposes of this subsection, the term ‘deferred com-  
17          pensation item’ means—

18          “(A) any interest in a plan or arrangement  
19          described in section 219(g)(5),

20          “(B) any interest in a foreign pension plan  
21          or similar retirement arrangement or program,

22          “(C) any item of deferred compensation,  
23          and

24          “(D) any property, or right to property,  
25          which the individual is entitled to receive in

1 connection with the performance of services to  
2 the extent not previously taken into account  
3 under section 83 or in accordance with section  
4 83.

5 “(5) EXCEPTION.—Paragraphs (1) and (2)  
6 shall not apply to any deferred compensation item  
7 which is attributable to services performed outside  
8 the United States while the covered expatriate was  
9 not a citizen or resident of the United States.

10 “(6) SPECIAL RULES.—

11 “(A) APPLICATION OF WITHHOLDING  
12 RULES.—Rules similar to the rules of sub-  
13 chapter B of chapter 3 shall apply for purposes  
14 of this subsection.

15 “(B) APPLICATION OF TAX.—Any item  
16 subject to the withholding tax imposed under  
17 paragraph (1) shall be subject to tax under sec-  
18 tion 871.

19 “(C) COORDINATION WITH OTHER WITH-  
20 HOLDING REQUIREMENTS.—Any item subject to  
21 withholding under paragraph (1) shall not be  
22 subject to withholding under section 1441 or  
23 chapter 24.

24 “(e) TREATMENT OF SPECIFIED TAX DEFERRED AC-  
25 COUNTS.—

1           “(1) ACCOUNT TREATED AS DISTRIBUTED.—In  
2           the case of any interest in a specified tax deferred  
3           account held by a covered expatriate on the day be-  
4           fore the expatriation date—

5                   “(A) the covered expatriate shall be treat-  
6                   ed as receiving a distribution of his entire inter-  
7                   est in such account on the day before the expa-  
8                   triation date,

9                   “(B) no early distribution tax shall apply  
10                  by reason of such treatment, and

11                  “(C) appropriate adjustments shall be  
12                  made to subsequent distributions from the ac-  
13                  count to reflect such treatment.

14           “(2) SPECIFIED TAX DEFERRED ACCOUNT.—  
15           For purposes of paragraph (1), the term ‘specified  
16           tax deferred account’ means an individual retirement  
17           plan (as defined in section 7701(a)(37)) other than  
18           any arrangement described in subsection (k) or (p)  
19           of section 408, a qualified tuition program (as de-  
20           fined in section 529), a Coverdell education savings  
21           account (as defined in section 530), a health savings  
22           account (as defined in section 223), and an Archer  
23           MSA (as defined in section 220).

24           “(f) SPECIAL RULES FOR NONGRANTOR TRUSTS.—

1           “(1) IN GENERAL.—In the case of a distribu-  
2           tion (directly or indirectly) of any property from a  
3           nongrantor trust to a covered expatriate—

4                   “(A) the trustee shall deduct and withhold  
5                   from such distribution an amount equal to 30  
6                   percent of the taxable portion of the distribu-  
7                   tion, and

8                   “(B) if the fair market value of such prop-  
9                   erty exceeds its adjusted basis in the hands of  
10                  the trust, gain shall be recognized to the trust  
11                  as if such property were sold to the expatriate  
12                  at its fair market value.

13           “(2) TAXABLE PORTION.—For purposes of this  
14           subsection, the term ‘taxable portion’ means, with  
15           respect to any distribution, that portion of the dis-  
16           tribution which would be includible in the gross in-  
17           come of the covered expatriate if such expatriate  
18           continued to be subject to tax as a citizen or resi-  
19           dent of the United States.

20           “(3) NONGRANTOR TRUST.—For purposes of  
21           this subsection, the term ‘nongrantor trust’ means  
22           the portion of any trust that the individual is not  
23           considered the owner of under subpart E of part I  
24           of subchapter J. The determination under the pre-



ceding sentence shall be made immediately before  
the expatriation date.

“(4) SPECIAL RULES RELATING TO WITH-  
HOLDING.—For purposes of this subsection—

“(A) rules similar to the rules of sub-  
section (d)(6) shall apply, and

“(B) the covered expatriate shall be treat-  
ed as having waived any right to claim any re-  
duction under any treaty with the United  
States in withholding on any distribution to  
which paragraph (1)(A) applies.

“(g) DEFINITIONS AND SPECIAL RULES RELATING  
TO EXPATRIATION.—For purposes of this section—

“(1) COVERED EXPATRIATE.—

“(A) IN GENERAL.—The term ‘covered ex-  
patriate’ means an expatriate who meets the re-  
quirements of subparagraph (A), (B), or (C) of  
section 877(a)(2).

