

114TH CONGRESS
2D SESSION

H. R. 4912

To amend the Internal Revenue Code of 1986 to reduce taxpayer burdens and enhance taxpayer protections, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

APRIL 12, 2016

Mr. LEWIS (for himself, Mr. RANGEL, Mr. McDERMOTT, Mr. CROWLEY, Mr. PASCARELL, and Mr. DANNY K. DAVIS of Illinois) introduced the following bill; which was referred to the Committee on Ways and Means

A BILL

To amend the Internal Revenue Code of 1986 to reduce taxpayer burdens and enhance taxpayer protections, 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 “Taxpayer Protection Act of 2016”.

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, as amended.

3 (c) TABLE OF CONTENTS.—The table of contents for
4 this Act is as follows:

Sec. 1. Short title; etc.

TITLE I—PROTECTION OF TAXPAYERS FROM ABUSIVE TAX
COLLECTION PRACTICES

Sec. 101. Repeal of rules relating to tax collection contracts.

TITLE II—RELIEF FOR TAXPAYERS

Sec. 201. De minimis exclusion from gross income for discharge of indebtedness
of individuals.

Sec. 202. Repeal suspension of statute of limitations during pending application
for Taxpayer Assistance order.

Sec. 203. Limitation on levy on retirement savings.

Sec. 204. Tolling of limitation on levy recovery for disabled taxpayer.

Sec. 205. Extension of period to withdraw frivolous submission.

Sec. 206. Repeal of partial payment requirement on submissions of offers-in-
compromise.

TITLE III—ASSISTANCE FOR IDENTITY THEFT VICTIMS AND
LOW-INCOME TAXPAYERS

Sec. 301. Taxpayer notification of suspected identity theft.

Sec. 302. Single point of contact for identity theft victims.

Sec. 303. Referrals to low-income taxpayer clinics permitted.

Sec. 304. EITC outreach.

TITLE IV—ENSURE TAXPAYER ACCESS TO COMPETENT TAX
RETURN PREPARERS

Sec. 401. Regulation of tax return preparers.

Sec. 402. Tax information disclosure relating to tax return preparer mis-
conduct.

TITLE V—INCREASE FUNDING FOR SERVICES TO TAXPAYERS

Sec. 501. Low-income taxpayer clinics.

Sec. 502. Internal Revenue Service taxpayer services appropriations.

1 **TITLE I—PROTECTION OF TAX-**
2 **PAYERS FROM ABUSIVE TAX**
3 **COLLECTION PRACTICES**

4 **SEC. 101. REPEAL OF RULES RELATING TO TAX COLLEC-**
5 **TION CONTRACTS.**

6 (a) IN GENERAL.—Sections 6306 and 6307 are here-
7 by repealed, and the table of sections for subchapter A
8 of chapter 64 is amended by striking the items relating
9 to sections 6306 and 6307.

10 (b) CONFORMING AMENDMENTS.—

11 (1) Section 6103(k) is amended by striking
12 paragraph (12).

13 (2) Section 7433A(a) is amended by inserting
14 “, as in effect on the day before the date of the en-
15 actment of the Taxpayer Protection Act of 2016”
16 after “as defined in section 6306(b)”.

17 (3) Section 7809(a) is amended by striking
18 “6306,”.

19 (4) Section 7811 is amended by striking sub-
20 section (g).

1 **TITLE II—RELIEF FOR**
2 **TAXPAYERS**

3 **SEC. 201. DE MINIMIS EXCLUSION FROM GROSS INCOME**
4 **FOR DISCHARGE OF INDEBTEDNESS OF INDI-**
5 **VIDUALS.**

6 (a) IN GENERAL.—Section 108(a)(1) is amended by
7 striking “or” at the end of subparagraph (D), by striking
8 the period at the end of subparagraph (E) and inserting
9 “, or”, and by adding at the end the following new sub-
10 paragraph:

11 “(F) the indebtedness discharged is quali-
12 fied individual indebtedness.”.

13 (b) QUALIFIED INDIVIDUAL INDEBTEDNESS.—Sec-
14 tion 108 is amended by adding at the end the following
15 new subsection:

16 “(j) SPECIAL RULES RELATING TO QUALIFIED INDI-
17 VIDUAL INDEBTEDNESS.—

18 “(1) QUALIFIED INDIVIDUAL INDEBTEDNESS
19 DEFINED.—For purposes of this section, the term
20 ‘qualified individual indebtedness’ means any indebt-
21 edness of an individual other than indebtedness
22 which is—

23 “(A) discharged on account of services per-
24 formed for the lender, or

1 “(B) held at any time by a person related
2 to such individual.

