

Calendar No. 554

114TH CONGRESS
2D SESSION**S. 3156****[Report No. 114-298]**

To provide enhanced protections for taxpayers from fraud and other illegal activities, and for other purposes.

IN THE SENATE OF THE UNITED STATES

JULY 12, 2016

Mr. HATCH, from the Committee on Finance, reported the following original bill; which was read twice and placed on the calendar

A BILL

To provide enhanced protections for taxpayers from fraud and other illegal activities, 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

1 to, or repeal of, a section or other provision, the reference
 2 shall be considered to be made to a section or other provi-
 3 sion of the Internal Revenue Code of 1986.

4 (c) DEFINITIONS.—In this Act:

5 (1) APPLICABLE CONGRESSIONAL COMMIT-
 6 TEES.—The term “applicable Congressional commit-
 7 tees” means the Committee on Ways and Means of
 8 the House of Representatives and the Committee on
 9 Finance of the Senate.

10 (2) COMPTROLLER GENERAL.—The term
 11 “Comptroller General” means the Comptroller Gen-
 12 eral of the United States.

13 (3) SECRETARY.—The term “Secretary” means
 14 the Secretary of the Treasury or the Secretary’s del-
 15 egate.

16 (d) TABLE OF CONTENTS.—The table of contents of
 17 this Act is as follows:

Sec. 1. Short title; etc.

TITLE I—PROTECTION OF TAXPAYER RIGHTS

Subtitle A—Reform of Assessment and Collection Procedures

- Sec. 101. Report on IRS authority to compromise tax matters.
- Sec. 102. Report on opportunity for hearing by the IRS Office of Appeals.
- Sec. 103. Extending time limit for contesting IRS levy.
- Sec. 104. Individuals held harmless on improper levy on retirement plans.
- Sec. 105. Report on IRS audit criteria.

Subtitle B—Assistance to Individual Taxpayers in Filing Returns

- Sec. 111. Return preparation programs for low-income taxpayers.
- Sec. 112. Limiting redisclosures and uses of consent-based disclosures of tax
return information.
- Sec. 113. Clarification of equitable relief from joint liability.
- Sec. 114. Modification of user fee requirements for installment agreements.

- Sec. 115. Reports on Future State and similar online initiatives.
 Sec. 116. Notice from IRS regarding closure of Taxpayer Assistance Centers.
 Sec. 117. Recovery of certain improperly withheld severance payments.

Subtitle C—Whistleblower Protections

- Sec. 121. Reports concerning whistleblower awards.
 Sec. 122. Whistleblower reforms.

Subtitle D—Reform of Laws Governing Internal Revenue Service Employees

- Sec. 131. Electronic record retention.
 Sec. 132. Sense of the Senate on revision of the Hatch Act.
 Sec. 133. Prohibition on rehiring former IRS employees who were involuntarily separated for misconduct.
 Sec. 134. Authority to remove or transfer senior IRS executives who fail in their performance or engage in serious misconduct.
 Sec. 135. Limit participation of third-party contractors for sworn testimony taken pursuant to a summons from the IRS.
 Sec. 136. Notification of unauthorized inspection or disclosure of returns and return information.

Subtitle E—Exempt Organizations

- Sec. 141. Mandatory e-filing by exempt organizations.
 Sec. 142. Repeal of substantiation exception for certain charitable contributions reported by the donee organization.
 Sec. 143. Prohibit the use of IRS funds for political targeting.
 Sec. 144. Notification to exempt organizations prior to revoking exempt status for failing to file information returns.

TITLE II—PROTECTION OF TAXPAYERS FROM IDENTITY THEFT
AND TAX FRAUD

- Sec. 201. Single point of contact for identity theft victims.
 Sec. 202. Protecting taxpayers from telephone scams.
 Sec. 203. Information on identity theft and tax scams.
 Sec. 204. Report on Federal employee wage and tax withholding reporting to State tax agencies.
 Sec. 205. Notification of suspected identity theft.

1 **TITLE I—PROTECTION OF**
 2 **TAXPAYER RIGHTS**
 3 **Subtitle A—Reform of Assessment**
 4 **and Collection Procedures**
 5 **SEC. 101. REPORT ON IRS AUTHORITY TO COMPROMISE**
 6 **TAX MATTERS.**

7 Not later than 12 months after the date of the enact-
 8 ment of this Act, the Comptroller General shall submit

1 a report to the applicable Congressional committees which
2 evaluates—

3 (1) how the Internal Revenue Service exercises
4 its authority to compromise tax matters under sec-
5 tion 7122 of the Internal Revenue Code of 1986, in-
6 cluding any recommendations for such legislative
7 and administrative actions as the Comptroller Gen-
8 eral determines appropriate, and

9 (2) the role of the Office of the Chief Counsel
10 for the Internal Revenue Service in consideration of
11 offers under such section, including any rec-
12 ommendations regarding whether to amend or elimi-
13 nate the requirement under subsection (b) of such
14 section of a written opinion for cases in which the
15 unpaid amount of tax assessed exceeds \$50,000.

16 **SEC. 102. REPORT ON OPPORTUNITY FOR HEARING BY THE**
17 **IRS OFFICE OF APPEALS.**

18 Not later than 12 months after the date of the enact-
19 ment of this Act, the Comptroller General shall submit
20 a report to the applicable Congressional committees which
21 evaluates—

22 (1) the reasoning put forth by the Internal Rev-
23 enue Service for denying taxpayers an opportunity
24 for administrative review through the Internal Rev-
25 enue Service Office of Appeals,

1 (2) the process used by the Internal Revenue
2 Service for designating a case for litigation, includ-
3 ing the methodology by which the Internal Revenue
4 Service determines—

5 (A) whether designating a case for litiga-
6 tion is in the interest of sound tax administra-
7 tion, and

8 (B) whether there is a critical need for en-
9 forcement activity with respect to legal issues
10 raised in a case,

11 (3) the result of cases designated for litigation
12 over the preceding 10 years, including cases in which
13 a settlement was subsequently reached,

14 (4) taxpayer access to the Internal Revenue
15 Service Office of Appeals, including—

16 (A) a comparison between States in which
17 an Appeals Officer or a Settlement Officer has
18 a permanent presence and States in which no
19 such officer has a permanent presence, and

20 (B) the effect on taxpayers in States in
21 which an Appeals Officer or a Settlement Offi-
22 cer does not have a permanent presence, and

23 (5) any relevant factors relating to resolution of
24 cases by the Internal Revenue Service Office of Ap-
25 peals, including the average amount of time for a

1 taxpayer to initially meet with an Appeals Officer or
2 a Settlement Officer, the average amount of time re-
3 quired to resolve a case, geographic and techno-
4 logical constraints, and taxpayer satisfaction with
5 the appeals process of the Internal Revenue Service.

6 **SEC. 103. EXTENDING TIME LIMIT FOR CONTESTING IRS**
7 **LEVY.**

8 (a) EXTENSION OF TIME FOR RETURN OF PROPERTY
9 SUBJECT TO LEVY.—Subsection (b) of section 6343 is
10 amended by striking “9 months” and inserting “2 years”.

11 (b) PERIOD OF LIMITATION ON SUITS.—Subsection
12 (c) of section 6532 is amended—

13 (1) by striking “9 months” in paragraph (1)
14 and inserting “2 years”, and

15 (2) by striking “9-month” in paragraph (2) and
16 inserting “2-year”.

17 (c) EFFECTIVE DATE.—The amendments made by
18 this section shall apply to—

19 (1) levies made after the date of the enactment
20 of this Act, and

21 (2) levies made on or before such date if the 9-
22 month period has not expired under section 6343(b)
23 or 6532(c), as applicable, of the Internal Revenue
24 Code of 1986 (as in effect before the amendments
25 made by this section) as of such date.

1 **SEC. 104. INDIVIDUALS HELD HARMLESS ON IMPROPER**
 2 **LEVY ON RETIREMENT PLANS.**

3 (a) IN GENERAL.—Section 6343 is amended by add-
 4 ing at the end the following new subsection:

5 “(f) INDIVIDUALS HELD HARMLESS ON WRONGFUL
 6 LEVY, ETC. ON RETIREMENT PLAN.—

7 “(1) IN GENERAL.—If the Secretary determines
 8 that an individual’s account or benefit under an eli-
 9 gible retirement plan (as defined in section
 10 402(c)(8)(B)) has been levied upon in a case to
 11 which subsection (b) or (d)(2)(A) applies and prop-
 12 erty or an amount of money is returned to the indi-
 13 vidual—

14 “(A) the individual may contribute such
 15 property or an amount equal to the sum of—

16 “(i) the amount of money so returned
 17 by the Secretary, and

18 “(ii) interest paid under subsection (c)
 19 on such amount of money,

20 into such eligible retirement plan if such con-
 21 tribution is permitted by the plan, or into an in-
 22 dividual retirement plan (other than an endow-
 23 ment contract) to which a rollover contribution
 24 of a distribution from such eligible retirement
 25 plan is permitted, but only if such contribution
 26 is made not later than the due date (not includ-

1 ing extensions) for filing the return of tax for
2 the taxable year in which such property or
3 amount of money is returned, and

4 “(B) the Secretary shall, at the time such
5 property or amount of money is returned, notify
6 such individual that a contribution described in
7 subparagraph (A) may be made.

