

114TH CONGRESS
1ST SESSION

S. 2333

To amend the Internal Revenue Code of 1986 to provide taxpayer protection and assistance, and for other purposes.

IN THE SENATE OF THE UNITED STATES

NOVEMBER 30, 2015

Mr. CARDIN 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 taxpayer protection and assistance, 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 Rights Act of 2015”.

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 of
 4 this Act is as follows:

Sec. 1. Short title; etc.

TITLE I—TAXPAYER RIGHTS

Sec. 101. Statement of taxpayer rights.

TITLE II—PREPARATION OF TAX RETURNS

Sec. 201. Programs for the benefit of low-income taxpayers.

Sec. 202. Regulation of tax return preparers.

Sec. 203. Preparer penalties with respect to preparation of returns and other submissions.

Sec. 204. Clarification of enrolled agent credentials.

Sec. 205. Limit redisclosures and uses of consent-based disclosures of tax return information.

TITLE III—IMPROVING IRS PROCEDURES

Sec. 301. Modifications to lien notice filing procedures.

Sec. 302. Modification of requirements relating to tax lien information contained in consumer credit reports.

Sec. 303. De novo tax court review of innocent spouse relief determinations.

Sec. 304. Release of Federal tax levies which cause business hardship.

Sec. 305. Removal of nonpayment period from list of triggering events for returns relating to cancellation of indebtedness.

Sec. 306. Special rules for levies that attach to a fixed and determinable right.

Sec. 307. Rules related to levies on qualified retirement plans.

Sec. 308. Taxpayer rights training.

Sec. 309. Notice and opportunity for hearing by the Office of Appeals.

TITLE IV—NATIONAL TAXPAYER ADVOCATE

Sec. 401. Modifications relating to taxpayer assistance orders.

Sec. 402. Taxpayer advocate directives.

Sec. 403. Office of the Taxpayer Advocate Access to Administrative Files.

Sec. 404. Office of the Taxpayer Advocate operations during a lapse in appropriations.

5 **TITLE I—TAXPAYER RIGHTS**

6 **SEC. 101. STATEMENT OF TAXPAYER RIGHTS.**

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

1 **“SEC. 7529. STATEMENT OF TAXPAYER RIGHTS.**

2 “(a) IN GENERAL.—The Secretary shall—

3 “(1) in consultation with the National Taxpayer
4 Advocate, publish a summary statement of primary
5 taxpayer rights (as described in subsection (b)), and

6 “(2) in coordination with the Commissioner of
7 the Internal Revenue Service, ensure that the em-
8 ployees of the Internal Revenue Service are familiar
9 with and act in accordance with such rights.

10 “(b) STATEMENT OF RIGHTS.—The statement of
11 rights is as follows:

12 “(1) Right to be informed.

13 “(2) Right to quality service.

14 “(3) Right to pay no more than the correct
15 amount of tax.

16 “(4) Right to challenge the position of the In-
17 ternal Revenue Service and be heard.

18 “(5) Right of appeal from a decision of the In-
19 ternal Revenue Service in an independent forum.

20 “(6) Right to finality.

21 “(7) Right to privacy.

22 “(8) Right to confidentiality.

23 “(9) Right to retain representation.

24 “(10) Right to a fair and just tax system, in-
25 cluding access to the Taxpayer Advocate Service.”.

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

“Sec. 7529. Statement of taxpayer rights.”.

4 (c) EFFECTIVE DATE.—The amendments made by
 5 this section shall take effect 180 days after the date of
 6 the enactment of this Act.

7 **TITLE II—PREPARATION OF TAX** 8 **RETURNS**

9 **SEC. 201. PROGRAMS FOR THE BENEFIT OF LOW-INCOME** 10 **TAXPAYERS.**

11 (a) GRANTS TO FACILITATE NATIONWIDE AVAIL-
 12 ABILITY OF VOLUNTEER INCOME TAX ASSISTANCE FOR
 13 LOW-INCOME AND UNDERSERVED POPULATIONS.—

14 (1) IN GENERAL.—The Secretary, through the
 15 Internal Revenue Service, shall establish a Commu-
 16 nity Volunteer Income Tax Assistance Matching
 17 Grant Program (hereinafter in this subsection re-
 18 ferred to as the “VITA grant program”). Except as
 19 otherwise provided in this subsection, the VITA
 20 grant program shall be administered in a manner
 21 which is substantially similar to the Community Vol-
 22 unteer Income Tax Assistance matching grants dem-
 23 onstration program established under title I of divi-
 24 sion D of the Consolidated Appropriations Act,
 25 2008.

(2) MATCHING GRANTS.—

(A) IN GENERAL.—The Secretary shall make available grants under the VITA grant program to provide matching funds for the development, expansion, or continuation of qualified return preparation programs assisting low-income taxpayers and members of underserved populations.

(B) APPLICATION.—In order to be eligible for a grant under this subsection, a qualified return preparation program shall submit an application to the Secretary at such time, in such manner, and containing such information as the Secretary may reasonably require for each fiscal year.

(C) PRIORITY.—In awarding grants under this subsection, the Secretary shall give priority to applications—

(i) demonstrating assistance to low-income taxpayers, with emphasis on outreach to and services for such taxpayers,

(ii) demonstrating taxpayer outreach and education around available income supports and refundable credits such as the earned income tax credit under section

32 of the Internal Revenue Code of 1986,
and

(iii) demonstrating specific outreach
and focus on one or more underserved pop-
ulations.

(D) USE OF FUNDS.—Qualified return
preparation programs receiving a grant under
this subsection may use the grant for—

(i) ordinary and necessary costs asso-
ciated with program operation in accord-
ance with Cost Principles Circulars as set
forth by the Office of Management and
Budget, including—

(I) for wages or salaries of per-
sons coordinating the activities of the
program,

(II) to develop training materials,
conduct training, and perform quality
reviews of the returns, and

(III) for equipment purchases
and vehicle-related expenses associ-
ated with remote or rural tax prepara-
tion services,

(ii) outreach and educational activities
relating to eligibility and availability of in-

come supports available through the Internal Revenue Code of 1986, such as the earned income tax credit, and

(iii) services related to financial education and capability, asset development, and the establishment of savings accounts in connection with tax return preparation.

(E) DURATION OF GRANTS.—

(i) IN GENERAL.—Except as provided in clause (ii), a grant awarded under this subsection shall be for a period of 1 year and shall not be renewed other than through an application under subparagraph (B).

(ii) EXTENDED GRANTS.—The Secretary may award a grant under this subsection for a period of not more than 3 years to any qualified return preparation program which—

(I) received a grant under this subsection for the preceding year, and

(II) received a score of 90 percent or better on a technical evaluation.

(F) USE OF GRANTS FOR OVERHEAD EXPENSES PROHIBITED.—No grant made under this subsection may be used for overhead expenses that are not directly related to any qualified return preparation program.

(3) PROMOTION AND REFERRAL.—

(A) PROMOTION.—The Secretary shall promote the benefits of, and encourage the use of, tax preparation through the Volunteer Income Tax Assistance program through the use of mass communications, referrals, and other means.