“(B) EXCEPTIONS.—An individual shall  
not be treated as meeting the requirements of  
subparagraph (A) or (B) of section 877(a)(2)  
if—

“(i) the individual—

“(I) became at birth a citizen of  
the United States and a citizen of an-

1 other country and, as of the expatria-  
2 tion date, continues to be a citizen of,  
3 and is taxed as a resident of, such  
4 other country, and

5 “(II) has been a resident of the  
6 United States (as defined in section  
7 7701(b)(1)(A)(ii)) for not more than  
8 10 taxable years during the 15-tax-  
9 able year period ending with the tax-  
10 able year during which the expatria-  
11 tion date occurs, or

12 “(ii)(I) the individual’s relinquishment  
13 of United States citizenship occurs before  
14 such individual attains age 18½, and

15 “(II) the individual has been a resi-  
16 dent of the United States (as so defined)  
17 for not more than 10 taxable years before  
18 the date of relinquishment.

19 “(C) COVERED EXPATRIATES ALSO SUB-  
20 JECT TO TAX AS CITIZENS OR RESIDENTS.—In  
21 the case of any covered expatriate who is sub-  
22 ject to tax as a citizen or resident of the United  
23 States for any period beginning after the expa-  
24 triation date, such individual shall not be treat-  
25 ed as a covered expatriate during such period

1 for purposes of subsections (d)(1) and (f) and  
2 section 2801.

3 “(2) EXPATRIATE.—The term ‘expatriate’  
4 means—

5 “(A) any United States citizen who relin-  
6 quishes his citizenship, and

7 “(B) any long-term resident of the United  
8 States who ceases to be a lawful permanent  
9 resident of the United States (within the mean-  
10 ing of section 7701(b)(6)).

11 “(3) EXPATRIATION DATE.—The term ‘expa-  
12 triation date’ means—

13 “(A) the date an individual relinquishes  
14 United States citizenship, or

15 “(B) in the case of a long-term resident of  
16 the United States, the date on which the indi-  
17 vidual ceases to be a lawful permanent resident  
18 of the United States (within the meaning of  
19 section 7701(b)(6)).

20 “(4) RELINQUISHMENT OF CITIZENSHIP.—A  
21 citizen shall be treated as relinquishing his United  
22 States citizenship on the earliest of—

23 “(A) the date the individual renounces his  
24 United States nationality before a diplomatic or  
25 consular officer of the United States pursuant

1 to paragraph (5) of section 349(a) of the Immi-  
2 gration and Nationality Act (8 U.S.C.  
3 1481(a)(5)),

4 “(B) the date the individual furnishes to  
5 the United States Department of State a signed  
6 statement of voluntary relinquishment of  
7 United States nationality confirming the per-  
8 formance of an act of expatriation specified in  
9 paragraph (1), (2), (3), or (4) of section 349(a)  
10 of the Immigration and Nationality Act (8  
11 U.S.C. 1481(a)(1)–(4)),

12 “(C) the date the United States Depart-  
13 ment of State issues to the individual a certifi-  
14 cate of loss of nationality, or

15 “(D) the date a court of the United States  
16 cancels a naturalized citizen’s certificate of nat-  
17 uralization.

18 Subparagraph (A) or (B) shall not apply to any indi-  
19 vidual unless the renunciation or voluntary relin-  
20 quishment is subsequently approved by the issuance  
21 to the individual of a certificate of loss of nationality  
22 by the United States Department of State.

23 “(5) LONG-TERM RESIDENT.—The term ‘long-  
24 term resident’ has the meaning given to such term  
25 by section 877(e)(2).

1           “(6) EARLY DISTRIBUTION TAX.—The term  
2           ‘early distribution tax’ means any increase in tax im-  
3           posed under section 72(t), 220(e)(4), 223(f)(4),  
4           409A(a)(1)(B), 529(c)(6), or 530(d)(4).

5           “(h) OTHER RULES.—

6           “(1) TERMINATION OF DEFERRALS, ETC.—In  
7           the case of any covered expatriate, notwithstanding  
8           any other provision of this title—

9                   “(A) any time period for acquiring prop-  
10                  erty which would result in the reduction in the  
11                  amount of gain recognized with respect to prop-  
12                  erty disposed of by the taxpayer shall terminate  
13                  on the day before the expatriation date, and

14                  “(B) any extension of time for payment of  
15                  tax shall cease to apply on the day before the  
16                  expatriation date and the unpaid portion of  
17                  such tax shall be due and payable at the time  
18                  and in the manner prescribed by the Secretary.