8 “(2) TREATMENT AS ROLLOVER.—The distribu-
9 tion on account of the levy and any contribution
10 under paragraph (1) with respect to the return of
11 such distribution shall be treated for purposes of
12 this title as if such distribution and contribution
13 were described in section 402(c), 402A(c)(3),
14 403(a)(4), 403(b)(8), 408(d)(3), 408A(d)(3), or
15 457(e)(16), whichever is applicable; except that—

16 “(A) the contribution shall be treated as
17 having been made for the taxable year in which
18 the distribution on account of the levy occurred,
19 and the interest paid under subsection (c) shall
20 be treated as earnings within the plan after the
21 contribution and shall not be included in gross
22 income, and

23 “(B) such contribution shall not be taken
24 into account under section 408(d)(3)(B).

1 “(3) REFUND, ETC., OF INCOME TAX ON
2 LEVY.—

3 “(A) IN GENERAL.—If any amount is in-
4 cludible in gross income for a taxable year by
5 reason of a distribution on account of a levy re-
6 ferred to in paragraph (1) and any portion of
7 such amount is treated as a rollover contribu-
8 tion under paragraph (2), any tax imposed by
9 chapter 1 on such portion shall not be assessed,
10 and if assessed shall be abated, and if collected
11 shall be credited or refunded as an overpayment
12 made on the due date for filing the return of
13 tax for such taxable year.

14 “(B) EXCEPTION.—Subparagraph (A)
15 shall not apply to a rollover contribution under
16 this subsection which is made from an eligible
17 retirement plan which is not a Roth IRA or a
18 designated Roth account (within the meaning of
19 section 402A) to a Roth IRA or a designated
20 Roth account under an eligible retirement plan.

21 “(4) INTEREST.—Notwithstanding subsection
22 (d), interest shall be allowed under subsection (c) in
23 a case in which the Secretary makes a determination
24 described in subsection (d)(2)(A) with respect to a
25 levy upon an individual retirement plan.

1 “(5) TREATMENT OF INHERITED ACCOUNTS.—
2 For purposes of paragraph (1)(A), section
3 408(d)(3)(C) shall be disregarded in determining
4 whether an individual retirement plan is a plan to
5 which a rollover contribution of a distribution from
6 the plan levied upon is permitted.”.

7 (b) EFFECTIVE DATE.—The amendment made by
8 this section shall apply to amounts paid under subsections
9 (b), (c), and (d)(2)(A) of section 6343 of the Internal Rev-
10 enue Code of 1986 after December 31, 2016.

11 **SEC. 105. REPORT ON IRS AUDIT CRITERIA.**

12 Not later than 2 years after the date of the enact-
13 ment of this Act, the Treasury Inspector General for Tax
14 Administration shall submit a report to the applicable
15 Congressional committees which contains the results of an
16 audit of the criteria employed by the Internal Revenue
17 Service for selecting tax returns for audit, assessment,
18 criminal investigation, or any heightened scrutiny or re-
19 view, including whether such criteria has been used to tar-
20 get taxpayers on the basis of political ideology, race, reli-
21 gion, or any other impermissible factor.

1 **Subtitle B—Assistance to Indi-**
2 **vidual Taxpayers in Filing Re-**
3 **turns**

4 **SEC. 111. RETURN PREPARATION PROGRAMS FOR LOW-IN-**
5 **COME TAXPAYERS.**

6 (a) IN GENERAL.—Chapter 77 is amended by insert-
7 ing after section 7526 the following new section:

8 **“SEC. 7526A. RETURN PREPARATION PROGRAMS FOR LOW-**
9 **INCOME TAXPAYERS.**

10 “(a) VOLUNTEER INCOME TAX ASSISTANCE MATCH-
11 ING GRANT PROGRAM.—

12 “(1) ESTABLISHMENT OF PROGRAM.—The Sec-
13 retary, through the Internal Revenue Service, shall
14 establish a Community Volunteer Income Tax As-
15 sistance Matching Grant Program (hereinafter in
16 this section referred to as the ‘VITA grant pro-
17 gram’). Except as otherwise provided in this section,
18 the VITA grant program shall be administered in a
19 manner which is substantially similar to the Commu-
20 nity Volunteer Income Tax Assistance matching
21 grants demonstration program established under
22 title I of division D of the Consolidated Appropria-
23 tions Act, 2008.

24 “(2) MATCHING GRANTS.—

1 “(A) IN GENERAL.—The Secretary may,
2 subject to the availability of appropriated funds,
3 make available grants under the VITA grant
4 program to provide matching funds for the de-
5 velopment, expansion, or continuation of quali-
6 fied return preparation programs assisting low-
7 income taxpayers and members of underserved
8 populations.

9 “(B) APPLICATION.—In order to be eligi-
10 ble for a grant under this section, a qualified
11 return preparation program shall submit an ap-
12 plication to the Secretary at such time, in such
13 manner, and containing such information as the
14 Secretary may reasonably require.

15 “(C) PRIORITY.—In awarding grants
16 under this section, the Secretary shall give pri-
17 ority to applications—

18 “(i) demonstrating assistance to low-
19 income taxpayers, with emphasis on out-
20 reach to and services for such taxpayers,

21 “(ii) demonstrating taxpayer outreach
22 and educational activities relating to eligi-
23 bility and availability of income supports
24 available through the Internal Revenue

1 Code of 1986, such as the earned income
2 tax credit, and

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

6 “(D) DURATION OF GRANTS.—Upon appli-
7 cation of a qualified return preparation pro-
8 gram, the Secretary is authorized to award a
9 multi-year grant not to exceed 3 years.

10 “(3) AGGREGATE LIMITATION.—Unless other-
11 wise provided by specific appropriation, the Sec-
12 retary shall not allocate more than \$30,000,000 per
13 fiscal year (exclusive of costs of administering the
14 program) to carry out the purposes of this section.

15 “(b) USE OF FUNDS.—

16 “(1) IN GENERAL.—Qualified return prepara-
17 tion programs receiving a grant under this section
18 may use the grant for—

19 “(A) ordinary and necessary costs associ-
20 ated with program operation in accordance with
21 Cost Principles Circulars as set forth by the Of-
22 fice of Management and Budget, including—

23 “(i) for wages or salaries of persons
24 coordinating the activities of the program,

1 “(ii) to develop training materials,
2 conduct training, and perform quality re-
3 views of the returns for which assistance
4 has been provided under the program, and

5 “(iii) for equipment purchases and ve-
6 hicle-related expenses associated with re-
7 mote or rural tax preparation services,

8 “(B) outreach and educational activities
9 described in subsection (a)(2)(C)(ii), and

10 “(C) services related to financial education
11 and capability, asset development, and the es-
12 tablishment of savings accounts in connection
13 with tax return preparation.

14 “(2) USE OF GRANTS FOR OVERHEAD EX-
15 PENSES PROHIBITED.—No grant made under this
16 section may be used for overhead expenses that are
17 not directly related to any qualified return prepara-
18 tion program.

19 “(c) PROMOTION AND REFERRAL.—

20 “(1) PROMOTION.—The Secretary shall pro-
21 mote the benefits of, and encourage the use of, tax
22 preparation through qualified return preparation
23 programs through the use of mass communications,
24 referrals, and other means.

1 “(2) INTERNAL REVENUE SERVICE REFER-
2 RALS.—The Secretary may refer taxpayers to quali-
3 fied return preparation programs receiving funding
4 under this section.

5 “(3) VITA GRANTEE REFERRAL.—Qualified re-
6 turn preparation programs receiving a grant under
7 this section are encouraged to refer, as appropriate,
8 to local or regional Low Income Taxpayer Clinics in-
9 dividuals who are eligible to receive services at such
10 clinics.

11 “(d) DEFINITIONS.—For purposes of this section—

12 “(1) QUALIFIED RETURN PREPARATION PRO-
13 GRAM.—The term ‘qualified return preparation pro-
14 gram’ means any program—

15 “(A) which provides assistance to individ-
16 uals, not less than 90 percent of whom are low-
17 income taxpayers, in preparing and filing Fed-
18 eral income tax returns,

19 “(B) which is administered by a qualified
20 entity,

21 “(C) in which all of the volunteers who as-
22 sist in the preparation of Federal income tax
23 returns meet the training requirements pre-
24 scribed by the Secretary, and

1 “(D) which uses a quality review process
2 which reviews 100 percent of all returns.

3 “(2) QUALIFIED ENTITY.—

4 “(A) IN GENERAL.—The term ‘qualified
5 entity’ means any entity which—

6 “(i) is an eligible organization (as de-
7 scribed in subparagraph (B)),

8 “(ii) is in compliance with Federal tax
9 filing and payment requirements,

10 “(iii) is not debarred or suspended
11 from Federal contracts, grants, or coopera-
12 tive agreements, and

13 “(iv) agrees to provide documentation
14 to substantiate any matching funds pro-
15 vided under the VITA grant program.