(B) INTERNAL REVENUE SERVICE REFERRALS.—The Secretary may refer taxpayers to qualified return preparation programs receiving funding under this subsection.

(C) VITA GRANTEE REFERRAL.—Qualified return preparation programs receiving a grant under this subsection are encouraged to refer, as appropriate, to local or regional Low Income Tax Clinics individuals who are eligible to receive services at such clinics.

(4) AUTHORIZATION OF APPROPRIATIONS.—

(A) IN GENERAL.—For each of fiscal years 2016, 2017, 2018, 2019, and 2020, there are

1 authorized to be appropriated \$30,000,000 to
 2 carry out the purposes of this subsection.

3 (B) RESERVATION.—From the funds ap-
 4 propriated under subparagraph (A) for any fis-
 5 cal year, the Secretary shall reserve not more
 6 than 3 percent for administration of the pro-
 7 gram.

8 (C) AVAILABILITY.—Amounts appro-
 9 priated pursuant to the authority of subpara-
 10 graph (A) shall remain available without fiscal
 11 year limitation until expended.

12 (b) NATIONAL CENTER TO PROMOTE QUALITY, EX-
 13 CELLENCE, AND EVALUATION IN VOLUNTEER INCOME
 14 TAX ASSISTANCE.—

15 (1) NATIONAL CENTER TO PROMOTE QUALITY,
 16 EXCELLENCE, AND EVALUATION IN VOLUNTEER IN-
 17 COME TAX ASSISTANCE.—

18 (A) ESTABLISHMENT.—There is hereby es-
 19 tablished the National Center to Promote Qual-
 20 ity, Excellence, and Evaluation in Volunteer In-
 21 come Tax Assistance (hereinafter in this sub-
 22 section referred to as the “Center”).

23 (B) PURPOSE.—The Center shall—

24 (i) promote the adoption of a univer-
 25 sally accessible volunteer training platform

1 for the preparation of Federal income tax
2 returns,

3 (ii) provide capacity-building technical
4 assistance to qualified return preparation
5 program managers,

6 (iii) identify and disseminate best
7 practices related to tax site management
8 emerging from States, community-based
9 organizations, nonprofit providers, and
10 local government entities,

11 (iv) support outreach and marketing
12 efforts to encourage the use of qualified re-
13 turn preparation programs receiving fund-
14 ing under subsection (a), and

15 (v) provide evaluation of programs
16 and activities funded under this section, in-
17 cluding—

18 (I) identification, both in aggre-
19 gate and disaggregate, of gaps in
20 services for low-income taxpayers and
21 underserved populations, and

22 (II) independent evaluation of
23 progress toward program objectives,
24 as defined by the Secretary.

25 (C) ADMINISTRATION.—

1 (i) IN GENERAL.—The Secretary
2 shall—

3 (I) designate, through a competi-
4 tive process, one qualified entity to be
5 the lead national organization, and

6 (II) provide an annual grant to
7 the lead national organization des-
8 ignated under subclause (I).

9 (ii) DUTIES OF LEAD NATIONAL OR-
10 GANIZATION.—The lead national organiza-
11 tion shall use funds provided through the
12 grant in clause (i)(II) to—

13 (I) carry out the purposes of the
14 Center, and

15 (II) make subgrants as provided
16 in paragraph (2).

17 (2) SUBGRANTS.—

18 (A) IN GENERAL.—The lead national orga-
19 nization shall make available subgrants to eligi-
20 ble organizations to facilitate specialized tech-
21 nical assistance in reaching one or more under-
22 served populations.

23 (B) ELIGIBLE ORGANIZATION.—For pur-
24 poses of this paragraph, the term “eligible orga-
25 nization” means any organization which—

1 (i) is described in section 501(c) of
2 the Internal Revenue Code of 1986 and ex-
3 empt from tax under section 501(a) of
4 such Code,

5 (ii) has, to the satisfaction of the lead
6 national organization, demonstrated exper-
7 tise and evidenced-based practices in spe-
8 cialized outreach to, and service of, one or
9 more underserved populations, and

10 (iii) has, to the satisfaction of the lead
11 national organization, demonstrated exper-
12 tise in the provision of specialized technical
13 assistance relating to qualified return prep-
14 aration programs for one or more targeted
15 underserved populations.

16 (C) APPLICATION.—In order to be eligible
17 for a subgrant under this paragraph, an eligible
18 organization shall submit an application to the
19 lead national organization at such time, in such
20 manner, and containing such information as the
21 lead national organization may reasonably re-
22 quire for each fiscal year.

23 (D) USE OF FUNDS.—An eligible organiza-
24 tion which receives a subgrant under this para-
25 graph shall assist the Center by—

1 (i) providing technical assistance to
2 qualified return preparation programs with
3 targeted outreach and assistance to one or
4 more underserved populations, and

5 (ii) including strategies for the provi-
6 sion of technical assistance targeting indi-
7 viduals and families with annual household
8 earnings at or below 250 percent of the
9 poverty line within the underserved popu-
10 lations served by the subgrant.

11 (E) SUBGRANT AMOUNT.—

12 (i) IN GENERAL.—Each year, the lead
13 national organization shall make available
14 subgrants which, in the aggregate, do not
15 exceed 40 percent of the grant received
16 under paragraph (1).

17 (ii) UNDERSERVED POPULATIONS.—
18 Of the amount of subgrants provided
19 under clause (i)—

20 (I) not less than 25 percent shall
21 be dedicated to specialized technical
22 assistance in serving taxpayers with
23 disabilities,

24 (II) not less than 25 percent
25 shall be dedicated to specialized tech-

1 nical assistance in serving limited
 2 English speaking taxpayers, and
 3 (III) not less than 25 percent
 4 shall be dedicated to specialized tech-
 5 nical assistance in serving Native
 6 American taxpayers.

7 (F) DURATION OF SUBGRANTS.—A
 8 subgrant awarded under this paragraph shall be
 9 for a period of 1 year and shall not be renewed
 10 other than through an application under sub-
 11 paragraph (C).

12 (3) AUTHORIZATION OF APPROPRIATIONS.—

13 (A) IN GENERAL.—For each of fiscal years
 14 2016, 2017, 2018, 2019, and 2020, there are
 15 authorized to be appropriated \$5,000,000 to
 16 carry out the purposes of this subsection.

17 (B) AVAILABILITY.—Amounts appro-
 18 priated pursuant to the authority of subpara-
 19 graph (A) shall remain available without fiscal
 20 year limitation until expended.

21 (c) DEFINITIONS.—As used in subsections (a) and
 22 (b):

23 (1) QUALIFIED RETURN PREPARATION PRO-
 24 GRAM.—The term “qualified return preparation pro-
 25 gram” means any program—

1 (A) which provides assistance to individ-
 2 uals, not less than 90 percent of whom are low-
 3 income taxpayers, in preparing and filing Fed-
 4 eral income tax returns, including schedules re-
 5 porting sole proprietorship or farm income,

6 (B) which is administered by a qualified
 7 entity,

8 (C) in which all of the volunteers who as-
 9 sist in the preparation of Federal income tax
 10 returns meet the training requirements pre-
 11 scribed by the Secretary, and

12 (D) which uses a quality review process
 13 which reviews 100 percent of all returns.