3 For purposes of subparagraph (B), a person shall be
4 treated as related to another person if the relation-
5 ship between such persons would result in a dis-
6 allowance of losses under section 267 or 707(b).

7 “(2) DOLLAR LIMITATION.—The amount of
8 qualified individual indebtedness excluded from gross
9 income under subsection (a)(1)(F) with respect to
10 any individual for any taxable year shall not exceed
11 the excess of—

12 “(A) \$10,000, over

13 “(B) the aggregate amount excluded from
14 the gross income of such individual under sub-
15 section (a)(1) for such taxable year and all
16 prior taxable years (determined without regard
17 to any amount excludable from gross income
18 under subsection (a)(1)(F) for such taxable
19 year).

20 “(3) JOINT RETURNS.—In the case of a joint
21 return—

22 “(A) the dollar limitation under paragraph
23 (2) shall be applied separately to each spouse,
24 and

1 “(B) the taxpayer may elect to treat any
2 indebtedness of either spouse as indebtedness of
3 the other spouse.”.

4 (c) COORDINATION.—

5 (1) IN GENERAL.—Section 108(a)(2) is amend-
6 ed by adding at the end the following new subpara-
7 graph:

8 “(D) PRECEDENCE OF INDIVIDUAL IN-
9 DEBTEDNESS EXCLUSION.—

10 “(i) INDIVIDUAL INDEBTEDNESS EX-
11 CLUSION TAKES PRECEDENCE OVER IN-
12 SOLVENCY EXCLUSION UNLESS ELECTED
13 OTHERWISE.—Paragraph (1)(B) shall not
14 apply to a discharge to which paragraph
15 (1)(F) applies unless the taxpayer elects to
16 apply paragraph (1)(B) in lieu of para-
17 graph (1)(F).

18 “(ii) OTHER EXCLUSIONS TAKE PREC-
19 EDENCE.—Subparagraph (F) shall not
20 apply to a discharge to which subpara-
21 graph (C), (D), or (E) applies.”.

22 (2) TITLE 11 EXCLUSION TAKES PRECE-
23 DENCE.—Section 108(a)(2)(A) is amended by strik-
24 ing “and (E)” and inserting “(E), and (F)”.

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

4 **SEC. 202. REPEAL SUSPENSION OF STATUTE OF LIMITA-**
5 **TIONS DURING PENDING APPLICATION FOR**
6 **TAXPAYER ASSISTANCE ORDER.**

7 (a) IN GENERAL.—Section 7811 is amended by strik-
8 ing subsection (d) and redesignating subsections (e), (f),
9 and (g) as subsections (d), (e), and (f), respectively.

10 (b) CONFORMING AMENDMENT.—Section 6306(k)(2)
11 is amended by striking “section 7811(g)” and inserting
12 “section 7811(f)”.

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

16 **SEC. 203. LIMITATION ON LEVY ON RETIREMENT SAVINGS.**

17 (a) IN GENERAL.—Section 6334(a) is amended by
18 adding at the end the following new paragraph:

19 “(14) RETIREMENT SAVINGS.—

20 “(A) IN GENERAL.—Any individual’s inter-
21 est in a qualified retirement plan—

22 “(i) before such individual has at-
23 tained normal retirement age (or 65 in the
24 case of an individual retirement account or

1 a plan which does not specify a normal re-
2 tirement age), or

3 “(ii) after the attainment of such age
4 if the levy would create an economic hard-
5 ship due to the financial condition of the
6 taxpayer (within the meaning of
7 6343(a)(1)(D)).

8 “(B) QUALIFIED RETIREMENT PLAN.—For
9 purposes of this paragraph, the term ‘qualified
10 retirement plan’ means—

11 “(i) an individual retirement account,
12 or

13 “(ii) a defined contribution plan
14 which—

15 “(I) is described in section
16 401(a) and which includes a trust ex-
17 empt from tax under section 501(a),

18 “(II) is described in subsection
19 (a) or (b) of section 403, or

20 “(III) is an eligible deferred com-
21 pensation plan (as defined in section
22 457(b)) of an eligible employer de-
23 scribed in section 457(e)(1)(A).

1 “(C) EXCEPTION FOR FLAGRANT ACTS.—
2 Subparagraph (A) shall not apply if the Sec-
3 retary determines that—

4 “(i) the taxpayer filed a fraudulent re-
5 turn, or

6 “(ii) the taxpayer acted with the in-
7 tent to evade or defeat any tax imposed by
8 this title or the collection or payment
9 thereof.”.

10 (b) EFFECTIVE DATE.—The amendment made by
11 this section shall apply to levies issued after December 31,
12 2016.