16 “(B) ELIGIBLE ORGANIZATION.—

17 “(i) IN GENERAL.—Subject to clause
18 (ii), the term ‘eligible organization’
19 means—

20 “(I) an institution of higher edu-
21 cation which is described in section
22 102 (other than subsection (a)(1)(C)
23 thereof) of the Higher Education Act
24 of 1965 (20 U.S.C. 1088), as in effect
25 on the date of the enactment of this

1 section, and which has not been dis-
2 qualified from participating in a pro-
3 gram under title IV of such Act,

4 “(II) an organization described
5 in section 501(c) of the Internal Rev-
6 enue Code of 1986 and exempt from
7 tax under section 501(a) of such
8 Code,

9 “(III) a local government agency,
10 including—

11 “(aa) a county or municipal
12 government agency, and

13 “(bb) an Indian tribe, as de-
14 fined in section 4(13) of the Na-
15 tive American Housing Assist-
16 ance and Self-Determination Act
17 of 1996 (25 U.S.C. 4103(13)),
18 including any tribally designated
19 housing entity (as defined in sec-
20 tion 4(22) of such Act (25
21 U.S.C. 4103(22))), tribal sub-
22 subsidiary, subdivision, or other
23 wholly owned tribal entity, or

24 “(IV) a local, State, regional, or
25 national coalition (with one lead orga-

1 nization which meets the eligibility re-
2 quirements of subclause (I), (II), or
3 (III) acting as the applicant organiza-
4 tion).

5 “(ii) ALTERNATIVE ELIGIBLE ORGANI-
6 ZATION.—If no eligible organization de-
7 scribed in clause (i) is available to assist
8 the targeted population or community, the
9 term ‘eligible organization’ shall include—

10 “(I) a State government agency,
11 and

12 “(II) a Cooperative Extension
13 Service office.

14 “(3) LOW-INCOME TAXPAYERS.—The term ‘low-
15 income taxpayer’ means a taxpayer who has income
16 for the taxable year which does not exceed an
17 amount equal to the completed phaseout amount
18 under section 32(b) for a married couple filing a
19 joint return with 3 or more qualifying children, as
20 determined in a revenue procedure or other pub-
21 lished guidance.

22 “(4) UNDERSERVED POPULATION.—The term
23 ‘underserved population’ includes populations of per-
24 sons with disabilities, persons with limited English
25 proficiency, Native Americans, individuals living in

1 rural areas, members of the Armed Forces and their
 2 spouses, and the elderly.”.

3 (b) CLERICAL AMENDMENT.—The table of sections
 4 for chapter 77 is amended by inserting after the item re-
 5 lating to section 7526 the following new item:

“7526A. Return preparation programs for low-income taxpayers.”.

6 **SEC. 112. LIMITING REDISCLOSURES AND USES OF CON-**
 7 **SENT-BASED DISCLOSURES OF TAX RETURN**
 8 **INFORMATION.**

9 (a) IN GENERAL.—Subsection (c) of section 6103 is
 10 amended by inserting at the end the following: “Persons
 11 who receive return information under this subsection shall
 12 not use the information for any purpose other than the
 13 express purpose for which consent was granted and shall
 14 not disclose return information to any other person with-
 15 out the express permission of, or request by, the tax-
 16 payer.”.

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

20 **SEC. 113. CLARIFICATION OF EQUITABLE RELIEF FROM**
 21 **JOINT LIABILITY.**

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

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

1 “(7) STANDARD AND SCOPE OF REVIEW.—Any
2 review of a determination made under this section
3 shall be reviewed de novo by the Tax Court and shall
4 be based upon—

5 “(A) the administrative record established
6 at the time of the determination, and

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

9 (2) by amending subsection (f) to read as fol-
10 lows:

11 “(f) EQUITABLE RELIEF.—

12 “(1) IN GENERAL.—Under procedures pre-
13 scribed by the Secretary, if—

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

18 “(B) relief is not available to such indi-
19 vidual under subsection (b) or (c),

20 the Secretary may relieve such individual of such li-
21 ability.

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

1 “(A) has not been paid, provided that such
 2 request is made before the expiration of the ap-
 3 plicable period of limitation under section 6502,
 4 or

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

9 (b) **EFFECTIVE DATE.**—The amendments made by
 10 this section shall apply to petitions or requests filed or
 11 pending on or after the date of the enactment of this Act.

12 **SEC. 114. MODIFICATION OF USER FEE REQUIREMENTS**

13 **FOR INSTALLMENT AGREEMENTS.**

14 (a) **IN GENERAL.**—Section 6159 is amended by re-
 15 designating subsection (f) as subsection (g) and by insert-
 16 ing after subsection (e) the following new subsection:

17 “(f) **INSTALLMENT AGREEMENT FEES.**—

18 “(1) **LIMITATION ON FEE AMOUNT.**—The
 19 amount of any fee imposed on an installment agree-
 20 ment under this section may not exceed the amount
 21 of such fee as in effect on the date of the enactment
 22 of this subsection.

23 “(2) **WAIVER OR REIMBURSEMENT.**—In the
 24 case of any taxpayer with an adjusted gross income,
 25 as determined for the most recent year for which

1 such information is available, that does not exceed
2 250 percent of the applicable poverty level (as deter-
3 mined by the Secretary)—

4 “(A) if the taxpayer has agreed to make
5 payments under the installment agreement by
6 electronic payment through a debit instrument,
7 no fee shall be imposed on an installment agree-
8 ment under this section, and

9 “(B) if the taxpayer is unable to make
10 payments under the installment agreement by
11 electronic payment through a debit instrument,
12 the Secretary shall, upon completion of the in-
13 stallment agreement, pay the taxpayer an
14 amount equal to any such fees imposed.”.

15 (b) EFFECTIVE DATE.—The amendments made by
16 this section shall apply to agreements entered into on or
17 after the date which is 60 days after the date of the enact-
18 ment of this Act.

19 **SEC. 115. REPORTS ON FUTURE STATE AND SIMILAR ON-**
20 **LINE INITIATIVES.**

21 (a) INTERNAL REVENUE SERVICE.—Not later than
22 12 months after the date of the enactment of this Act,
23 and annually thereafter, the Secretary shall submit a re-
24 port to the applicable Congressional committees which
25 provides information on the status of the efforts by the

1 Internal Revenue Service to expand online taxpayer serv-
2 ices, including a detailed assessment of any service which
3 is proposed to be shifted to a self-service option.

4 (b) COMPTROLLER GENERAL.—Not later than 12
5 months after the date of the enactment of this Act, the
6 Comptroller General shall submit a report to the applica-
7 ble Congressional committees which—

8 (1) evaluates the level of phone and in-person
9 services provided by the Internal Revenue Service to
10 taxpayers residing in any rural city, town, or unin-
11 corporated area which has a population of not more
12 than 50,000 inhabitants, and

13 (2) provides recommendations on measures the
14 Internal Revenue Service could include in the devel-
15 opment of its expanded online taxpayer services to
16 protect the interests of taxpayers described in para-
17 graph (1).

18 **SEC. 116. NOTICE FROM IRS REGARDING CLOSURE OF TAX-**

19 **PAYER ASSISTANCE CENTERS.**

20 (a) IN GENERAL.—Not later than 90 days before the
21 date that a proposed closure of a Taxpayer Assistance
22 Center would take effect, the Secretary shall submit a re-
23 port to the applicable Congressional committees which
24 provides the reasons for the proposed closure and a de-
25 scription of the taxpayer assistance services which will be

1 provided by the Internal Revenue Service after the pro-
2 posed closure takes effect to taxpayers in any rural city,
3 town, or unincorporated area which has a population of
4 not more than 50,000 inhabitants and would be affected
5 by the proposed closure.

6 (b) TREATMENT UNDER CONGRESSIONAL REVIEW
7 ACT.—For purposes of applying chapter 8 of title 5,
8 United States Code, any closure of a Taxpayer Assistance
9 Center described in subsection (a) shall be treated as a
10 major rule.

11 **SEC. 117. RECOVERY OF CERTAIN IMPROPERLY WITHHELD**
12 **SEVERANCE PAYMENTS.**

13 (a) RESTORATION OF AMOUNTS IMPROPERLY WITH-
14 HELD FOR TAX PURPOSES FROM SEVERANCE PAYMENTS
15 TO VETERANS WITH COMBAT-RELATED INJURIES.—

16 (1) IN GENERAL.—Not later than one year
17 after the date of the enactment of this Act, the Sec-
18 retary of Defense shall—

19 (A) identify—

20 (i) the severance payments computed
21 under section 1212 of title 10, United
22 States Code, and paid by the Secretary of
23 Defense after January 17, 1991—

24 (I) which were excluded from
25 gross income pursuant to section

1 104(a)(4) of the Internal Revenue
2 Code of 1986, and

3 (II) from which the Secretary of
4 Defense withheld amounts for Federal
5 income tax purposes, and

6 (ii) the individuals to whom such sev-
7 erance payments were made, and

8 (B) with respect to each person identified
9 under subparagraph (A)(ii), provide—

10 (i) notice of—

11 (I) the amount of severance pay-
12 ments described in subparagraph
13 (A)(i), and

14 (II) such other information deter-
15 mined to be necessary by the Sec-
16 retary to carry out the purposes of
17 this section, and

18 (ii) instructions for filing amended tax
19 returns to recover improperly withheld
20 amounts.