14 (2) QUALIFIED ENTITY.—

15 (A) IN GENERAL.—The term “qualified en-
 16 tity” means any entity which—

17 (i) is described in subparagraph (B),

18 (ii) is in compliance with Federal tax
 19 filing and payment requirements,

20 (iii) is not debarred or suspended
 21 from Federal contracts, grants, or coopera-
 22 tive agreements, and

23 (iv) agrees to provide documentation
 24 to substantiate any matching funds pro-
 25 vided under the VITA grant program.

1 (B) ENTITY DESCRIBED.—An entity is de-
2 scribed in this subparagraph if such entity is—

3 (i) an institution of higher education
4 which is described in section 102 (other
5 than subsection (a)(1)(C) thereof) of the
6 Higher Education Act of 1965 (20 U.S.C.
7 1088), as in effect on the date of the en-
8 actment of this section, and which has not
9 been disqualified from participating in a
10 program under title IV of such Act,

11 (ii) an organization described in sec-
12 tion 501(c) of the Internal Revenue Code
13 of 1986 and exempt from tax under sec-
14 tion 501(a) of such Code,

15 (iii) a State or local government agen-
16 cy, including—

17 (I) a county or municipal govern-
18 ment agency,

19 (II) an Indian tribe, as defined in
20 section 4(12) of the Native American
21 Housing Assistance and Self-Deter-
22 mination Act of 1996 (25 U.S.C.
23 4103(12)), including any tribally des-
24 ignated housing entity (as defined in
25 section 4(21) of such Act (25 U.S.C.

1 4103(21))), tribal subsidiary, subdivi-
 2 sion, or other wholly owned tribal en-
 3 tity, and

4 (III) a State government agency,
 5 but only if no other eligible organiza-
 6 tion is available to assist the targeted
 7 population or community,

8 (iv) a local, State, regional, or na-
 9 tional coalition (with one lead organization
 10 which meets the eligibility requirements of
 11 clause (i), (ii), or (iii) acting as the appli-
 12 cant organization), or

13 (v) a Cooperative Extension Service
 14 office, but only if no other eligible organi-
 15 zation is available to assist the targeted
 16 population or community.

17 (3) LOW-INCOME TAXPAYERS.—The term “low-
 18 income taxpayer” means a taxpayer who has an in-
 19 come which does not exceed 250 percent of the pov-
 20 erty line (as defined in section 2110(c)(5) of the So-
 21 cial Security Act (42 U.S.C. 1397jj(c)(5))).

22 (4) UNDERSERVED POPULATION.—The term
 23 “underserved population” includes populations of
 24 persons with disabilities, persons with limited

1 English proficiency, Native Americans, individuals
2 living in rural areas, and the elderly.

3 (5) LEAD NATIONAL ORGANIZATION.—The term
4 “lead national organization” means an organization
5 described in section 501(c) of the Internal Revenue
6 Code of 1986 and exempt from tax under section
7 501(a) of such Code which has demonstrated, to the
8 satisfaction of the Secretary—

9 (A) capacity in a minimum of 15 States,
10 territories, or tribal areas,

11 (B) expertise in the provision of tax prepa-
12 ration services to low-income taxpayers and un-
13 derserved populations,

14 (C) an ability to train program leadership
15 and staff,

16 (D) capacity to disseminate information
17 throughout the United States, and

18 (E) capacity to—

19 (i) maintain a Web site through which
20 information is disseminated in an easily ac-
21 cessible manner, and

22 (ii) provide technical assistance and
23 training through Web-based technologies.

1 (6) SECRETARY.—The term “Secretary” means
2 the Secretary of the Treasury or the Secretary’s del-
3 egate.

4 (d) LOW-INCOME TAXPAYER CLINICS.—

5 (1) INCREASE IN AUTHORIZED GRANTS.—Para-
6 graph (1) of section 7526(c) is amended by striking
7 “\$6,000,000” and inserting “\$20,000,000”.

8 (2) USE OF GRANTS FOR OVERHEAD EXPENSES
9 PROHIBITED.—

10 (A) IN GENERAL.—Section 7526(c) is
11 amended by adding at the end the following
12 new paragraph:

13 “(6) USE OF GRANTS FOR OVERHEAD EX-
14 PENSES PROHIBITED.—No grant made under this
15 section may be used for overhead expenses that are
16 not directly related to the clinic.”.

17 (B) CONFORMING AMENDMENTS.—Section
18 7526(c)(5) is amended—

19 (i) by inserting “qualified” before
20 “low-income”, and

21 (ii) by striking the last sentence.

22 (3) PROMOTION OF CLINICS.—Section 7526 is
23 amended by adding at the end the following new
24 subsection:

1 “(d) PROMOTION OF CLINICS.—The Secretary is au-
 2 thorized to promote the benefits of and encourage the use
 3 of qualified low-income taxpayer clinics through the use
 4 of mass communications, referrals, and other means.”.

5 (4) IRS REFERRALS TO CLINICS.—Subsection
 6 (c) of section 7526, as amended by paragraph
 7 (2)(A), is amended by adding at the end the fol-
 8 lowing new paragraph:

9 “(7) IRS REFERRALS.—Notwithstanding any
 10 other provision of law, the Secretary may refer tax-
 11 payers to specific qualified low-income taxpayer clin-
 12 ics receiving funding under this section.”.

13 (5) POVERTY LINE.—Section 7526(b)(1)(B)(i)
 14 is amended by striking “poverty level, as determined
 15 in accordance with criteria established by the Direc-
 16 tor of the Office of Management and Budget” and
 17 inserting “poverty line (as defined in section
 18 2110(c)(5) of the Social Security Act (42 U.S.C.
 19 1397jj(c)(5)))”.

20 (6) NOTICE OF AVAILABILITY OF CLINICS IN
 21 NOTICE OF DEFICIENCY.—Subsection (a) of section
 22 6212 is amended by inserting “, as well as notice re-
 23 garding the availability of low-income taxpayer clin-
 24 ics and information about how to contact them” be-
 25 fore the period at the end.

1 (7) NOTICE OF AVAILABILITY OF CLINICS IN
 2 NOTICE OF HEARING UPON FILING OF NOTICE OF
 3 LIEN.—Subsection (a) of section 6320 is amended
 4 by adding at the end the following new sentence:
 5 “Such notice shall include a notice to the taxpayer of the
 6 availability of low-income taxpayer clinics and information
 7 about how to contact them.”.

8 (8) NOTICE OF AVAILABILITY OF CLINICS IN
 9 NOTICE AND OPPORTUNITY OF HEARING BEFORE
 10 LEVY.—Paragraph (3) of section 6330(a) is amend-
 11 ed by adding at the end the following flush sentence:
 12 “Such notice shall include a notice to the taxpayer
 13 of the availability of low-income taxpayer clinics and
 14 information about how to contact them.”.