19           “(2) STEP-UP IN BASIS.—Solely for purposes of  
20           determining any tax imposed by reason of subsection  
21           (a), property which was held by an individual on the  
22           date the individual first became a resident of the  
23           United States (within the meaning of section  
24           7701(b)) shall be treated as having a basis on such  
25           date of not less than the fair market value of such

1 property on such date. The preceding sentence shall  
 2 not apply if the individual elects not to have such  
 3 sentence apply. Such an election, once made, shall  
 4 be irrevocable.

5 “(3) COORDINATION WITH SECTION 684.—If  
 6 the expatriation of any individual would result in the  
 7 recognition of gain under section 684, this section  
 8 shall be applied after the application of section 684.

9 “(i) REGULATIONS.—The Secretary shall prescribe  
 10 such regulations as may be necessary or appropriate to  
 11 carry out the purposes of this section.”.

12 (b) TAX ON GIFTS AND BEQUESTS RECEIVED BY  
 13 UNITED STATES CITIZENS AND RESIDENTS FROM EXPA-  
 14 TRIATES.—

15 (1) IN GENERAL.—Subtitle B (relating to estate  
 16 and gift taxes) is amended by inserting after chapter  
 17 14 the following new chapter:

18 **“CHAPTER 15—GIFTS AND BEQUESTS**  
 19 **FROM EXPATRIATES**

“Sec. 2801. Imposition of tax.

20 **“SEC. 2801. IMPOSITION OF TAX.**

21 “(a) IN GENERAL.—If, during any calendar year, any  
 22 United States citizen or resident receives any covered gift  
 23 or bequest, there is hereby imposed a tax equal to the  
 24 product of—

1           “(1) the highest rate of tax specified in the  
 2           table contained in section 2001(c) as in effect on the  
 3           date of such receipt (or, if greater, the highest rate  
 4           of tax specified in the table applicable under section  
 5           2502(a) as in effect on the date), and

6           “(2) the value of such covered gift or bequest.

7           “(b) TAX TO BE PAID BY RECIPIENT.—The tax im-  
 8           posed by subsection (a) on any covered gift or bequest  
 9           shall be paid by the person receiving such gift or bequest.

10          “(c) EXCEPTION FOR CERTAIN GIFTS.—Subsection  
 11          (a) shall apply only to the extent that the value of covered  
 12          gifts and bequests received by any person during the cal-  
 13          endar year exceeds \$10,000.

14          “(d) TAX REDUCED BY FOREIGN GIFT OR ESTATE  
 15          TAX.—The tax imposed by subsection (a) on any covered  
 16          gift or bequest shall be reduced by the amount of any gift  
 17          or estate tax paid to a foreign country with respect to such  
 18          covered gift or bequest.

19          “(e) COVERED GIFT OR BEQUEST.—

20                 “(1) IN GENERAL.—For purposes of this chap-  
 21                 ter, the term ‘covered gift or bequest’ means—

22                         “(A) any property acquired by gift directly  
 23                         or indirectly from an individual who, at the  
 24                         time of such acquisition, is a covered expatriate,  
 25                         and

1           “(B) any property acquired directly or in-  
2           directly by reason of the death of an individual  
3           who, immediately before such death, was a cov-  
4           ered expatriate.

5           “(2) EXCEPTIONS FOR TRANSFERS OTHERWISE  
6           SUBJECT TO ESTATE OR GIFT TAX.—Such term shall  
7           not include—

8           “(A) any property shown on a timely filed  
9           return of tax imposed by chapter 12 which is a  
10          taxable gift by the covered expatriate, and

11          “(B) any property included in the gross es-  
12          tate of the covered expatriate for purposes of  
13          chapter 11 and shown on a timely filed return  
14          of tax imposed by chapter 11 of the estate of  
15          the covered expatriate.

16          “(3) TRANSFERS IN TRUST.—

17          “(A) DOMESTIC TRUSTS.—In the case of a  
18          covered gift or bequest made to a domestic  
19          trust—

20                 “(i) subsection (a) shall apply in the  
21                 same manner as if such trust were a  
22                 United States citizen, and

23                 “(ii) the tax imposed by subsection (a)  
24                 on such gift or bequest shall be paid by  
25                 such trust.



1 “(B) FOREIGN TRUSTS.—

2 “(i) IN GENERAL.—In the case of a  
3 covered gift or bequest made to a foreign  
4 trust, subsection (a) shall apply to any dis-  
5 tribution attributable to such gift or be-  
6 quest from such trust (whether from in-  
7 come or corpus) to a United States citizen  
8 or resident in the same manner as if such  
9 distribution were a covered gift or bequest.