21 (2) EXTENSION OF LIMITATION ON TIME FOR
22 CREDIT OR REFUND.—

23 (A) PERIOD FOR FILING CLAIM.—If a
24 claim for credit or refund under section 6511(a)
25 of the Internal Revenue Code of 1986 relates to

1 a specified overpayment, the 3-year period of
2 limitation prescribed by such subsection shall
3 not expire before the date which is 1 year after
4 the date the notice described in paragraph
5 (1)(B) is provided. The allowable amount of
6 credit or refund of a specified overpayment
7 shall be determined without regard to section
8 6511(b)(2).

9 (B) SPECIFIED OVERPAYMENT.—For pur-
10 poses of subparagraph (A), the term “specified
11 overpayment” means an overpayment, but only
12 to the extent attributable to amounts withheld
13 as described in paragraph (1)(A)(i).

14 (b) REQUIREMENT THAT SECRETARY OF DEFENSE
15 ENSURE AMOUNTS ARE NOT WITHHELD FOR TAX PUR-
16 POSES FROM SEVERANCE PAYMENTS NOT CONSIDERED
17 GROSS INCOME.—The Secretary of Defense shall take
18 such actions as may be necessary to ensure that amounts
19 are not withheld for tax purposes from severance pay-
20 ments made by the Secretary of Defense to individuals
21 when such payments are not considered gross income pur-
22 suant to section 104(a)(4) of the Internal Revenue Code
23 of 1986.

24 (c) REPORT TO CONGRESS.—

1 (1) IN GENERAL.—After completing the identi-
2 fication required by subsection (a)(1) and not later
3 than 15 months after the date of the enactment of
4 this Act, the Secretary of Defense shall submit to
5 the appropriate committees of Congress a report on
6 the actions taken by the Secretary of Defense to
7 carry out this section.

8 (2) CONTENTS.—The report submitted under
9 paragraph (1) shall include the following:

10 (A) The number of individuals identified
11 under subsection (a)(1)(A)(ii).

12 (B) The aggregate amounts that the Sec-
13 retary of Defense withheld which are described
14 in subsection (a)(1)(A)(i)(II).

15 (C) A description of the actions the Sec-
16 retary of Defense plans to take to carry out
17 subsection (b).

18 (3) APPROPRIATE COMMITTEES OF CONGRESS
19 DEFINED.—In this section, the term “appropriate
20 committees of Congress” means—

21 (A) the Committee on Armed Services, the
22 Committee on Veterans’ Affairs, and the Com-
23 mittee on Finance of the Senate, and

24 (B) the Committee on Armed Services, the
25 Committee on Veterans’ Affairs, and the Com-

1 mittee on Ways and Means of the House of
2 Representatives.

3 **Subtitle C—Whistleblower**
4 **Protections**

5 **SEC. 121. REPORTS CONCERNING WHISTLEBLOWER**
6 **AWARDS.**

7 (a) COMPTROLLER GENERAL.—Not later than 12
8 months after the date of the enactment of this Act, the
9 Comptroller General shall submit a report to the applica-
10 ble Congressional committees regarding whether, and to
11 what extent, the Secretary has paid any whistleblower
12 awards for information relating to—

13 (1) violations under the Internal Revenue Code
14 of 1986, or

15 (2) violations of requirements mandated by sub-
16 chapter II of chapter 53 of title 31, United States
17 Code (commonly known as the “Bank Secrecy Act”)
18 relating to the Report of Foreign Bank and Finan-
19 cial Accounts.

20 (b) TIGTA.—Not later than 12 months after the
21 date of the enactment of this Act, the Treasury Inspector
22 General for Tax Administration shall submit a report to
23 the applicable Congressional committees which evaluates
24 whether, and to what extent, the Secretary has asserted
25 penalties for violations of requirements described in sub-

1 section (a)(2) in lieu of applicable penalties under the In-
2 ternal Revenue Code of 1986.

3 **SEC. 122. WHISTLEBLOWER REFORMS.**

4 (a) MODIFICATIONS TO DISCLOSURE RULES FOR
5 WHISTLEBLOWERS.—

6 (1) IN GENERAL.—Section 6103(k) is amended
7 by adding at the end the following new paragraph:

8 “(13) DISCLOSURE TO WHISTLEBLOWERS.—

9 “(A) IN GENERAL.—The Secretary may
10 disclose, to any individual providing information
11 relating to any purpose described in paragraph
12 (1) or (2) of section 7623(a), return informa-
13 tion related to the investigation of any taxpayer
14 with respect to whom the individual has pro-
15 vided such information, but only to the extent
16 that such disclosure is necessary in obtaining
17 information, which is not otherwise reasonably
18 available, with respect to the correct determina-
19 tion of tax liability for tax, or the amount to be
20 collected with respect to the enforcement of any
21 other provision of this title.

22 “(B) UPDATES ON WHISTLEBLOWER IN-
23 VESTIGATIONS.—The Secretary shall disclose to
24 an individual providing information relating to

1 any purpose described in paragraph (1) or (2)
2 of section 7623(a) the following:

3 “(i) Not later than 30 days after a
4 case for which the individual has provided
5 information has been referred for an audit
6 or examination, a notice with respect to
7 such referral.

8 “(ii) Not later than 30 days after a
9 taxpayer with respect to whom the indi-
10 vidual has provided information has made
11 a payment of tax with respect to tax liabil-
12 ity to which such information relates, a no-
13 tice with respect to such payment.

14 “(iii) Subject to such requirements
15 and conditions as are prescribed by the
16 Secretary, upon a written request by such
17 individual—

18 “(I) information on the status
19 and stage of any investigation or ac-
20 tion related to such information, and

21 “(II) in the case of a determina-
22 tion of the amount of any award
23 under section 7623(b), the reasons for
24 such determination.

1 Clause (iii) shall not apply to any information
2 if the Secretary determines that disclosure of
3 such information would seriously impair Fed-
4 eral tax administration. Information described
5 in clauses (i), (ii), and (iii) may be disclosed to
6 a designee of the individual providing such in-
7 formation in accordance with guidance provided
8 by the Secretary.”.

9 (2) CONFORMING AMENDMENTS.—

10 (A) CONFIDENTIALITY OF INFORMA-
11 TION.—Section 6103(a)(3) is amended by strik-
12 ing “subsection (k)(10)” and inserting “para-
13 graph (10) or (13) of subsection (k)”.

14 (B) PENALTY FOR UNAUTHORIZED DIS-
15 CLOSURE.—Section 7213(a)(2) is amended by
16 striking “(k)(10)” and inserting “(k)(10) or
17 (13)”.

18 (C) COORDINATION WITH AUTHORITY TO
19 DISCLOSE FOR INVESTIGATIVE PURPOSES.—
20 Section 6103(k)(6) is amended by adding at the
21 end the following new sentence: “This para-
22 graph shall not apply to any disclosure to an in-
23 dividual providing information relating to any
24 purpose described in paragraph (1) or (2) of

1 section 7623(a) which is made under paragraph
2 (13)(A).”.

3 (b) PROTECTION AGAINST RETALIATION.—Section
4 7623 is amended by adding at the end the following new
5 subsection:

6 “(c) CIVIL ACTION TO PROTECT AGAINST RETALIA-
7 TION CASES.—

8 “(1) ANTI-RETALIATION WHISTLEBLOWER PRO-
9 TECTION FOR EMPLOYEES.—No employer or any of-
10 ficer, employee, contractor, subcontractor, or agent
11 of such employer may discharge, demote, suspend,
12 threaten, harass, or in any other manner discrimi-
13 nate against an employee in the terms and condi-
14 tions of employment (including through an act in the
15 ordinary course of such employee’s duties) in re-
16 prisal for any lawful act done by the employee—

17 “(A) to provide information, cause infor-
18 mation to be provided, or otherwise assist in an
19 investigation regarding underpayment of tax or
20 any conduct which the employee reasonably be-
21 lieves constitutes a violation of the internal rev-
22 enue laws or any provision of Federal law relat-
23 ing to tax fraud, when the information or as-
24 sistance is provided to the Internal Revenue
25 Service, the Secretary of Treasury, the Treas-

1 ury Inspector General for Tax Administration,
2 the Comptroller General of the United States,
3 the Department of Justice, the United States
4 Congress, a person with supervisory authority
5 over the employee, or any other person working
6 for the employer who has the authority to inves-
7 tigate, discover, or terminate misconduct, or

8 “(B) to testify, participate in, or otherwise
9 assist in any administrative or judicial action
10 taken by the Internal Revenue Service relating
11 to an alleged underpayment of tax or any viola-
12 tion of the internal revenue laws or any provi-
13 sion of Federal law relating to tax fraud.

