118TH CONGRESS
2d Session

HOUSE OF REPRESENTATIVES

REPORT
118–570

TAXPAYER DATA PROTECTION ACT

JUNE 28, 2024.—Committed to the Committee of the Whole House on the State of the Union and ordered to be printed

Mr. SMITH of Missouri, from the Committee on Ways and Means, submitted the following

R E P O R T

[To accompany H.R. 8292]

[Including cost estimate of the Congressional Budget Office]

The Committee on Ways and Means, to whom was referred the bill (H.R. 8292) to amend the Internal Revenue Code of 1986 to increase penalties for unauthorized disclosure of taxpayer information, having considered the same, reports favorably thereon with an amendment and recommends that the bill as amended do pass.

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The amendment is as follows:

Strike all after the enacting clause and insert the following:

SECTION 1. SHORT TITLE.

This Act may be cited as the "Taxpayer Data Protection Act".

SEC. 2. INCREASE IN PENALTIES FOR UNAUTHORIZED DISCLOSURES OF TAXPAYER INFORMATION.

(a) IN GENERAL.—Paragraphs (1), (2), (3), (4), and (5) of section 7213(a) of the Internal Revenue Code of 1986 are each amended by striking "$5,000, or imprisonment of not more than 5 years" and inserting "$250,000, or imprisonment of not more than 10 years".

(b) DISCLOSURES OF RETURN INFORMATION OF MULTIPLE TAXPAYERS TREATED AS MULTIPLE VIOLATIONS.—Section 7213(a) of such Code is amended by adding at the end the following new paragraph:

"(6) DISCLOSURES OF RETURN INFORMATION OF MULTIPLE TAXPAYERS TREATED AS MULTIPLE VIOLATIONS.—For purposes of paragraphs (1), (2), (3), (4), and (5), a separate violation occurs with respect to each taxpayer whose return or return information is disclosed in violation of any such paragraph.".

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to disclosures made after the date of the enactment of this Act.

I. SUMMARY AND BACKGROUND

A. PURPOSE AND SUMMARY

The bill, H.R. 8292, the "Taxpayer Data Protection Act," as ordered by the Committee on Ways and Means on May 15, 2024. The Purpose of the bill is to increase the maximum penalty for the unauthorized disclosure of returns and return information and ensure that each taxpayer impacted by a disclosure will count as a separate and distinct violation of the law.

The Taxpayer Data Protection Act amends paragraphs (1), (2), (3), (4), and (5) of 26 U.S.C. § 7213(a) to increase the penalties for unauthorized disclosure of taxpayer information. Specifically, it increases the maximum fine and imprisonment period for an unauthorized disclosure of 26 U.S.C. § 6103 information from "$5,000, or imprisonment of not more than 5 years" to "$250,000, or imprisonment of not more than 10 years." This fine amount is consistent with 18 U.S.C. § 3571. The bill also adds language to ensure every impacted taxpayer counts as a distinct instance of a disclosure. Imposing a more serious maximum sentence will help deter the unauthorized disclosure of taxpayer information in the future.

B. BACKGROUND AND NEED FOR LEGISLATION

Starting in approximately 2018, an Internal Revenue Service (IRS) contractor stole taxpayer data from the IRS, and starting in 2019, he leaked it to the *New York Times* and *ProPublica*.[1] Those organizations then published a significant amount of confidential tax information targeting numerous American taxpayers using in-

[1] Factual Basis for Plea, U.S. v. Charles Edward Littlejohn, D.D.C., Case No. 1:23–cr–00343–ACR (Oct. 12, 2023), https://www.justice.gov/criminal/media/1319801/dl?inline.

formation that the IRS is tasked with keeping confidential and secure.[2]

Starting in September 2020, the Committee questioned federal investigators and sought answers about who illegally stole and leaked confidential American taxpayer information and how the IRS allowed it to happen.[3] Committee efforts continued after *ProPublica* began publishing articles with private taxpayer information in June 2021.[4] In September 2023, the U.S. Department of Justice (DOJ) announced it was charging IRS contractor Charles Littlejohn—who stole tax return information for thousands of individuals—with one count of disclosing tax return information without authorization.[5]

Committee Republicans sent a letter to the Judge who oversaw Mr. Littlejohn's case expressing disappointment that DOJ plead Mr. Littlejohn to a single count when the facts clearly warranted additional charges.[6] The letter also encouraged the Judge to sentence Mr. Littlejohn to the maximum of 5 years imprisonment despite the anticipated sentencing range of 8 to 14 months.[7] The Judge ultimately agreed and sentenced Mr. Littlejohn to 5 years in prison and a $5,000 fine.[8]

Given the lack of deterrence created by the law as is, as well as the concern that such an unprecedented data breach could result in such a disproportionate charge and sentence, the Committee felt it was necessary to increase the penalties in 26 U.S.C. § 7213.