10 “(ii) DEDUCTION FOR TAX PAID BY  
11 RECIPIENT.—There shall be allowed as a  
12 deduction under section 164 the amount of  
13 tax imposed by this section which is paid  
14 or accrued by a United States citizen or  
15 resident by reason of a distribution from a  
16 foreign trust, but only to the extent such  
17 tax is imposed on the portion of such dis-  
18 tribution which is included in the gross in-  
19 come of such citizen or resident.

20 “(iii) ELECTION TO BE TREATED AS  
21 DOMESTIC TRUST.—Solely for purposes of  
22 this section, a foreign trust may elect to be  
23 treated as a domestic trust. Such an elec-  
24 tion may be revoked with the consent of  
25 the Secretary.

1       “(f) COVERED EXPATRIATE.—For purposes of this  
 2 section, the term ‘covered expatriate’ has the meaning  
 3 given to such term by section 877A(g)(1).”.

4           (2) CLERICAL AMENDMENT.—The table of  
 5 chapters for subtitle B is amended by inserting after  
 6 the item relating to chapter 14 the following new  
 7 item:

“CHAPTER 15. GIFTS AND BEQUESTS FROM EXPATRIATES.”.

8       (c) DEFINITION OF TERMINATION OF UNITED  
 9 STATES CITIZENSHIP.—

10           (1) IN GENERAL.—Section 7701(a) is amended  
 11 by adding at the end the following new paragraph:

12           “(50) TERMINATION OF UNITED STATES CITI-  
 13 ZENSHIP.—

14           “(A) IN GENERAL.—An individual shall  
 15 not cease to be treated as a United States cit-  
 16 izen before the date on which the individual’s  
 17 citizenship is treated as relinquished under sec-  
 18 tion 877A(g)(4).

19           “(B) DUAL CITIZENS.—Under regulations  
 20 prescribed by the Secretary, subparagraph (A)  
 21 shall not apply to an individual who became at  
 22 birth a citizen of the United States and a cit-  
 23 izen of another country.”.

24           (2) CONFORMING AMENDMENTS.—

1 (A) Paragraph (1) of section 877(e) is  
2 amended to read as follows:

3 “(1) IN GENERAL.—Any long-term resident of  
4 the United States who ceases to be a lawful perma-  
5 nent resident of the United States (within the mean-  
6 ing of section 7701(b)(6)) shall be treated for pur-  
7 poses of this section and sections 2107, 2501, and  
8 6039G in the same manner as if such resident were  
9 a citizen of the United States who lost United States  
10 citizenship on the date of such cessation or com-  
11 mencement.”.

12 (B) Paragraph (6) of section 7701(b) is  
13 amended by adding at the end the following  
14 flush sentence:

15 “An individual shall cease to be treated as a lawful  
16 permanent resident of the United States if such in-  
17 dividual commences to be treated as a resident of a  
18 foreign country under the provisions of a tax treaty  
19 between the United States and the foreign country,  
20 does not waive the benefits of such treaty applicable  
21 to residents of the foreign country, and notifies the  
22 Secretary of the commencement of such treatment.”.

23 (C) Section 7701 is amended by striking  
24 subsection (n) and by redesignating subsections

1 (o) and (p) as subsections (n) and (o), respec-  
 2 tively.

3 (d) INFORMATION RETURNS.—Section 6039G is  
 4 amended—

5 (1) by inserting “or 877A” after “section  
 6 877(b)” in subsection (a), and

7 (2) by inserting “or 877A” after “section  
 8 877(a)” in subsection (d).

9 (e) CLERICAL AMENDMENT.—The table of sections  
 10 for subpart A of part II of subchapter N of chapter 1  
 11 is amended by inserting after the item relating to section  
 12 877 the following new item:

“Sec. 877A. Tax responsibilities of expatriation.”.

13 (f) EFFECTIVE DATE.—

14 (1) IN GENERAL.—Except as provided in this  
 15 subsection, the amendments made by this section  
 16 shall apply to expatriates (as defined in section  
 17 877A(g) of the Internal Revenue Code of 1986, as  
 18 added by this section) whose expatriation date (as so  
 19 defined) is on or after the date of the enactment of  
 20 this Act.

21 (2) GIFTS AND BEQUESTS.—Chapter 15 of the  
 22 Internal Revenue Code of 1986 (as added by sub-  
 23 section (b)) shall apply to covered gifts and bequests  
 24 (as defined in section 2801 of such Code, as so  
 25 added) received on or after the date of the enact-

1       ment of this Act, regardless of when the transferor  
2       expatriated.