14 “(2) ENFORCEMENT ACTION.—

15 “(A) IN GENERAL.—A person who alleges
16 discharge or other reprisal by any person in vio-
17 lation of paragraph (1) may seek relief under
18 paragraph (3) by—

19 “(i) filing a complaint with the Sec-
20 retary of Labor, or

21 “(ii) if the Secretary of Labor has not
22 issued a final decision within 180 days of
23 the filing of the complaint and there is no
24 showing that such delay is due to the bad
25 faith of the claimant, bringing an action at

1 law or equity for de novo review in the ap-
2 propriate district court of the United
3 States, which shall have jurisdiction over
4 such an action without regard to the
5 amount in controversy.

6 “(B) PROCEDURE.—

7 “(i) IN GENERAL.—An action under
8 subparagraph (A)(ii) shall be governed
9 under the rules and procedures set forth in
10 section 42121(b) of title 49, United States
11 Code.

12 “(ii) EXCEPTION.—Notification made
13 under section 42121(b)(1) of title 49,
14 United States Code, shall be made to the
15 person named in the complaint and to the
16 employer.

17 “(iii) BURDENS OF PROOF.—An ac-
18 tion brought under subparagraph (A)(ii)
19 shall be governed by the legal burdens of
20 proof set forth in section 42121(b) of title
21 49, United States Code, except that in ap-
22 plying such section—

23 “(I) ‘behavior described in para-
24 graph (1)’ shall be substituted for ‘be-
25 havior described in paragraphs (1)

1 through (4) of subsection (a)' each
2 place it appears in paragraph (2)(B)
3 thereof, and

4 “(II) ‘a violation of paragraph
5 (1)’ shall be substituted for ‘a viola-
6 tion of subsection (a)’ each place it
7 appears.

8 “(iv) STATUTE OF LIMITATIONS.—A
9 complaint under subparagraph (A)(i) shall
10 be filed not later than 180 days after the
11 date on which the violation occurs.

12 “(v) JURY TRIAL.—A party to an ac-
13 tion brought under subparagraph (A)(ii)
14 shall be entitled to trial by jury.

15 “(3) REMEDIES.—

16 “(A) IN GENERAL.—An employee pre-
17 vailing in any action under paragraph (2)(A)
18 shall be entitled to all relief necessary to make
19 the employee whole.

20 “(B) COMPENSATORY DAMAGES.—Relief
21 for any action under subparagraph (A) shall in-
22 clude—

23 “(i) reinstatement with the same se-
24 niority status that the employee would
25 have had, but for the reprisal,

1 “(ii) the sum of 200 percent of the
2 amount of back pay and 100 percent of all
3 lost benefits, with interest, and

4 “(iii) compensation for any special
5 damages sustained as a result of the re-
6 prisal, including litigation costs, expert wit-
7 ness fees, and reasonable attorney fees.

8 “(4) RIGHTS RETAINED BY EMPLOYEE.—Noth-
9 ing in this section shall be deemed to diminish the
10 rights, privileges, or remedies of any employee under
11 any Federal or State law, or under any collective
12 bargaining agreement.

13 “(5) NONENFORCEABILITY OF CERTAIN PROVI-
14 SIONS WAIVING RIGHTS AND REMEDIES OR REQUIR-
15 ING ARBITRATION OF DISPUTES.—

16 “(A) WAIVER OF RIGHTS AND REM-
17 EDIES.—The rights and remedies provided for
18 in this subsection may not be waived by any
19 agreement, policy form, or condition of employ-
20 ment, including by a predispute arbitration
21 agreement.

22 “(B) PREDISPUTE ARBITRATION AGREE-
23 MENTS.—No predispute arbitration agreement
24 shall be valid or enforceable, if the agreement

1 requires arbitration of a dispute arising under
2 this subsection.”.

3 (c) EFFECTIVE DATE.—

4 (1) IN GENERAL.—The amendments made by
5 subsection (a) shall apply to disclosures made after
6 the date of the enactment of this Act.

7 (2) CIVIL PROTECTION.—The amendment made
8 by subsection (b) shall take effect on the date of the
9 enactment of this Act.

10 **Subtitle D—Reform of Laws Gov-**
11 **erning Internal Revenue Serv-**
12 **ice Employees**

13 **SEC. 131. ELECTRONIC RECORD RETENTION.**

14 (a) RETENTION OF RECORDS.—

15 (1) IN GENERAL.—Email records of the Inter-
16 nal Revenue Service shall be retained in an appro-
17 priate electronic system that supports records man-
18 agement and litigation requirements, including the
19 capability to identify, retrieve, and retain the
20 records, in accordance with the requirements de-
21 scribed in paragraph (2).

22 (2) REQUIREMENTS.—

23 (A) PRIOR TO CERTIFICATION.—The Com-
24 missioner of Internal Revenue and the Chief
25 Counsel for the Internal Revenue Service shall

1 retain all email records generated on or after
2 the date of the enactment of this Act and be-
3 fore the date on which the Treasury Inspector
4 General for Tax Administration makes the cer-
5 tification under subsection (c)(1).

6 (B) PRINCIPAL OFFICERS AND SPECIFIED
7 EMPLOYEES.—Not later than December 31,
8 2016, the Commissioner of Internal Revenue
9 and the Chief Counsel for the Internal Revenue
10 Service shall maintain email records of all prin-
11 cipal officers and specified employees of the In-
12 ternal Revenue Service for a period of 15 years
13 beginning on the date such record was gen-
14 erated.

15 (b) TRANSMISSION OF RECORDS TO THE NATIONAL
16 ARCHIVES.—Not later than the last day of the 15-year
17 period described in subsection (a)(2)(B), the Commis-
18 sioner of Internal Revenue and the Chief Counsel for the
19 Internal Revenue Service shall transfer the email records
20 of principal officers and specified employees of the Inter-
21 nal Revenue Service to the Archivist of the United States.

22 (c) COMPLIANCE.—

23 (1) CERTIFICATION.—On the date that the
24 Treasury Inspector General for Tax Administration
25 determines that the Internal Revenue Service has a

1 program in place that complies with the require-
2 ments of subsections (a)(2)(B) and (b), the Treas-
3 ury Inspector General for Tax Administration shall
4 certify to the applicable Congressional committees
5 that the Internal Revenue Service is in compliance
6 with such requirements.

7 (2) REPORTS.—

8 (A) INTERIM REPORT.—Not later than
9 September 30, 2016, the Treasury Inspector
10 General for Tax Administration shall submit a
11 report to the applicable Congressional commit-
12 tees on the steps being taken by the Commis-
13 sioner of Internal Revenue and the Chief Coun-
14 sel for the Internal Revenue Service to comply
15 with the requirements of subsections (a)(2)(B)
16 and (b).

17 (B) FINAL REPORT.—Not later than April
18 1, 2017, the Treasury Inspector General for
19 Tax Administration shall submit a report to the
20 applicable Congressional committees describing
21 whether the Internal Revenue Service is in com-
22 pliance with the requirements of subsections
23 (a)(2)(B) and (b).

24 (d) DEFINITIONS.—For purposes of this section—

1 (1) PRINCIPAL OFFICER.—The term “principal
2 officer” means, with respect to the Internal Revenue
3 Service—

4 (A) any employee whose position is listed
5 under the Internal Revenue Service in the most
6 recent version of the United States Government
7 Manual published by the Office of the Federal
8 Register,

9 (B) any employee who is a senior staff
10 member reporting directly to the Commissioner
11 of Internal Revenue or the Chief Counsel for
12 the Internal Revenue Service, and

13 (C) any associate counsel, deputy counsel,
14 or division head in the Office of the Chief
15 Counsel for the Internal Revenue Service.

16 (2) SPECIFIED EMPLOYEE.—The term “speci-
17 fied employee” means, with respect to the Internal
18 Revenue Service, any employee who—

19 (A) holds a Senior Executive Service posi-
20 tion (as defined in section 3132 of title 5,
21 United States Code) in the Internal Revenue
22 Service or the Office of Chief Counsel for the
23 Internal Revenue Service, and

24 (B) is not a principal officer of the Inter-
25 nal Revenue Service.

1 **SEC. 132. SENSE OF THE SENATE ON REVISION OF THE**
2 **HATCH ACT.**

3 It is the sense of the Senate that clause (i) of section
4 7323(b)(2)(B) of title 5, United States Code, should be
5 amended to include any employee of the Department of
6 the Treasury who is primarily responsible for matters re-
7 lating to organizations which are exempt from taxation
8 pursuant to section 501(c) or 527 of the Internal Revenue
9 Code of 1986.

10 **SEC. 133. PROHIBITION ON REHIRING FORMER IRS EM-**
11 **PLOYEES WHO WERE INVOLUNTARILY SEPA-**
12 **RATED FOR MISCONDUCT.**

13 (a) IN GENERAL.—Section 7804 is amended by add-
14 ing at the end the following new subsection:

15 “(d) PROHIBITION ON REHIRING EMPLOYEES INVOL-
16 UNTARILY SEPARATED.—The Commissioner may not em-
17 ploy any individual previously employed by the Commis-
18 sioner who was removed for misconduct under this sub-
19 chapter or chapter 43 or chapter 75 of title 5, United
20 States Code, or whose employment was terminated under
21 section 1203 of the Internal Revenue Service Restruc-
22 turing and Reform Act of 1998 (26 U.S.C. 7804 note).”.