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

18 **SEC. 202. REGULATION OF TAX RETURN PREPARERS.**

19 (a) IN GENERAL.—Subsection (a) of section 330 of
 20 title 31, United States Code, is amended—

21 (1) by striking paragraph (1) and inserting the
 22 following:

23 “(1) regulate—

1 “(A) the practice of representatives of per-
 2 sons before the Department of the Treasury;
 3 and

4 “(B) the practice of tax return preparers;
 5 and”, and

6 (2) in paragraph (2)—

7 (A) by inserting “or tax return preparer”
 8 after “representative” each place it appears,
 9 and

10 (B) by inserting “or in preparing their tax
 11 returns, claims for refund, or documents in con-
 12 nection with tax returns or claims for refund”
 13 after “cases” in subparagraph (D).

14 (b) AUTHORITY TO SANCTION REGULATED TAX RE-
 15 TURN PREPARERS.—Subsection (b) of section 330 of title
 16 31, United States Code, is amended—

17 (1) by striking “before the Department”,

18 (2) by inserting “or tax return preparer” after
 19 “representative” each place it appears, and

20 (3) in paragraph (4), by striking “misleads or
 21 threatens” and all that follows and inserting “mis-
 22 leads or threatens—

23 “(A) any person being represented or any
 24 prospective person being represented; or

1 “(B) any person or prospective person
 2 whose tax return, claim for refund, or document
 3 in connection with a tax return or claim for re-
 4 fund, is being or may be prepared.”.

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

8 “(e) TAX RETURN PREPARER.—For purposes of this
 9 section—

10 “(1) IN GENERAL.—The term ‘tax return pre-
 11 parer’ has the meaning given such term under sec-
 12 tion 7701(a)(36) of the Internal Revenue Code of
 13 1986.

14 “(2) TAX RETURN.—The term ‘tax return’ has
 15 the meaning given to the term ‘return’ under section
 16 6696(e)(1) of the Internal Revenue Code of 1986.

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

20 **SEC. 203. PREPARER PENALTIES WITH RESPECT TO PREPA-**
 21 **RATION OF RETURNS AND OTHER SUBMIS-**
 22 **SIONS.**

23 (a) INCLUSION OF OTHER SUBMISSIONS IN PENALTY
 24 PROVISIONS.—

1 (1) UNDERSTATEMENT OF TAXPAYER’S LIABIL-
2 ITY BY TAX RETURN PREPARER.—

3 (A) IN GENERAL.—Section 6694 is amend-
4 ed by striking “return or claim of refund” each
5 place it appears and inserting “return, claim of
6 refund, or other submission to the Secretary”.

7 (B) CONFORMING AMENDMENTS.—Section
8 6694, as amended by paragraph (1), is amend-
9 ed by striking “return or claim” each place it
10 appears and inserting “return, claim, or other
11 submission to the Secretary”.

12 (2) INCREASE IN PENALTY IN CASE OF GROSS
13 MISCONDUCT.—Subsection (b) of section 6694 is
14 amended by adding at the end the following new
15 paragraph:

16 “(4) INCREASE IN PENALTY IN CASE OF GROSS
17 MISCONDUCT.—In the case of an understatement to
18 which this section applies that is attributable to the
19 tax return preparer’s making a false or fraudulent
20 return or claim for refund without the taxpayer’s
21 knowledge, subsection (a) shall be applied by sub-
22 stituting ‘100 percent of the amount of the under-
23 statement’ for ‘50 percent of the amount derived (or
24 to be derived) by the tax return preparer with re-

1 spect to the return or claim’. This penalty shall be
 2 in addition to any other penalties provided by law.”.

3 (3) OTHER ASSESSABLE PENALTIES.—

4 (A) IN GENERAL.—Section 6695 is amend-
 5 ed by striking “return or claim of refund” each
 6 place it appears and inserting “return, claim of
 7 refund, or other submission”.

8 (B) CONFORMING AMENDMENTS.—Section
 9 6695, as amended by paragraph (1), is amend-
 10 ed by striking “return or claim” each place it
 11 appears and inserting “return, claim, or other
 12 submission”.

13 (b) INCREASE IN CERTAIN OTHER ASSESSABLE PEN-
 14 ALTY AMOUNTS.—

15 (1) IN GENERAL.—Subsections (a), (b), and (c)
 16 of section 6695 are each amended by striking “\$50”
 17 and inserting “\$1,000”.

18 (2) REMOVAL OF ANNUAL LIMITATION.—Sub-
 19 sections (a), (b), and (c) of section 6695 are each
 20 amended by striking the last sentence thereof.

21 (c) REVIEW BY THE TREASURY INSPECTOR GEN-
 22 ERAL FOR TAX ADMINISTRATION.—Subparagraph (A) of
 23 section 7803(d)(2) is amended by striking “and” at the
 24 end of clause (iii), by striking the period at the end of

1 clause (iv) and inserting “, and”, and by adding at the
 2 end the following new clause:

3 “(v) a summary of the penalties as-
 4 sessed and collected during the reporting
 5 period under sections 6694 and 6695 and
 6 under the regulations promulgated under
 7 section 330 of title 31, United States
 8 Code, and a review of the procedures by
 9 which violations are identified and pen-
 10 alties are assessed under those sections.”.

11 (d) ADDITIONAL CERTIFICATION ON DOCUMENTS
 12 OTHER THAN RETURNS.—

13 (1) IDENTIFYING NUMBER REQUIRED FOR ALL
 14 SUBMISSIONS TO THE IRS BY TAX RETURN PRE-
 15 PARERS.—The first sentence of paragraph (4) of
 16 section 6109(a) is amended by striking “return or
 17 claim for refund” and inserting “return, claim for
 18 refund, statement, or other document”.

19 (2) EFFECTIVE DATE.—The amendment made
 20 by paragraph (1) shall apply to any return, claim for
 21 refund, or submission to the Secretary that is filed
 22 after the date of the enactment of this Act.

23 (e) COORDINATION WITH SECTION 6060(a).—The
 24 Secretary of the Treasury shall coordinate the require-
 25 ments under the regulations promulgated under sections

1 330 and 330A of title 31, United States Code, with the
 2 return requirements of section 6060 of the Internal Rev-
 3 enue Code of 1986.

4 (f) EFFECTIVE DATE.—The regulations required by
 5 this section shall be prescribed not later than one year
 6 after the date of the enactment of this Act.

7 **SEC. 204. CLARIFICATION OF ENROLLED AGENT CREDEN-**
 8 **TIALS.**

9 Section 330 of title 31, United States Code, is
 10 amended—

11 (1) by redesignating subsections (b), (c), and
 12 (d) as subsections (c), (d), and (e), respectively, and

13 (2) by inserting after subsection (a) the fol-
 14 lowing new subsection:

15 “(b) Any enrolled agents properly licensed to practice
 16 as required under rules promulgated under subsection (a)
 17 shall be allowed to use the credentials or designation of
 18 ‘enrolled agent’, ‘EA’, or ‘E.A.’.”.

19 **SEC. 205. LIMIT REDISCLOSURES AND USES OF CONSENT-**
 20 **BASED DISCLOSURES OF TAX RETURN INFOR-**
 21 **MATION.**

22 (a) IN GENERAL.—Subsection (c) of section 6103 is
 23 amended by striking “However, return” and inserting the
 24 following: “Persons designated by the taxpayer to receive
 25 return information shall not use the information for any

1 purpose other than the express purpose for which consent
 2 was granted and shall not disclose return information to
 3 any other person without the express permission of, or re-
 4 quest by, the taxpayer. Return”.

