

118TH CONGRESS
1ST SESSION

S. 625

To amend the Internal Revenue Code of 1986 to modify and reform rules relating to investigations and whistleblowers, and for other purposes.

IN THE SENATE OF THE UNITED STATES

MARCH 2, 2023

Mr. GRASSLEY (for himself, Mr. WYDEN, Mr. WICKER, and 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 modify and reform rules relating to investigations and whistleblowers, 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.**

4 This Act may be cited as the “IRS Whistleblower
5 Program Improvement Act of 2023”.

6 **SEC. 2. STANDARD AND SCOPE OF REVIEW OF WHISTLE-**
7 **BLOWER AWARD DETERMINATION.**

8 (a) IN GENERAL.—Paragraph (4) of section 7623(b)
9 of the Internal Revenue Code of 1986 is amended—

1 (1) by striking “appealed to” and inserting “re-
2 viewed by”; and

3 (2) by adding at the end the following: “Any re-
4 view by the Tax Court under the preceding sentence
5 shall be de novo and shall be based on the adminis-
6 trative record established at the time of the original
7 determination and any additional newly discovered
8 or previously unavailable evidence.”.

9 (b) CONFORMING AMENDMENT.—The heading of
10 paragraph (4) of section 7623(b) of the Internal Revenue
11 Code of 1986 is amended by striking “APPEAL” and in-
12 serting “REVIEW”.

13 (c) EFFECTIVE DATE.—The amendments made by
14 this section shall apply to cases under section 7623(b)(4)
15 of the Internal Revenue Code of 1986 which are pending
16 on, or filed on or after, the date of the enactment of this
17 Act.

18 **SEC. 3. EXEMPTION FROM SEQUESTRATION.**

19 (a) IN GENERAL.—Section 255 of the Balanced
20 Budget and Emergency Deficit Control Act of 1985 (2
21 U.S.C. 905) is amended—

22 (1) by redesignating subsection (k) as sub-
23 section (l); and

24 (2) by inserting after subsection (j) the fol-
25 lowing:

1 “(k) AWARDS TO WHISTLEBLOWERS.—An award au-
2 thorized under section 7623 of the Internal Revenue Code
3 of 1986 shall be exempt from reduction under any order
4 issued under this part.”.

5 (b) APPLICABILITY.—The amendment made by this
6 section shall apply to any sequestration order issued under
7 the Balanced Budget and Emergency Deficit Control Act
8 of 1985 (2 U.S.C. 900 et seq.) after December 31, 2022.

9 **SEC. 4. WHISTLEBLOWER PRIVACY PROTECTIONS.**

10 (a) IN GENERAL.—Paragraph (6) of section 7623(b)
11 of the Internal Revenue Code of 1986 is amended by add-
12 ing at the end the following new subparagraph:

13 “(D) WHISTLEBLOWER ANONYMITY BE-
14 FORE THE TAX COURT.—Notwithstanding sec-
15 tions 7458 and 7461, the Tax Court shall grant
16 a whistleblower’s request to proceed anony-
17 mously before the Court for all proceedings
18 under this section absent a finding by the Tax
19 Court that a heightened societal interest exists
20 for disclosing the whistleblower’s identity, ex-
21 ceeding the normal interest in knowing a peti-
22 tioner’s identity. Should the Tax Court find
23 that such a heightened societal interest exists,
24 such interest shall be balanced against the po-

1 tential harm disclosure could cause to the whis-
2 tleblower.”.

3 (b) **EFFECTIVE DATE.**—The amendments made by
4 this section shall apply to petitions filed with the Tax
5 Court which are pending on, or filed on or after, the date
6 of the enactment of this Act.

7 **SEC. 5. MODIFICATION OF IRS WHISTLEBLOWER REPORT.**

8 (a) **IN GENERAL.**—Section 406(c) of division A of the
9 Tax Relief and Health Care Act of 2006 is amended by
10 striking “such use,” in paragraph (1) and inserting “such
11 use (which shall include a list and descriptions of the top
12 tax avoidance schemes, not to exceed 10, disclosed by
13 whistleblowers during such year),”.

14 (b) **EFFECTIVE DATE.**— The amendment made by
15 this section shall apply to reports the due date for which
16 are after the enactment of this Act.

17 **SEC. 6. INTEREST ON WHISTLEBLOWER AWARDS.**

18 (a) **IN GENERAL.**—Section 7623(b) of the Internal
19 Revenue Code of 1986 is amended by redesignating para-
20 graphs (5) and (6) as paragraphs (6) and (7), respectively,
21 and by inserting after paragraph (4) the following new
22 paragraph:

23 “(5) **INTEREST.**—

24 “(A) **IN GENERAL.**—If the Secretary has
25 not provided notice to an individual described in

1 paragraph (1) of a preliminary award rec-
2 ommendation before the applicable date, the
3 amount of any award under this subsection
4 shall include interest from such date at the
5 overpayment rate under section 6621(a).

6 “(B) EXCEPTION.—No interest shall ac-
7 crue under this paragraph after the date on
8 which the Secretary provides notice to the indi-
9 vidual of a preliminary award recommendation.

10 “(C) APPLICABLE DATE.—For purposes of
11 this paragraph, the applicable date is the date
12 that is 12 months after the first date on
13 which—

14 “(i) all of the proceeds resulting from
15 actions subject to the award recommenda-
16 tion have been collected, and

17 “(ii) either—

18 “(I) the statutory period for fil-
19 ing a claim for refund has expired, or

20 “(II) the taxpayers subject to the
21 actions and the Secretary have agreed
22 with finality to the tax or other liabil-
23 ities for the periods at issue, and ei-
24 ther the taxpayers have waived the

1 right to file a claim for refund or any
2 claim for refund has been resolved.”.

3 (b) EFFECTIVE DATE.—

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

7 (2) SPECIAL RULE.—In the case of a claim for
8 a whistleblower award under section 7623(b) of the
9 Internal Revenue Code of 1986 with respect to
10 which, as of the date described in paragraph (1)—

11 (A) the Secretary of the Treasury has not
12 provided notice to the individual of a prelimi-
13 nary award recommendation as described in
14 paragraph (5)(A) of such section, as added by
15 this Act, and

16 (B) the applicable date provided in para-
17 graph (5)(C) of such section, as so added, has
18 passed,

19 the applicable date for purposes of such paragraph
20 (5)(C) is the date that is 12 months after the date
21 described in paragraph (1).

1 **SEC. 7. CORRECTION REGARDING DEDUCTIONS FOR AT-**
2 **TORNEY'S FEES.**

3 (a) **IN GENERAL.**—Section 62(a)(21)(A)(i) of the In-
4 ternal Revenue Code of 1986 is amended by striking
5 “7623(b)” and inserting “7623”.

6 (b) **EFFECTIVE DATE.**—The amendment made by
7 this section shall apply to taxable years ending after the
8 date of the enactment of this Act.

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