23 (b) EFFECTIVE DATE.—

24 (1) IN GENERAL.—Except as provided in para-
25 graph (2), the amendment made by subsection (a)
26 shall apply with respect to any employee removed

1 from employment before, on, or after the date of the
2 enactment of this Act.

3 (2) EXCEPTION.—The amendment made by
4 subsection (a) shall not apply to any employee who
5 is employed by the Internal Revenue Service as of
6 the date of the enactment of this Act with respect
7 to any removal for misconduct which occurred before
8 such date.

9 **SEC. 134. AUTHORITY TO REMOVE OR TRANSFER SENIOR**
10 **IRS EXECUTIVES WHO FAIL IN THEIR PER-**
11 **FORMANCE OR ENGAGE IN SERIOUS MIS-**
12 **CONDUCT.**

13 (a) IN GENERAL.—Section 1203 of the Internal Rev-
14 enue Service Restructuring and Reform Act of 1998 (26
15 U.S.C. 7804 note) is amended by adding at the end the
16 following new subsection:

17 “(f) REMOVAL OF SENIOR EXECUTIVES BASED ON
18 PERFORMANCE OR MISCONDUCT.—

19 “(1) REMOVAL OR TRANSFER.—

20 “(A) IN GENERAL.—The Commissioner of
21 Internal Revenue (referred to in this subsection
22 as the ‘Commissioner’) may remove an indi-
23 vidual employed in a senior executive position
24 at the Internal Revenue Service from the senior
25 executive position if the Commissioner deter-

1 mines the performance or misconduct of the in-
2 dividual warrants such removal. If the Commis-
3 sioner so removes such an individual, the Com-
4 missioner may—

5 “(i) remove the individual from the
6 civil service (as defined in section 2101 of
7 title 5, United States Code); or

8 “(ii) in the case of an individual de-
9 scribed in subparagraph (B), transfer the
10 individual from the senior executive posi-
11 tion to a General Schedule position at any
12 grade of the General Schedule for which
13 the individual is qualified and that the
14 Commissioner determines is appropriate.

15 “(B) INDIVIDUALS ELIGIBLE FOR TRANS-
16 FER.—An individual described in this subpara-
17 graph is an individual who—

18 “(i) previously occupied a permanent
19 position within the competitive service (as
20 that term is defined in section 2102 of title
21 5, United States Code);

22 “(ii) previously occupied a permanent
23 position within the excepted service (as
24 that term is defined in section 2103 of title
25 5, United States Code); or

1 “(iii) prior to employment in a senior
2 executive position at the Internal Revenue
3 Service, did not occupy any position within
4 the Federal Government.

5 “(2) PAY OF TRANSFERRED INDIVIDUALS.—

6 “(A) IN GENERAL.—Notwithstanding any
7 other provision of law, including the require-
8 ments of section 3594 of title 5, United States
9 Code, any individual transferred to a General
10 Schedule position under paragraph (1)(A)(ii)
11 shall, beginning on the date of such transfer,
12 receive the annual rate of pay applicable to
13 such position.

14 “(B) PAID LEAVE DURING APPEAL.—An
15 individual so transferred may not be placed on
16 administrative leave or any other category of
17 paid leave during the period during which an
18 appeal (if any) under this section is ongoing,
19 and may only receive pay if the individual re-
20 ports for duty. If an individual so transferred
21 does not report for duty, such individual shall
22 not receive pay or other benefits pursuant to
23 paragraph (5)(E).

24 “(3) NOTICE TO CONGRESS.—Not later than 30
25 days after removing or transferring an individual

1 from a senior executive position under paragraph
2 (1), the Commissioner shall submit written notice of
3 such removal or transfer and the reason for such re-
4 moval or transfer to—

5 “(A) the Committee on Finance of the
6 Senate;

7 “(B) the Committee on Homeland Security
8 and Governmental Affairs of the Senate;

9 “(C) the Committee on Ways and Means
10 of the House of Representatives; and

11 “(D) the Committee on Oversight and
12 Government Reform of the House of Represent-
13 atives.

14 “(4) PROCEDURE.—

15 “(A) IN GENERAL.—The procedures under
16 section 7543(b) of title 5, United States Code,
17 shall not apply to a removal or transfer under
18 this section.

19 “(B) APPEAL TO MERIT SYSTEM PROTEC-
20 TION BOARD.—

21 “(i) IN GENERAL.—Subject to clause
22 (ii) and paragraph (5), any removal or
23 transfer under paragraph (1) may be ap-
24 pealed to the Merit Systems Protection

1 Board under section 7701 of title 5,
2 United States Code.

3 “(ii) DEADLINE FOR APPEAL.—An
4 appeal under clause (i) of a removal or
5 transfer may only be made if such appeal
6 is made not later than 7 days after the
7 date of such removal or transfer.

8 “(5) EXPEDITED REVIEW BY ADMINISTRATIVE
9 LAW JUDGE.—

10 “(A) IN GENERAL.—Upon receipt of an
11 appeal under paragraph (4)(B)(i), the Merit
12 Systems Protection Board shall refer such ap-
13 peal to an administrative law judge pursuant to
14 section 7701(b)(1) of title 5, United States
15 Code. The administrative law judge shall expe-
16 dite any such appeal under such section and, in
17 any such case, shall issue a decision not later
18 than 21 days after the date of the appeal.

19 “(B) FINALITY OF DECISION.—Notwith-
20 standing any other provision of law, including
21 section 7703 of title 5, United States Code, the
22 decision of an administrative law judge under
23 subparagraph (A) shall be final and shall not be
24 subject to any further appeal.

1 “(C) FAILURE TO REACH DECISION.—In
2 any case in which the administrative law judge
3 cannot issue a decision in accordance with the
4 21-day requirement under subparagraph (A),
5 the removal or transfer is final. In such a case,
6 the Merit Systems Protection Board shall, with-
7 in 14 days after the date that such removal or
8 transfer is final, submit to Congress and the
9 Committees described in paragraph (3) a report
10 that explains the reasons why a decision was
11 not issued in accordance with such requirement.

12 “(D) PROHIBITION ON STAY OF REMOVAL
13 OR TRANSFER.—The Merit Systems Protection
14 Board or administrative law judge may not stay
15 any removal or transfer under this subsection.

16 “(E) PERIOD OF REVIEW.—During the pe-
17 riod beginning on the date on which an indi-
18 vidual appeals a removal from the civil service
19 under paragraph (4) and ending on the date
20 that the administrative law judge issues a final
21 decision on such appeal, such individual may
22 not receive any pay, awards, bonuses, incen-
23 tives, allowances, differentials, student loan re-
24 payments, special payments, or benefits.

1 “(F) RELEVANT INFORMATION TO BE PRO-
2 VIDED.—To the maximum extent practicable,
3 the Commissioner shall provide to the Merit
4 Systems Protection Board, and to any adminis-
5 trative law judge to whom an appeal under this
6 section is referred, such information and assist-
7 ance as may be necessary to ensure an appeal
8 under this paragraph is expedited.

9 “(6) RELATION TO OTHER PROVISIONS OF
10 LAW.—

11 “(A) IN GENERAL.—The authority pro-
12 vided by this subsection is in addition to, and
13 shall not be construed to limit or diminish, the
14 authority provided by—

15 “(i) subsections (a) and (c); and

16 “(ii) section 3592 or subchapter V of
17 chapter 75 of title 5, United States Code.

18 “(B) REMOVAL FROM SENIOR EXECUTIVE
19 SERVICE.—Section 3592(b)(1) of title 5, United
20 States Code, does not apply to an action to re-
21 move or transfer an individual under this sub-
22 section.

23 “(7) DEFINITIONS.—For purposes of this sub-
24 section:

1 “(A) INDIVIDUAL.—The term ‘individual’
2 means a career appointee (as that term is de-
3 fined in section 3132(a)(4) of title 5, United
4 States Code).

5 “(B) MISCONDUCT.—

6 “(i) IN GENERAL.—Subject to clause
7 (ii), the term ‘misconduct’ includes neglect
8 of duty, malfeasance, or failure to accept a
9 directed reassignment or to accompany a
10 position in a transfer of function.

11 “(ii) EXCEPTION.—The term ‘mis-
12 conduct’ shall not include any act or omis-
13 sion described in subsection (b).

14 “(C) SENIOR EXECUTIVE POSITION.—The
15 term ‘senior executive position’ means a Senior
16 Executive Service position (as such term is de-
17 fined in section 3132(a)(2) of title 5, United
18 States Code).”.

19 (b) ESTABLISHMENT OF EXPEDITED REVIEW PROC-
20 ESS.—

21 (1) IN GENERAL.—Not later than 60 days after
22 the date of the enactment of this Act, the Merit Sys-
23 tems Protection Board shall establish and put into
24 effect a process to conduct expedited reviews in ac-
25 cordance with subsection (f) of section 1203 of the

1 Internal Revenue Service Restructuring and Reform
2 Act of 1998, as added by this Act.

3 (2) INAPPLICABILITY OF CERTAIN REGULA-
4 TIONS.—Section 1201.22 of title 5, Code of Federal
5 Regulations, as in effect on the day before the date
6 of the enactment of this Act, shall not apply to expe-
7 dited reviews carried out under such section 1203(f).