C. Legislative History

Background

H.R. 8292 was introduced on May 8, 2024, and was referred to the Committee on Ways and Means.

Committee Hearings

The Committee on Ways and Means held the following hearing(s) concerning the policy in H.R. 8292:

On March 10, 2023, the Committee on Ways and Means held a hearing titled, "President Biden's Fiscal Year 2024 Budget Request

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[2] Russ Buettner, et al., *Trump's Taxes Show Chronic Losses and Years of Income Tax Avoidance*, The New York Times (Sept. 27, 2020), https://www.nytimes.com/interactive/2020/09/27/us/donald-trump-taxes.html; Jesse Eisinger, et al., *The Secret IRS Files: Trove of Never-Before-Seen Records Reveal How the Wealthiest Avoid Income Tax*, ProPublica (June 8, 2021), https://www.propublica.org/article/the-secret-irs-files-trove-of-never-before-seen-records-reveal-how-the-wealthiest-avoid-income-tax.

[3] H. Comm. On Ways and Means Press Release, *Brady Calls for Investigation into Potentially Criminal Leak of Trump's Private Tax Info* (Sept. 28, 2020), https://waysandmeans.house.gov/brady-calls-for-investigation-into-potentially-criminal-leak-of-trumps-private-tax-info/.

[4] H. Comm. On Ways and Means Press Release, *Brady, Crapo to IRS: Breach of Taxpayer Data Cannot Be Tolerated: Top Republican Tax Writers Call for Transparency, Investigation Into Leak of Confidential Tax Information* (June 9, 2021), https://waysandmeans.house.gov/brady-crapo-to-irs-breach-of-taxpayer-data-cannot-be-tolerated/.

[5] IRS Consultant Charged with Disclosing Tax Return Information to News Organizations, U.S. Dept. of Justice (Sept. 29, 2023), https://www.justice.gov/opa/pr/irs-consultant-charged-disclosing-tax-return-information-news-organizations.

[6] Letter from The Hon. Jason Smith, Chairman, H. Comm. on Ways and Means, et al., to The Hon. Ana C. Reyes, D.D.C. (Jan. 23, 2024), https://waysandmeans.house.gov/wp-content/uploads/2024/01/Letter-to-Court-on-ProPublica-Sentencing.pdf.

[7] *Id.*

[8] Former IRS Contractor Sentenced for Disclosing Tax Return Information to News Organizations, U.S. Dept. of Justice (Jan. 29, 2024), https://www.justice.gov/opa/pr/former-irs-contractor-sentenced-disclosing-tax-return-information-news-organizations; Daniel Barnes and Ryan J. Reilly, Ex-IRS contractor sentenced to 5 years in prison for leaking Trump tax records, NBC News (Jan. 29, 2024), https://www.nbcnews.com/politics/justice-department/former-irs-contractor-sentenced-5-years-prison-leaking-trump-tax-recor-rcna135908.

with Treasury Secretary Yellen" to discuss the President's budget request.[9] One of the topics Secretary Yellen was asked about was the leak of a vast trove of taxpayer information that were then published by media outlets.

On April 27, 2023, the Committee on Ways and Means held a hearing titled, "Accountability and Transparency at the Internal Revenue Service with IRS Commissioner Werfel" to examine numerous issues within the IRS's purview, including the IRS consultant stealing tax return data and releasing it to media outlets.[10]

On February 15, 2024, the Committee on Ways and Means held a hearing titled, "Hearing with IRS Commissioner Daniel Werfel" to examine numerous issues within the IRS's purview, including the IRS consultant stealing tax return data and releasing it to media outlets.[11]

Committee Action

The Committee on Ways and Means marked up H.R. 8292, the Taxpayer Data Protection Act, on May 15, 2024, and favorably reported the bill, as amended, to the House of Representatives (with quorum being present).