5 (b) EFFECTIVE DATE.—The amendment made by
 6 this section shall apply to disclosures after the date of the
 7 enactment of this Act.

8 **TITLE III—IMPROVING IRS** 9 **PROCEDURES**

10 **SEC. 301. MODIFICATIONS TO LIEN NOTICE FILING PROCE-** 11 **DURES.**

12 (a) IN GENERAL.—Section 6323 is amended by add-
 13 ing at the end the following new subsection:

14 “(k) REQUIRED PROCEDURES BEFORE FILING NO-
 15 TICE OF LIEN.—

16 “(1) SECRETARIAL DETERMINATION.—

17 “(A) IN GENERAL.—The Secretary may
 18 not file a notice of lien with respect to any tax-
 19 payer unless—

20 “(i) the lien attaches to distrainable
 21 property, and

22 “(ii) weighing all facts and cir-
 23 cumstances pertaining to the collection of
 24 a taxpayer’s delinquent tax assessment, the
 25 Secretary determines that—

1 “(I) the benefit to the Federal
 2 Government of the filing outweighs
 3 the harm to the taxpayer, and

4 “(II) the filing will not jeopardize
 5 the taxpayer’s prospective ability—

6 “(aa) to comply with the in-
 7 ternal revenue laws, and

8 “(bb) if the taxpayer is an
 9 otherwise viable business tax-
 10 payer, to continue to secure fund-
 11 ing to maintain business oper-
 12 ations.

13 “(B) FACTORS TO CONSIDER.—In making
 14 the determination under subparagraph (A)(ii),
 15 the Secretary shall consider—

16 “(i) the amount due,

17 “(ii) the lien filing fee,

18 “(iii) the value of the taxpayer’s eq-
 19 uity in the property or rights to property,

20 “(iv) the taxpayer’s tax compliance
 21 history,

22 “(v) extenuating circumstances, if
 23 any, that explain the delinquency, and

24 “(vi) the effect of the filing on the
 25 taxpayer’s ability to obtain financing, gen-

1 erate future income, and pay current and
2 future tax liabilities.

3 “(2) TAXPAYER APPEAL PRIOR TO FILING.—

4 “(A) IN GENERAL.—The Secretary may
5 not file a notice of lien with respect to any tax-
6 payer unless—

7 “(i) the Secretary notifies the tax-
8 payer that the Secretary has determined to
9 file such a notice with respect to the tax-
10 payer, and

11 “(ii) the taxpayer is afforded an op-
12 portunity to appeal such determination to
13 the Internal Revenue Service Office of Ap-
14 peals.

15 The Secretary shall provide the notice under
16 subparagraph (A) in writing and make reason-
17 able efforts to provide such notice by telephone
18 or direct personal contact.

19 “(B) JEOPARDY NOTICE OF LIEN.—The
20 Secretary may file a notice of lien without re-
21 gard to subparagraph (A)(ii) if the Secretary
22 finds that the collection of the tax would be in
23 jeopardy if the notice of lien is not filed before
24 the conclusion of such an appeal.

1 “(3) SUPERVISORY APPROVAL REQUIRED FOR
2 LIENS IN CERTAIN CASES.—

3 “(A) IN GENERAL.—In any case to which
4 this paragraph applies, a notice of lien may not
5 be filed unless the immediate supervisor (or
6 such higher level official as the Secretary may
7 designate) of the individual making the initial
8 determination under paragraph (1) has individ-
9 ually reviewed and approved such determina-
10 tion.

11 “(B) CASES TO WHICH PARAGRAPH AP-
12 PLIES.—This paragraph shall apply in any case
13 in which—

14 “(i) the collection of the liability
15 would create an economic hardship within
16 the meaning of section 6343(a)(1)(D),

17 “(ii) the taxpayer has no equity in as-
18 sets, or

19 “(iii) there has been no personal con-
20 tact with the taxpayer to discuss collection
21 alternatives, including an offer in com-
22 promise and partial payment installment
23 agreement.”.

24 (b) JEOPARDY NOTICE OF LIEN.—

1 (1) IN GENERAL.—Subparagraph (A) of section
 2 7429(a)(1) is amended by inserting after “or 6862,”
 3 the following: “no notice of lien may be filed pursu-
 4 ant to section 6323(k)(2)(B),”.

5 (2) REDETERMINATION BY SECRETARY.—Para-
 6 graph (3) of section 7429(a) is amended by striking
 7 “or” at the end of subparagraph (A), by redesign-
 8 nating subparagraph (B) as subparagraph (C), and
 9 by inserting after subparagraph (A) the following
 10 new subparagraph:

11 “(B) whether or not the filing of the notice
 12 of lien pursuant to section 6323(k)(2)(B) is
 13 reasonable under the circumstances, or”.

14 (3) REDETERMINATION BY TAX COURT.—Para-
 15 graph (3) of section 7429(b) is amended by striking
 16 “or” at the end of subparagraph (A), by redesign-
 17 nating subparagraph (B) as subparagraph (C), and
 18 by inserting after subparagraph (A) the following
 19 new subparagraph:

20 “(B) whether or not the filing of the notice
 21 of lien pursuant to section 6323(k)(2)(B) is
 22 reasonable under the circumstances, or”.

23 (4) CONFORMING AMENDMENTS.—

1 (A) The heading for section 7429 is
 2 amended by inserting “, **NOTICE OF LIEN**
 3 **FILING,**” after “**LEVY**”.

4 (B) Subparagraphs (A) and (B) of section
 5 7429(a)(1) are each amended by striking “as-
 6 sessment or levy” each place it appears and in-
 7 serting “assessment, notice of lien filing, or
 8 levy”.

9 (C) Subparagraph (B) of section
 10 7429(b)(2) is amended by striking “assessment
 11 or levy” and inserting “assessment, notice of
 12 lien filing, or levy”.

13 (D) Paragraph (4) of section 7429(b) is
 14 amended—

15 (i) by inserting “that the filing of
 16 such notice of lien is unreasonable,” after
 17 “that the making of such levy is unreason-
 18 able,” and

19 (ii) by inserting “to withdraw such
 20 notice of lien,” after “to release such
 21 levy,”.

22 (E) Paragraph (1) of section 7429(g) is
 23 amended—

24 (i) by inserting “, the filing of a no-
 25 tice of lien pursuant to section

1 6323(k)(2)(B),” after “the making of a
 2 levy described in subsection (a)(1)”, and
 3 (ii) by inserting “NOTICE OF LIEN
 4 FILING” after “REASONABLENESS OF” in
 5 the heading thereof.

6 (c) EFFECTIVE DATE.—The amendment made by
 7 this section shall take effect on the date of the enactment
 8 of this Act.

9 **SEC. 302. MODIFICATION OF REQUIREMENTS RELATING TO**
 10 **TAX LIEN INFORMATION CONTAINED IN CON-**
 11 **SUMER CREDIT REPORTS.**

12 (a) IN GENERAL.—Paragraph (3) of section 605(a)
 13 of the Fair Credit Reporting Act (15 U.S.C. 1681c(a)(3))
 14 is amended to read as follows:

15 “(3) TAX LIENS.—The following tax liens:

16 “(A) Any tax lien released pursuant to sec-
 17 tion 6325(a) of the Internal Revenue Code of
 18 1986 not more than 2 years after the date that
 19 the notice of such lien was filed.