8 (3) WAIVER.—The Merit Systems Protection
9 Board may waive any other regulation in order to
10 provide for the expedited review required under such
11 section 1203(f).

12 (4) REVIEW BY MERIT SYSTEMS PROTECTION
13 BOARD.—Not later than 30 days after the date of
14 the enactment of this Act, the Merit Systems Pro-
15 tection Board shall submit to the committees de-
16 scribed in paragraph (3) of such section 1203(f) a
17 report on the actions the Board plans to take to con-
18 duct expedited reviews under such section. Such re-
19 port shall include a description of the resources the
20 Board determines will be necessary to conduct such
21 reviews and a description of whether any resources
22 will be necessary to conduct such reviews that were
23 not available to the Board on the day before the
24 date of the enactment of this Act.

1 (c) TEMPORARY EXEMPTION FROM CERTAIN LIM-
2 TATION ON INITIATION OF REMOVAL FROM SENIOR EX-
3 ECUTIVE SERVICE.—During the 120-day period beginning
4 on the date of the enactment of this Act, an action to re-
5 move an individual from the Senior Executive Service at
6 the Internal Revenue Service pursuant to section 7543 of
7 title 5, United States Code, may be initiated, notwith-
8 standing section 3592(b) of such title, or any other provi-
9 sion of law.

10 (d) CONSTRUCTION.—Nothing in this section or sec-
11 tion 1203(f) of the Internal Revenue Service Restruc-
12 turing and Reform Act of 1998, as added by this Act, shall
13 be construed to apply to an appeal of a removal, transfer,
14 or other personnel action that was pending before the date
15 of the enactment of this Act.

16 **SEC. 135. LIMIT PARTICIPATION OF THIRD-PARTY CON-**
17 **TRACTORS FOR SWORN TESTIMONY TAKEN**
18 **PURSUANT TO A SUMMONS FROM THE IRS.**

19 (a) IN GENERAL.—Section 7602 is amended by add-
20 ing at the end the following new subsection:

21 “(f) LIMITATION ON ACCESS OF PERSONS OTHER
22 THAN IRS OFFICERS AND EMPLOYEES.—The authority
23 granted under this section may not be delegated, directly
24 or indirectly, to any person authorized to receive returns
25 and return information under section 6103(n).”.

1 (b) EFFECTIVE DATE.—

2 (1) IN GENERAL.—Except as provided in para-
3 graph (2), the amendment made by this section shall
4 take effect on the date of the enactment of this Act.

5 (2) APPLICATION TO CONTRACTS IN EFFECT.—

6 The amendment made by this section shall apply to
7 any contract in effect on the date of the enactment
8 of this Act for an activity described in section
9 6103(n) of the Internal Revenue Code of 1986, pur-
10 suant to temporary Treasury Regulation section
11 301.7602-1T published in Internal Revenue Bulletin
12 2014-28 or any similar or successor regulation.

13 **SEC. 136. NOTIFICATION OF UNAUTHORIZED INSPECTION**
14 **OR DISCLOSURE OF RETURNS AND RETURN**
15 **INFORMATION.**

16 (a) IN GENERAL.—Subsection (e) of section 7431 is
17 amended by adding at the end the following new sen-
18 tences: “The Secretary shall also notify such taxpayer if
19 the Internal Revenue Service or a Federal or State agency
20 (upon notice to the Secretary by such Federal or State
21 agency) proposes an administrative determination as to
22 disciplinary or adverse action against an employee arising
23 from the employee’s unauthorized inspection or disclosure
24 of the taxpayer’s return or return information. The notice
25 described in this subsection shall include the date of the

1 unauthorized inspection or disclosure and the rights of the
2 taxpayer under such administrative determination.”.

3 (b) EFFECTIVE DATE.—The amendment made by
4 this section shall apply to determinations proposed after
5 the date which is 180 days after the date of the enactment
6 of this Act.

7 **Subtitle E—Exempt Organizations**

8 **SEC. 141. MANDATORY E-FILING BY EXEMPT ORGANIZA-** 9 **TIONS.**

10 (a) IN GENERAL.—Section 6033 is amended by re-
11 designating subsection (n) as subsection (o) and by insert-
12 ing after subsection (m) the following new subsection:

13 “(n) MANDATORY ELECTRONIC FILING.—Any orga-
14 nization required to file a return under this section shall
15 file such return in electronic form.”.

16 (b) CONFORMING AMENDMENT.—Paragraph (7) of
17 section 527(j) is amended by striking “if the organization
18 has” and all that follows through “such calendar year”.

19 (c) INSPECTION OF ELECTRONICALLY FILED AN-
20 NUAL RETURNS.—Subsection (b) of section 6104 is
21 amended by adding at the end the following: “Any annual
22 return required to be filed electronically under section
23 527(j)(7) or 6033(n) shall be made available by the Sec-
24 retary to the public as soon as practicable in a machine

1 readable format that does not permit alteration or manip-
2 ulation of such return.”.

3 (d) EFFECTIVE DATE.—

4 (1) IN GENERAL.—Except as provided in para-
5 graph (2), the amendments made by this section
6 shall apply to taxable years beginning after the date
7 of the enactment of this Act.

8 (2) TRANSITIONAL RELIEF.—

9 (A) SMALL ORGANIZATIONS.—

10 (i) IN GENERAL.—In the case of any
11 small organization or any other organiza-
12 tion for which the Secretary determines the
13 application of the amendments made by
14 subsections (a) and (b) would cause undue
15 burden, the Secretary may waive applica-
16 tion of such amendments to either or both
17 of the organization’s first 2 taxable years
18 beginning after the date of the enactment
19 of this Act.

20 (ii) SMALL ORGANIZATION.—For pur-
21 poses of clause (i), the term “small organi-
22 zation” means any organization—

23 (I) the gross receipts of which for
24 the taxable year are less than
25 \$200,000, and

1 (II) the aggregate gross assets of
2 which at the end of the taxable year
3 are less than \$500,000.

4 (B) ORGANIZATIONS FILING FORM 990-
5 T.—In the case of any organization described
6 in section 511(a)(2) of the Internal Revenue
7 Code of 1986 which is subject to the tax im-
8 posed by section 511(a)(1) of such Code on its
9 unrelated business taxable income, or any orga-
10 nization required to file a return under section
11 6033 of such Code and include information
12 under subsection (e) thereof, the Secretary may
13 waive application of the amendments made by
14 subsections (a) and (b) to either or both of the
15 organization's first 2 taxable years beginning
16 after the date of the enactment of this Act.

17 **SEC. 142. REPEAL OF SUBSTANTIATION EXCEPTION FOR**
18 **CERTAIN CHARITABLE CONTRIBUTIONS RE-**
19 **PORTED BY THE DONEE ORGANIZATION.**

20 (a) IN GENERAL.—Section 170(f)(8) is amended—
21 (1) by striking subparagraph (D), and
22 (2) by redesignating subparagraph (E) as sub-
23 paragraph (D).

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

4 **SEC. 143. PROHIBIT THE USE OF IRS FUNDS FOR POLIT-**
5 **ICAL TARGETING.**

6 None of the funds made available under any Act may
7 be used by the Internal Revenue Service to target citizens
8 of the United States for exercising any right guaranteed
9 under the First Amendment to the Constitution of the
10 United States.

11 **SEC. 144. NOTIFICATION TO EXEMPT ORGANIZATIONS**
12 **PRIOR TO REVOKING EXEMPT STATUS FOR**
13 **FAILING TO FILE INFORMATION RETURNS.**

14 (a) IN GENERAL.—Section 6033(j) is amended by re-
15 designating paragraphs (2) and (3) as paragraphs (3) and
16 (4), respectively, and by inserting after paragraph (1) the
17 following new paragraph:

18 “(2) REQUIREMENT OF NOTICE.—

19 “(A) IN GENERAL.—Not later than 270
20 days after the date an organization described in
21 paragraph (1) fails to file the annual return or
22 notice referenced in paragraph (1) for 2 con-
23 secutive years, the Secretary shall notify the or-
24 ganization—

1 “(i) that the Internal Revenue Service
2 has no record of such a return or notice
3 from such organization for 2 consecutive
4 years, and

5 “(ii) about the penalty that will occur
6 under this subsection if the organization
7 fails to file such a return or notice by the
8 date of the next filing deadline.

9 The notification under the preceding sentence
10 shall include information about how to comply
11 with the filing requirements under subsection
12 (a)(1) and (i).”.