3   **SEC. 6. REPEAL OF SUSPENSION OF CERTAIN PENALTIES**  
4                   **AND INTEREST.**

5       (a) IN GENERAL.—Section 6404 is amended by strik-  
6       ing subsection (g) and by redesignating subsection (h) as  
7       subsection (g).

8       (b) EFFECTIVE DATE.—The amendment made by  
9       subsection (a) shall apply to notices provided by the Sec-  
10      retary of the Treasury, or his delegate, after the date  
11      which is 6 months after the date of the enactment of the  
12      Small Business and Work Opportunity Tax Act of 2007.

13   **SEC. 7. INCREASE IN INFORMATION RETURN PENALTIES.**

14       (a) FAILURE TO FILE CORRECT INFORMATION RE-  
15      TURNS.—

16           (1) IN GENERAL.—Subsections (a)(1),  
17       (b)(1)(A), and (b)(2)(A) of section 6721 are each  
18       amended by striking “\$50” and inserting “\$100”.

19           (2) AGGREGATE ANNUAL LIMITATION.—Sub-  
20       sections (a)(1), (d)(1)(A), and (e)(3)(A) of section  
21       6721 are each amended by striking “\$250,000” and  
22       inserting “\$600,000”.

23       (b) REDUCTION WHERE CORRECTION WITHIN 30  
24      DAYS.—

1 (1) IN GENERAL.—Subparagraph (A) of section  
2 6721(b)(1) is amended by striking “\$15” and insert-  
3 ing “\$25”.

4 (2) AGGREGATE ANNUAL LIMITATION.—Sub-  
5 sections (b)(1)(B) and (d)(1)(B) of section 6721 are  
6 each amended by striking “\$75,000” and inserting  
7 “\$200,000”.

8 (c) REDUCTION WHERE CORRECTION ON OR BEFORE  
9 AUGUST 1.—

10 (1) IN GENERAL.—Subparagraph (A) of section  
11 6721(b)(2) is amended by striking “\$30” and insert-  
12 ing “\$60”.

13 (2) AGGREGATE ANNUAL LIMITATION.—Sub-  
14 sections (b)(2)(B) and (d)(1)(C) of section 6721 are  
15 each amended by striking “\$150,000” and inserting  
16 “\$400,000”.

17 (d) AGGREGATE ANNUAL LIMITATIONS FOR PER-  
18 SONS WITH GROSS RECEIPTS OF NOT MORE THAN  
19 \$5,000,000.—Paragraph (1) of section 6721(d) is amend-  
20 ed—

21 (1) by striking “\$100,000” in subparagraph  
22 (A) and inserting “\$250,000”,

23 (2) by striking “\$25,000” in subparagraph (B)  
24 and inserting “\$75,000”, and

1           (3) by striking “\$50,000” in subparagraph (C)  
2           and inserting “\$150,000”.

3           (e) PENALTY IN CASE OF INTENTIONAL DIS-  
4 REGARD.—Paragraph (2) of section 6721(e) is amended  
5 by striking “\$100” and inserting “\$250”.

6           (f) FAILURE TO FURNISH CORRECT PAYEE STATE-  
7 MENTS.—

8           (1) IN GENERAL.—Subsection (a) of section  
9           6722 is amended by striking “\$50” and inserting  
10          “\$100”.

11          (2) AGGREGATE ANNUAL LIMITATION.—Sub-  
12          sections (a) and (c)(2)(A) of section 6722 are each  
13          amended by striking “\$100,000” and inserting  
14          “\$600,000”.

15          (3) PENALTY IN CASE OF INTENTIONAL DIS-  
16 REGARD.—Paragraph (1) of section 6722(c) is  
17          amended by striking “\$100” and inserting “\$250”.

18          (g) FAILURE TO COMPLY WITH OTHER INFORMA-  
19 TION REPORTING REQUIREMENTS.—Section 6723 is  
20 amended—

21               (1) by striking “\$50” and inserting “\$100”,  
22               and

23               (2) by striking “\$100,000” and inserting  
24               “\$600,000”.

1 (h) EFFECTIVE DATE.—The amendments made by  
2 this section shall apply with respect to information returns  
3 required to be filed on or after January 1, 2008.

4 **SEC. 8. TIME FOR PAYMENT OF CORPORATE ESTIMATED**  
5 **TAXES.**

6 Subparagraph (B) of section 401(1) of the Tax In-  
7 crease Prevention and Reconciliation Act of 2005 is  
8 amended by striking “115 percent” and inserting “115.25  
9 percent”.

Passed the House of Representatives October 10,  
2007.

Attest: LORRAINE C. MILLER,  
*Clerk.*