13 **SEC. 204. TOLLING OF LIMITATION ON LEVY RECOVERY**
14 **FOR DISABLED TAXPAYER.**

15 (a) IN GENERAL.—Section 6343(b) is amended by in-
16 serting after the third sentence: “In the case of an indi-
17 vidual, the running of such 9-month period shall be sus-
18 pended during any period of such individual’s life that
19 such individual is financially disabled (as defined in sec-
20 tion 6511(h)).”.

21 (b) SUITS BY PERSONS OTHER THAN TAXPAYERS.—
22 Section 6532(c)(1) is amended by adding at the end the
23 following: “In the case of an individual, the running of
24 such 9-month period shall be suspended during any period

1 of such individual's life that such individual is financially
2 disabled (as defined in section 6511(h)).”.

3 **SEC. 205. EXTENSION OF PERIOD TO WITHDRAW FRIVO-**
4 **LOUS SUBMISSION.**

5 (a) IN GENERAL.—Section 6702(b)(3) is amended by
6 striking “30 days” and inserting “60 days”.

7 (b) EFFECTIVE DATE.—The amendment made by
8 this section shall apply to notices provided after December
9 31, 2016.

10 **SEC. 206. REPEAL OF PARTIAL PAYMENT REQUIREMENT**
11 **ON SUBMISSIONS OF OFFERS-IN-COM-**
12 **PROMISE.**

13 (a) IN GENERAL.—Section 7122 is amended by strik-
14 ing subsection (c) and by redesignating subsections (d),
15 (e), (f), and (g) as subsection (c), (d), (e), and (f), respec-
16 tively.

17 (b) CONFORMING AMENDMENTS.—

18 (1) Section 7122(d)(3) is amended by inserting
19 “and” at the end of the subparagraph (A), by strik-
20 ing “, and” at the end of subparagraph (B) and in-
21 serting a period, and by striking subparagraph (C).

22 (2) Section 7122, as amended by this section,
23 is amended by adding at the end the following new
24 subsection:

1 “(g) APPLICATION OF USER FEE.—In the case of
 2 any assessed tax or other amounts imposed under this title
 3 with respect to such tax which is the subject of an offer-
 4 in-compromise, such tax or other amounts shall be reduced
 5 by any user fee imposed under this title with respect to
 6 such offer-in-compromise.”.

7 (3) Section 6159(f) is amended by striking
 8 “section 7122(e)” and inserting “section 7122(d)”.

9 (c) EFFECTIVE DATE.—The amendments made by
 10 this section shall apply to offers submitted after the date
 11 of the enactment of this Act.

12 **TITLE III—ASSISTANCE FOR**
 13 **IDENTITY THEFT VICTIMS**
 14 **AND LOW-INCOME TAX-**
 15 **PAYERS**

16 **SEC. 301. TAXPAYER NOTIFICATION OF SUSPECTED IDEN-**
 17 **TITY THEFT.**

18 (a) IN GENERAL.—Chapter 77 is amended by adding
 19 at the end the following new section:

20 **“SEC. 7529. NOTIFICATION OF SUSPECTED IDENTITY**
 21 **THEFT.**

22 “If the Secretary determines that there was an unau-
 23 thorized use of the identity of any taxpayer, the Secretary
 24 shall—

1 **SEC. 303. REFERRALS TO LOW-INCOME TAXPAYER CLINICS**

2 **PERMITTED.**

3 (a) IN GENERAL.—Section 7526(e) is amended by
4 adding at the end the following new paragraph:

5 “(6) TREASURY EMPLOYEES PERMITTED TO
6 REFER TAXPAYERS TO QUALIFIED LOW-INCOME TAX-
7 PAYER CLINICS.—Notwithstanding any other provi-
8 sion of law, officers and employees of the Depart-
9 ment of the Treasury may refer taxpayers for advice
10 and assistance to qualified low-income taxpayer clin-
11 ics receiving funding under this section.”.

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

15 **SEC. 304. EITC OUTREACH.**

16 (a) IN GENERAL.—Section 32 is amended by adding
17 at the end the following new subsection:

18 “(n) NOTIFICATION OF POTENTIAL ELIGIBILITY FOR
19 CREDIT AND REFUND.—

20 “(1) IN GENERAL.—To the extent possible and
21 on an annual basis, the Secretary shall provide to
22 each taxpayer who—

23 “(A) did not claim the credit under sub-
24 section (a) for any preceding taxable year for
25 which credit or refund is not precluded by sec-
26 tion 6511, and

1 “(B) may be allowed such credit for any
2 such taxable year based on return or return in-
3 formation (as defined in section 6103(b)) avail-
4 able to the Secretary,
5 notice that such taxpayer may be eligible to claim
6 such credit and a refund for such taxable year.