20 “(B) Any tax lien released pursuant to sec-
 21 tion 6325(a) of such Code—

22 “(i) more than 2 years after the date
 23 that the notice of such lien was filed, and

24 “(ii) more than 2 years before the re-
 25 port.

1 “(C) Any tax lien if—

2 “(i) the notice of such lien was not
3 refiled during the required refiling period
4 (as defined in section 6323(g)(3) of such
5 Code), and

6 “(ii) such period ends more than 6
7 years before the report.

8 “(D) Any tax lien the notice of which is
9 withdrawn pursuant to section 6323(j)(1) of
10 such Code.

11 “(E) Any tax lien released pursuant to sec-
12 tion 6326(b) of such Code if the notice of such
13 lien was erroneously filed.”.

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. 303. DE NOVO TAX COURT REVIEW OF INNOCENT**
18 **SPOUSE RELIEF DETERMINATIONS.**

19 (a) IN GENERAL.—Section 6015 is amended—

20 (1) in subsection (e), by adding at the end the
21 following new paragraph:

22 “(6) STANDARD AND SCOPE OF REVIEW.—Any
23 review of a determination made under this section
24 shall be reviewed de novo by the Tax Court and shall
25 be based upon—

1 “(A) the administrative record established
2 at the time of the determination, and

3 “(B) any additional newly discovered or
4 previously unavailable evidence.”, and

5 (2) by amending subsection (f) to read as fol-
6 lows:

7 “(f) **EQUITABLE RELIEF.**—

8 “(1) **IN GENERAL.**—Under procedures pre-
9 scribed by the Secretary, if—

10 “(A) taking into account all the facts and
11 circumstances, it is inequitable to hold the indi-
12 vidual liable for any unpaid tax or any defi-
13 ciency (or any portion of either), and

14 “(B) relief is not available to such indi-
15 vidual under subsection (b) or (c),
16 the Secretary may relieve such individual of such li-
17 ability.

18 “(2) **LIMITATION.**—A request for equitable re-
19 lief under this subsection may be made with respect
20 to any portion of any liability that—

21 “(A) has not been paid, provided that such
22 request is made before the expiration of the ap-
23 plicable period of limitation under section 6502,
24 or

1 “(B) has been paid, provided that such re-
 2 quest is made during the period in which the
 3 individual could submit a timely claim for re-
 4 fund or credit of such payment.”.

5 (b) **EFFECTIVE DATE.**—The amendments made by
 6 this section shall apply to petitions or requests filed or
 7 pending on and after the date of the enactment of this
 8 Act.

9 **SEC. 304. RELEASE OF FEDERAL TAX LEVIES WHICH CAUSE**
 10 **BUSINESS HARDSHIP.**

11 (a) **IN GENERAL.**—Subparagraph (D) of section
 12 6343(a)(1) is amended by inserting “or any trade or busi-
 13 ness of the taxpayer” before “, or”.

14 (b) **CRITERIA FOR DETERMINING BUSINESS HARD-**
 15 **SHIP.**—Subsection (a) of section 6343 is amended by add-
 16 ing at the end the following new paragraph:

17 “(4) **CRITERIA FOR DETERMINING BUSINESS**
 18 **HARDSHIP.**—For purposes of making a determina-
 19 tion under paragraph (1)(D), with respect to a trade
 20 or business of the taxpayer, the Secretary shall take
 21 into consideration—

22 “(A) the economic viability of such trade
 23 or business,

24 “(B) the nature and extent of the hard-
 25 ship, including the extent to which the taxpayer

1 exercised ordinary business care and prudence,
2 and

3 “(C) any hardships which would be caused
4 to other individuals or businesses if such trade
5 or business were liquidated.”.

6 (c) EFFECTIVE DATE.—The amendments made by
7 this section shall take effect on the date of the enactment
8 of this Act.

9 **SEC. 305. REMOVAL OF NONPAYMENT PERIOD FROM LIST**
10 **OF TRIGGERING EVENTS FOR RETURNS RE-**
11 **LATING TO CANCELLATION OF INDEBTED-**
12 **NESS.**

13 (a) IN GENERAL.—Subsection (c) of section 6050P
14 is amended by adding at the end the following new para-
15 graph:

16 “(4) DETERMINING DATE OF DISCHARGE.—
17 Whether an entity has discharged the indebtedness
18 of any person shall not be determined based solely
19 on the passage of a specified period of time during
20 which the entity has not received payment on such
21 indebtedness.”.

22 (b) EFFECTIVE DATE.—The amendments made by
23 this section shall apply to discharges of indebtedness after
24 the date of the enactment of this Act.

1 **SEC. 306. SPECIAL RULES FOR LEVIES THAT ATTACH TO A**
 2 **FIXED AND DETERMINABLE RIGHT.**

3 (a) IN GENERAL.—Section 6331 is amended by re-
 4 designating subsection (l) as subsection (m) and by insert-
 5 ing after subsection (k) the following new subsection:

6 “(l) LIMITATION ON LEVY AFTER EXPIRATION OF
 7 COLLECTION PERIOD.—

8 “(1) PENALTIES AND INTEREST.—In the case
 9 of a levy that attaches to a fixed and determinable
 10 right to payments or other property, penalties, addi-
 11 tions to tax, and interest shall not accrue after the
 12 expiration of the period of limitations provided in
 13 section 6502.

14 “(2) RETIREMENT AND DISABILITY PAY-
 15 MENTS.—In the case of a levy on benefits under title
 16 II of the Social Security Act, benefits under a plan
 17 on account of a disability, or retirement benefits or
 18 amounts held in a retirement plan, such levy is not
 19 enforceable with respect to such benefits or amounts
 20 after the expiration of the period of limitations pro-
 21 vided in section 6502 unless the taxpayer has com-
 22 mitted a flagrant act (as defined in section
 23 6334(f)(2)).”.

24 (b) EFFECTIVE DATE.—The amendments made by
 25 this section shall apply to levies served after the date of
 26 the enactment of this Act.

1 **SEC. 307. RULES RELATED TO LEVIES ON QUALIFIED RE-**
 2 **TIREMENT PLANS.**

3 (a) LEVY ALLOWED ON QUALIFIED RETIREMENT
 4 PLANS IN CERTAIN CIRCUMSTANCES.—Section 6334 is
 5 amended—

6 (1) by redesignating subsections (f) and (g) as
 7 subsections (g) and (h), respectively,

8 (2) by inserting after subsection (e) the fol-
 9 lowing new subsection:

10 “(f) LEVY ALLOWED ON CERTAIN RETIREMENT
 11 PLANS.—

12 “(1) IN GENERAL.—Amounts in a qualified re-
 13 tirement plan (as defined in section 4974(c)) or
 14 amounts in a taxpayer’s account in the Thrift Sav-
 15 ings Fund (as described in section 8439(a)(2) of
 16 title 5, United States Code) shall be exempt from
 17 levy unless—

18 “(A) the amount of tax (excluding interest
 19 and penalties) owed by the taxpayer exceeds
 20 \$10,000,

21 “(B) the Secretary determines that the
 22 taxpayer has committed a flagrant act, and

23 “(C) the Secretary determines that such
 24 levy will not create an economic hardship due to
 25 the financial condition of the taxpayer (as de-
 26 scribed in section 6343(a)(1)(D)).