13 (b) REINSTATEMENT WITHOUT APPLICATION.—
14 Paragraph (3) of section 6033(j), as redesignated under
15 subsection (a), is amended—

16 (1) by striking “Any organization” and insert-
17 ing the following:

18 “(A) IN GENERAL.—Except as provided in
19 subparagraph (B), any organization”, and

20 (2) by adding at the end the following new sub-
21 paragraph:

22 “(B) RETROACTIVE REINSTATEMENT
23 WITHOUT APPLICATION IF ACTUAL NOTICE NOT
24 PROVIDED.—If an organization described in
25 paragraph (1)—

1 “(i) demonstrates to the satisfaction
2 of the Secretary that the organization did
3 not receive the notice required under para-
4 graph (2), and

5 “(ii) files an annual return or notice
6 referenced in paragraph (1) for the current
7 year,

8 then the Secretary may reinstate the organiza-
9 tion’s exempt status effective from the date of
10 the revocation under paragraph (1) without the
11 need for an application.”.

12 (c) EFFECTIVE DATE.—The amendments made by
13 this section shall apply to notices and returns required to
14 be filed after December 31, 2015.

15 **TITLE II—PROTECTION OF TAX-**
16 **PAYERS FROM IDENTITY**
17 **THEFT AND TAX FRAUD**

18 **SEC. 201. SINGLE POINT OF CONTACT FOR IDENTITY THEFT**
19 **VICTIMS.**

20 (a) IN GENERAL.—The Secretary shall establish and
21 implement procedures to ensure that any taxpayer whose
22 return has been delayed or otherwise adversely affected
23 due to identity theft has a single point of contact at the
24 Internal Revenue Service throughout the processing of the
25 taxpayer’s case. The single point of contact shall track the

1 taxpayer's case to completion and coordinate with other
2 specialized units to resolve case issues as quickly as pos-
3 sible.

4 (b) SINGLE POINT OF CONTACT.—

5 (1) IN GENERAL.—For purposes of subsection
6 (a), the single point of contact may consist of a team
7 or subset of specially trained employees who—

8 (A) have the ability to work across func-
9 tions to resolve the issues involved in the tax-
10 payer's case, and

11 (B) shall be accountable for handling the
12 case until its resolution.

13 (2) TEAM OR SUBSET.—The employees included
14 within the team or subset described in paragraph (1)
15 may change as required to meet the needs of the In-
16 ternal Revenue Service, provided that procedures
17 have been established to—

18 (A) ensure continuity of records and case
19 history, and

20 (B) notify the taxpayer when appropriate.

21 **SEC. 202. PROTECTING TAXPAYERS FROM TELEPHONE**
22 **SCAMS.**

23 Not later than 12 months after the date of the enact-
24 ment of this Act, the Treasury Inspector General for Tax
25 Administration, in consultation with the Chairman of the

1 Federal Communications Commission and the Chairman
2 of the Federal Trade Commission, shall submit a report
3 to the applicable Congressional committees which identi-
4 fies potential technological solutions to help protect tax-
5 payers from telephone calls from individuals who are false-
6 ly claiming to be calling from or on behalf of the Internal
7 Revenue Service, including identifying communications
8 providers that offer services designed to assist taxpayers
9 in identifying or preventing such calls.

10 **SEC. 203. INFORMATION ON IDENTITY THEFT AND TAX**
11 **SCAMS.**

12 The Secretary shall provide to any taxpayer who has
13 been placed on hold during a telephone call to any Internal
14 Revenue Service help line the following information:

- 15 (1) Information about common tax scams.
16 (2) Information on where and how to report tax
17 scams.
18 (3) Additional advice on how taxpayers can pro-
19 tect themselves from identity theft and tax scams.

20 **SEC. 204. REPORT ON FEDERAL EMPLOYEE WAGE AND TAX**
21 **WITHHOLDING REPORTING TO STATE TAX**
22 **AGENCIES.**

23 Not later than 12 months after the date of the enact-
24 ment of this Act, the Comptroller General shall submit
25 a report to the applicable Congressional committees which

1 provides an analysis of the process and timeline by which
2 the following entities provide Federal employee wage and
3 tax withholding information to State tax agencies:

4 (1) The National Finance Center of the Depart-
5 ment of Agriculture.

6 (2) The Defense Finance and Accounting Serv-
7 ice of the Department of Defense.

8 (3) The National Business Center of the De-
9 partment of the Interior.

10 (4) The National Payroll Branch of the General
11 Services Administration.

12 **SEC. 205. NOTIFICATION OF SUSPECTED IDENTITY THEFT.**

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

15 **“SEC. 7529. NOTIFICATION OF SUSPECTED IDENTITY**
16 **THEFT.**

17 “(a) IN GENERAL.—If the Secretary determines that
18 there has been or may have been an unauthorized use of
19 the identity of any individual, the Secretary shall, without
20 jeopardizing an investigation relating to tax administra-
21 tion—

22 “(1) as soon as practicable, notify the indi-
23 vidual of such determination and provide—

1 “(A) instructions on how to file a report
2 with law enforcement regarding the unauthor-
3 ized use of the identity of the individual,

4 “(B) the identification of any forms nec-
5 essary for the individual to complete and submit
6 to law enforcement to permit access to personal
7 information of the individual during the inves-
8 tigation,

9 “(C) information regarding actions the in-
10 dividual may take in order to protect the indi-
11 vidual from harm relating to such unauthorized
12 use, and

13 “(D) an offer of identity protection meas-
14 ures to be provided to the individual by the In-
15 ternal Revenue Service, such as the use of an
16 identity protection personal identification num-
17 ber (as defined in section 6109(e)), and

18 “(2) at the time the information described in
19 paragraph (1) is provided (or, if not available at
20 such time, as soon as practicable thereafter), issue
21 additional notifications to such individual (or such
22 individual’s designee) regarding—

23 “(A) whether an investigation has been ini-
24 tiated in regards to such unauthorized use,

1 “(B) whether the investigation substan-
2 tiated an unauthorized use of the identity of the
3 individual, and

4 “(C) whether—

5 “(i) any action has been taken against
6 a person relating to such unauthorized use,
7 or

8 “(ii) any referral has been made for
9 criminal prosecution of such person and, to
10 the extent such information is available,
11 whether such person has been criminally
12 charged by indictment or information.

13 “(b) EMPLOYMENT-RELATED IDENTITY THEFT.—

14 “(1) IN GENERAL.—For purposes of this sec-
15 tion, the unauthorized use of the identity of an indi-
16 vidual includes the unauthorized use of the identity
17 of the individual to obtain employment.

18 “(2) DETERMINATION OF EMPLOYMENT-RE-
19 LATED IDENTITY THEFT.—For purposes of this sec-
20 tion, in making a determination as to whether there
21 has been or may have been an unauthorized use of
22 the identity of an individual to obtain employment,
23 the Secretary shall review any information—

24 “(A) obtained from a statement described
25 in section 6051 or an information return relat-

1 ing to compensation for services rendered other
2 than as an employee, or

3 “(B) provided to the Internal Revenue
4 Service by the Social Security Administration
5 regarding any statement described in section
6 6051,

7 which indicates that the social security account num-
8 ber provided on such statement or information re-
9 turn does not correspond with the name provided on
10 such statement or information return or the name
11 on the tax return reporting the income which is in-
12 cluded on such statement or information return.”.

13 (b) ADDITIONAL MEASURES.—

14 (1) EXAMINATION OF BOTH PAPER AND ELEC-
15 TRONIC STATEMENTS AND RETURNS.—The Sec-
16 retary shall examine the statements, information re-
17 turns, and tax returns described in section
18 7529(b)(2) for any evidence of employment-related
19 identity theft, regardless of whether such statements
20 or returns are submitted electronically or on paper.

21 (2) IMPROVEMENT OF EFFECTIVE RETURN
22 PROCESSING PROGRAM WITH SOCIAL SECURITY AD-
23 MINISTRATION.—Section 232 of the Social Security
24 Act (42 U.S.C. 432) is amended by inserting after
25 the third sentence the following: “For purposes of

1 carrying out the return processing program de-
2 scribed in the preceding sentence, the Commissioner
3 of Social Security shall request, not less than annu-
4 ally, such information described in section
5 7529(b)(2) of the Internal Revenue Code of 1986 as
6 may be necessary to ensure the accuracy of the
7 records maintained by the Commissioner of Social
8 Security related to the amounts of wages paid to,
9 and the amounts of self-employment income derived
10 by, individuals.”.

11 (3) UNDERREPORTING OF INCOME.—The Sec-
12 retary shall establish procedures to ensure that in-
13 come reported in connection with the unauthorized
14 use of a taxpayer’s identity is not taken into account
15 in determining any penalty for underreporting of in-
16 come by the victim of identity theft.

17 (c) CLERICAL AMENDMENT.—The table of sections
18 for chapter 77 is amended by adding at the end the fol-
19 lowing new item:

“Sec. 7529. Notification of suspected identity theft.”.

20 (d) EFFECTIVE DATE.—The amendments made by
21 this section shall apply to determinations made after the
22 date of the enactment of this Act.

Calendar No. 554

114TH CONGRESS
2^D SESSION

S. 3156

[Report No. 114-298]

A BILL

To provide enhanced protections for taxpayers from fraud and other illegal activities, and for other purposes.

JULY 12, 2016

Read twice and placed on the calendar