7 “(2) NOTICE.—Notice provided under para-
8 graph (1) shall be in writing and sent to the last
9 known address of the taxpayer.”.

10 (b) EFFECTIVE DATE.—The amendment made by
11 this section shall take effect on January 1, 2017.

12 **TITLE IV—ENSURE TAXPAYER**
13 **ACCESS TO COMPETENT TAX**
14 **RETURN PREPARERS**

15 **SEC. 401. REGULATION OF TAX RETURN PREPARERS.**

16 (a) IN GENERAL.—Section 330(a) of title 31, United
17 States Code, is amended—

18 (1) by striking paragraph (1) and inserting the
19 following:

20 “(1) regulate—

21 “(A) the practice of representatives of per-
22 sons before the Department of the Treasury;
23 and

24 “(B) the practice of tax return preparers;
25 and”, and

1 (2) in paragraph (2)—

2 (A) by inserting “or tax return preparer”
3 after “representative” each place it appears,
4 and

5 (B) by inserting “or in preparing their tax
6 returns, claims for refund, or documents in con-
7 nection with tax returns or claims for refund”
8 after “cases” in subparagraph (D).

9 (b) AUTHORITY TO SANCTION REGULATED TAX RE-
10 TURN PREPARERS.—Section 330(c) of title 31, United
11 States Code, is amended—

12 (1) by inserting “or tax return preparer” after
13 “representative” each place it appears, and

14 (2) in paragraph (4), by striking “misleads or
15 threatens” and all that follows and inserting the fol-
16 lowing: “misleads or threatens—

17 “(A) any person being represented or any
18 prospective person being represented; or

19 “(B) any person or prospective person
20 whose tax return, claim for refund, or document
21 in connection with a tax return or claim for re-
22 fund, is being or may be prepared.”.

23 (c) TAX RETURN PREPARER DEFINED.—Section 330
24 of title 31, United States Code, is amended by adding at
25 the end the following new subsection:

1 “(f) TAX RETURN PREPARER.—For purposes of this
2 section—

3 “(1) IN GENERAL.—The term ‘tax return pre-
4 parer’ has the meaning given such term under sec-
5 tion 7701(a)(36) of the Internal Revenue Code of
6 1986.

7 “(2) TAX RETURN.—The term ‘tax return’ has
8 the meaning given to the term ‘return’ under section
9 6696(e)(1) of such Code.

10 “(3) CLAIM FOR REFUND.—The term ‘claim for
11 refund’ has the meaning given such term under sec-
12 tion 6696(e)(2) of such Code.”.

13 (d) EFFECTIVE DATE.—The amendments made by
14 this section shall apply with respect to returns and claims
15 for refund for taxable years beginning after the date of
16 the enactment of this Act.

17 **SEC. 402. TAX INFORMATION DISCLOSURE RELATING TO**
18 **TAX RETURN PREPARER MISCONDUCT.**

19 Section 6103(k) is amended by adding at the end the
20 following new paragraph:

21 “(13) DISCLOSURE RELATING TO TAX RETURN
22 PREPARER MISCONDUCT.—Under such procedures as
23 the Secretary may prescribe, the Secretary may dis-
24 close returns or return information to the extent
25 necessary to publish final decisions by the Internal

1 Revenue Service Office of Professional Responsibility
2 relating to tax return preparer misconduct.”.

3 **TITLE V—INCREASE FUNDING**
4 **FOR SERVICES TO TAXPAYERS**

5 **SEC. 501. LOW-INCOME TAXPAYER CLINICS.**

6 (a) INCREASE IN AUTHORIZED GRANTS.—Section
7 7526(c)(1) is amended by striking “\$6,000,000” and in-
8 serting “\$20,000,000”.

9 (b) CLERICAL AMENDMENT.—Section 7526(c)(5) is
10 amended by inserting “qualified” before “low-income”.

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

14 **SEC. 502. INTERNAL REVENUE SERVICE TAXPAYER SERV-**
15 **ICES APPROPRIATIONS.**

16 There is hereby appropriated, out of any money in
17 the Treasury not otherwise appropriated, for the fiscal
18 year ending September 30, 2017, for necessary expenses
19 of the Internal Revenue Service to provide taxpayer serv-
20 ices, including pre-filing assistance and education, filing
21 and account services, taxpayer advocacy services, and
22 other services as authorized by 5 U.S.C. 3109, at such
23 rates as may be determined by the Commissioner,
24 \$2,406,000,000.

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