1 “(2) FLAGRANT ACT.—For purposes of this
2 subsection, the term ‘flagrant act’ means—

3 “(A) the filing of a fraudulent return by
4 the taxpayer, or

5 “(B) that the taxpayer acted with the in-
6 tent to evade or defeat any tax imposed by this
7 title or the collection or payment thereof.”, and
8 (3) in subsection (h), as redesignated by para-
9 graph (1)—

10 (A) by redesignating paragraph (2) as
11 paragraph (3),

12 (B) in paragraph (3), as redesignated by
13 subparagraph (A), by inserting “or (2)” after
14 “paragraph (1)”, and

15 (C) by inserting after paragraph (1) the
16 following new paragraph:

17 “(2) OTHER AMOUNTS.—In the case of any cal-
18 endar year beginning after 2015, the dollar amount
19 referred to in subsection (f)(1)(A) shall be increased
20 by an amount equal to—

21 “(A) \$10,000, multiplied by

22 “(B) the cost-of-living adjustment deter-
23 mined under section 1(f)(3) for such calendar
24 year, by substituting ‘calendar year 2014’ for

1 ‘calendar year 1992’ in subparagraph (B)
2 thereof.”.

3 (b) AUTHORITY TO RELEASE LEVY AND RETURN
4 PROPERTY.—Section 6343 is amended by adding at the
5 end the following new subsection:

6 “(f) INDIVIDUAL HELD HARMLESS FOR WRONGFUL
7 LEVY ON CERTAIN RETIREMENT PLANS.—

8 “(1) IN GENERAL.—If the Secretary determines
9 that a qualified retirement plan (as defined in sec-
10 tion 4974(c)) or a taxpayer’s account in the Thrift
11 Savings Fund (as described in section 8439(a)(2) of
12 title 5, United States Code) has been levied upon in
13 a manner described in section 7433 or subsection (b)
14 or (d) of this section, the applicable amount (as de-
15 termined under paragraph (2)) may be deposited
16 into—

17 “(A) if permissible, the plan or account
18 levied upon, or

19 “(B) an individual retirement plan (other
20 than an endowment contract) to which a roll-
21 over from the plan or account levied upon is
22 permitted.

23 “(2) APPLICABLE AMOUNT.—For purposes of
24 paragraph (1), the applicable amount is an amount
25 equal to the sum of—

1 “(A) the amount of money or damages re-
 2 turned by the Secretary on account of a levy de-
 3 scribed in paragraph (1), and

4 “(B) any interest paid pursuant to sub-
 5 section (c) on such amount.

6 “(3) TREATMENT AS ROLLOVER.—For purposes
 7 of this title, the distribution on account of the levy
 8 and any deposit under paragraph (1) with respect to
 9 such distribution shall be treated as if such distribu-
 10 tion and deposit were a rollover contribution de-
 11 scribed in section 408(d)(3)(A)(i), except that—

12 “(A) any interest paid pursuant to sub-
 13 section (c) shall be treated as a part of such
 14 distribution and not included in gross income,

15 “(B) the 60-day requirement under such
 16 section shall be deemed to have been met if the
 17 deposit is made not later than the 60th day
 18 after the day on which the taxpayer receives an
 19 amount described in paragraph (1) from the
 20 Secretary, and

21 “(C) such deposit shall not be taken into
 22 account for purposes of section 408(d)(3)(B).

23 “(4) TREATMENT OF INCOME TAX ON LEVY.—
 24 If any amount is includible in gross income for a
 25 taxable year by reason of a levy described in para-

1 graph (1) and any portion of such amount is treated
 2 as a rollover pursuant to paragraph (3), any tax im-
 3 posed by chapter 1 on such portion shall not be as-
 4 sessed, and if assessed shall be abated, and if col-
 5 lected shall be credited or refunded as an overpay-
 6 ment made on the due date for filing the return of
 7 tax for such taxable year.

8 “(5) INTEREST.—Notwithstanding subsection
 9 (d), interest shall be allowed under subsection (c) in
 10 any case in which the Secretary makes a determina-
 11 tion described under section 7433 or paragraph (2)
 12 of subsection (d) with respect to a levy upon a quali-
 13 fied retirement plan or an account in the Thrift Sav-
 14 ings Fund.”.

15 (c) EFFECTIVE DATE.—The amendments made by
 16 this section shall apply to levies served after the date of
 17 the enactment of this Act.

18 **SEC. 308. TAXPAYER RIGHTS TRAINING.**

19 (a) IN GENERAL.—

20 (1) TAXPAYER ADVOCATE.—Subparagraph (C)
 21 of section 7803(c)(2) is amended by striking “and”
 22 at the end of clause (iii), by striking the period at
 23 the end of clause (iv) and inserting “; and”, and by
 24 adding at the end the following new clause:

1 “(v) develop annual training for all
 2 Internal Revenue Service officers and em-
 3 ployees regarding taxpayer rights, the Of-
 4 fice of the Taxpayer Advocate’s case cri-
 5 teria and mission, and Taxpayer Assist-
 6 ance Order procedures.”.

7 (2) COMMISSIONER.—Paragraph (3) of section
 8 7803(c) is amended—

9 (A) by striking the period at the end and
 10 inserting “; and”, and

11 (B) by striking “shall establish procedures
 12 requiring” and inserting the following: “shall
 13 establish procedures—

14 “(A) requiring”, and

15 (C) by adding at the end the following new
 16 subparagraph:

17 “(B) for providing annually the training
 18 described in subsection (c)(2)(C)(v)”.

19 (b) EFFECTIVE DATE.—The amendments made by
 20 this section shall take effect on the date of the enactment
 21 of this Act.

22 **SEC. 309. NOTICE AND OPPORTUNITY FOR HEARING BY**
 23 **THE OFFICE OF APPEALS.**

24 (a) IN GENERAL.—Section 6212 is amended by add-
 25 ing at the end the following new subsection:

1 “(e) REQUIREMENT OF PRELIMINARY NOTICE AND
2 OPPORTUNITY FOR HEARING.—

3 “(1) RIGHT TO A HEARING.—Subject to para-
4 graph (3), any taxpayer which receives a notice of
5 deficiency under this section shall be entitled to a
6 hearing held by the Internal Revenue Service Office
7 of Appeals with respect to the proposed deficiency.

8 “(2) REQUIREMENT OF PRELIMINARY NO-
9 TICE.—Subject to paragraph (3), any notice of defi-
10 ciency sent to a taxpayer under this section shall in-
11 clude notice of their right to a hearing (as described
12 in paragraph (1)).

13 “(3) REGULATORY AUTHORITY.—The Secretary
14 shall prescribe such regulations as may be necessary
15 to carry out the purposes of this section, including
16 establishing procedures and exceptions with respect
17 to the right to a hearing established under para-
18 graph (1) and notice of such right under paragraph
19 (2).”.

20 (b) EFFECTIVE DATE.—The amendments made by
21 subsection (a) shall take effect on the date of the enact-
22 ment of the Act.

23 (c) ENSURING NATIONWIDE ACCESS TO APPEALS
24 OFFICERS AND SETTLEMENT AGENTS.—The Secretary of
25 the Treasury shall ensure that not less than 1 Appeals

1 Officer and 1 Settlement Agent from the Office of Appeals
 2 of the Internal Revenue Service are assigned to each State
 3 and made available to the residents of each such State.

4 **TITLE IV—NATIONAL TAXPAYER** 5 **ADVOCATE**

6 **SEC. 401. MODIFICATIONS RELATING TO TAXPAYER ASSIST-** 7 **ANCE ORDERS.**

8 (a) CLARIFICATION OF AUTHORITY WITH RESPECT
 9 TO CLOSING AGREEMENTS AND COMPROMISES.—Para-
 10 graph (2) of section 7811(b) is amended—

11 (1) by redesignating subparagraphs (C) and
 12 (D) as subparagraphs (D) and (E), respectively, and
 13 (2) by inserting after subparagraph (B) the fol-
 14 lowing new subparagraph:

15 “(C) chapter 74 (relating to closing agree-
 16 ments and compromises),”.

17 (b) APPEAL OF CERTAIN MODIFIED OR RESCINDED
 18 ORDERS.—Subsection (c) of section 7811 is amended by
 19 adding at the end the following new sentence:

20 “If the Deputy Commissioner of Internal Revenue modi-
 21 fies or rescinds a Taxpayer Assistance Order, the National
 22 Taxpayer Advocate may appeal the decision to the Com-
 23 missioner of Internal Revenue for a final determination.”.

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

4 **SEC. 402. TAXPAYER ADVOCATE DIRECTIVES.**

5 (a) IN GENERAL.—Subchapter A of chapter 80 is
 6 amended by adding at the end the following new section:

7 **“SEC. 7812. TAXPAYER ADVOCATE DIRECTIVES.**

8 “(a) AUTHORITY TO ISSUE.—The National Taxpayer
 9 Advocate (but not a delegate thereof) may issue a Tax-
 10 payer Advocate Directive to mandate changes to improve
 11 the operation of a functional process or to grant relief to
 12 groups of taxpayers (or all taxpayers) if, as a result of
 13 the manner in which the internal revenue laws are being
 14 administered by the Secretary, its implementation will
 15 protect the rights of taxpayers, prevent undue burden, en-
 16 sure equitable treatment, or provide an essential service
 17 to taxpayers. The terms of a Taxpayer Advocate Directive
 18 may require the Internal Revenue Service to implement
 19 it within a specified period of time.

20 “(b) AUTHORITY TO MODIFY OR RESCIND.—

21 “(1) APPEAL.—An Internal Revenue Service di-
 22 vision or other function may appeal a Taxpayer Ad-
 23 vocate Directive by delivering a written explanation
 24 that facilitates a full and fair consideration of the
 25 issues to the National Taxpayer Advocate and Dep-

1 uty Commissioner of Internal Revenue, either of
 2 whom may modify or rescind such Taxpayer Advo-
 3 cate Directive. If the Deputy Commissioner of Inter-
 4 nal Revenue modifies or rescinds a Taxpayer Advo-
 5 cate Directive, the Deputy Commissioner (or a dele-
 6 gate chosen by the Deputy Commissioner) shall pro-
 7 vide a detailed written explanation of the reasons for
 8 the modification or rescission.

9 “(2) FINAL DETERMINATION.—The National
 10 Taxpayer Advocate may appeal such decision to the
 11 Commissioner of Internal Revenue for a final deter-
 12 mination. If the Commissioner does not affirm the
 13 Taxpayer Advocate Directive in full, then the Com-
 14 missioner shall provide a written explanation of such
 15 determination, and the reasons therefor, not later
 16 than 90 days after the submission of such appeal.
 17 Such explanation shall address in detail each issue
 18 raised in the Taxpayer Advocate Directive.”.

19 (b) ANNUAL REPORT.—

20 (1) IN GENERAL.—Clause (ii) of section
 21 7803(c)(2)(B) is amended by redesignating sub-
 22 clauses (III) through (XI) as subclauses (IV)
 23 through (XII), respectively, and by inserting after
 24 subclause (II) the following new subclause:

1 “(III) contain Taxpayer Advocate
 2 Directives issued under section
 3 7812;”.

4 (2) CONFORMING AMENDMENTS.—Clause (ii) of
 5 section 7803(c)(2)(B), as amended by paragraph
 6 (1), is amended—

7 (A) by striking “subclauses (I), (II), and
 8 (III)” in subclauses (V), (VI), and (VII) thereof
 9 and inserting “subclauses (I), (II), (III), and
 10 (IV)”, and

11 (B) in subclause (VIII)—

12 (i) by inserting “or Taxpayer Advo-
 13 cate Directive” after “Taxpayer Assistance
 14 Order”, and

15 (ii) by inserting “or 7812(a)” after
 16 “section 7811(b)”.

17 (c) CLERICAL AMENDMENT.—The table of sections
 18 for subchapter A of chapter 80 is amended by inserting
 19 after the item relating to section 7811 the following new
 20 item:

“Sec. 7812. Taxpayer advocate directives.”.

21 **SEC. 403. OFFICE OF THE TAXPAYER ADVOCATE ACCESS TO**
 22 **ADMINISTRATIVE FILES.**

23 Section 7803(c) is amended by adding at the end the
 24 following new paragraph:

1 “(5) ACCESS TO TAXPAYER ADMINISTRATIVE
2 FILES.—

3 “(A) IN GENERAL.—In furtherance of the
4 functions, responsibilities, and authorities de-
5 scribed in this subsection, and in addition to
6 the authority provided under section
7 6103(h)(1), taxpayer administrative files shall,
8 upon request, be open to inspection by or dis-
9 closure to officers and employees of the Office
10 of the Taxpayer Advocate whose duties require
11 such inspection or disclosure.

12 “(B) MEETINGS WITH IRS.—In the case of
13 a taxpayer seeking the assistance of the Office
14 of the Taxpayer Advocate, any officer or em-
15 ployee of such Office may, at the request of the
16 taxpayer, attend any meeting between the In-
17 ternal Revenue Service and such taxpayer.”.

18 **SEC. 404. OFFICE OF THE TAXPAYER ADVOCATE OPER-**
19 **ATIONS DURING A LAPSE IN APPROPRIA-**
20 **TIONS.**

21 Paragraph (2) of section 7803(c) is amended by add-
22 ing at the end the following new subparagraph:

23 “(E) OPERATIONS DURING A LAPSE IN AP-
24 PROPRIATIONS.—During any lapse in appro-
25 priations for the Internal Revenue Service, the

1 Commissioner of Internal Revenue, in consulta-
2 tion with the National Taxpayer Advocate, shall
3 designate as essential employees a sufficient
4 number of employees of the Office of the Tax-
5 payer Advocate to provide assistance to tax-
6 payers relating to enforcement actions carried
7 out during the lapse in appropriations.”.

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