D. Designated Hearing

Pursuant to clause 3(c)(6) of rule XIII, the following hearing was used to develop and consider H.R. 8292:

"Hearing with IRS Commissioner Daniel Werfel" on February 15, 2024.[12]

II. EXPLANATION OF THE BILL

A. Increase in Penalties for Unauthorized Disclosures of Taxpayer Information (sec. 2 of the bill and sec. 7213 of the Code)

PRESENT LAW

General rule of confidentiality

As a general rule, section 6103 provides that returns and return information are confidential. The definition of return information is very broad and includes any information received or collected by the Internal Revenue Service ("IRS") with respect to the liability under the Code of any person for any tax, penalty, interest, or offense. Returns and return information cannot be disclosed unless there is an applicable exception in the Code.

Section 6103 contains over 95 specific exceptions to the general rule of confidentiality, grouped into 13 categories (paragraphs (c) through (o)): (1) disclosures or return or return information to designees of the taxpayer (consent); (2) disclosures to State tax officials and State and local law enforcement; (3) disclosures to persons having material interest; (4) disclosure to committees of Con-

[9] H. Comm. on Ways and Means, *President Biden's Fiscal Year 2024 Budget Request with Treasury Secretary Yellen* (Mar. 10, 2023).
[10] H. Comm. on Ways and Means, *Accountability and Transparency at the Internal Revenue Service with IRS Commissioner Werfel* (Apr. 27, 2023).
[11] H. Comm. on Ways and Means, *Hearing with IRS Commissioner Daniel Werfel* (Feb. 15, 2024).
[12] H. Comm. on Ways and Means, *Hearing with IRS Commissioner Daniel Werfel* (Feb. 15, 2024).

gress; (5) disclosures to the President and certain other persons; (6) disclosure to certain Federal officers and employees for purposes of tax administration, etc.; (7) disclosure to Federal officers and employees for administration of Federal laws not relating to tax administration (generally disclosures relating to criminal law enforcement and GAO for audits of the IRS and certain other agencies), (8) statistical use; (9) disclosure of certain return and return information for tax administration purposes (including investigative disclosures and passport revocation); (10) disclosures of returns and return information for purposes other than tax administration (this is one of the largest categories, including 22 different exceptions); (11) disclosure of taxpayer identity information; (12) certain other persons (tax administration contractors); and (13) disclosure of return and return information with respect to certain taxes (alcohol, tobacco, firearms, wagering and the heavy vehicle use tax).

To protect the confidentiality of returns and return information, section 6103 imposes recordkeeping and safeguard requirements. By March 31 of each year, the IRS is required to report on the number of certain disclosures made in the previous calendar year. As a condition of receiving returns and return information, specified recipients are required to meet safeguard requirements to the satisfaction of the Secretary to protect the confidential returns and return information. In addition, the IRS performs periodic onsite inspections and is required to submit a report which describes the procedures and safeguards established and utilized by such recipients for ensuring the confidentiality of returns and return information they receive. The report is also required to describe instances of deficiencies in, and failure to establish or utilize, such procedures.

Criminal penalties for the unauthorized disclosure or inspection of returns or return information

Under section 7213, criminal penalties apply to: (1) willful unauthorized disclosures of returns and return information by Federal and State employees and other persons; (2) the offering of any item of material value in exchange for a return or return information and the receipt of such information pursuant to such an offer; and (3) the unauthorized disclosure of return information received by certain shareholders under the material interest proposal of section 6103.

Under section 7213, a person can be subject to a fine of up to $5,000, up to five years imprisonment, or both, together with the costs of prosecution.[13] If the offense is committed by a Federal employee or officer, the employee or officer will be discharged from office upon conviction.

Under section 7213A, the willful and unauthorized inspection of returns and return information can subject Federal and State employees and others to a maximum fine of $1,000, up to a year in

[13] A fine of up to $250,000 can be imposed pursuant to 18 U.S.C. sec. 3571. Section 3559 of Title 18 specifies that an offense with a maximum authorized term of imprisonment of "less than ten years but five or more years" is a "Class D felony," and that an offense with a maximum authorized term of imprisonment of "less than twenty-five years but ten or more years" is a "Class C felony."

prison, or both, in addition to the costs of prosecution.[14] If the offense is committed by a Federal employee or officer, the employee or officer will be discharged from office upon conviction.

In addition, any person who intentionally accesses a computer "without authorization or exceeds authorized access, and thereby obtains . . . information from any department or agency of the United States" can be prosecuted under 18 U.S.C. section 1030(a)(2) and upon conviction may be imprisoned for a year, or fined, or both.

Civil damage remedies for unauthorized disclosure or inspection

If a Federal employee makes an unauthorized disclosure or inspection, under section 7431, a taxpayer can bring suit against the United States in Federal district court. If a person other than a Federal employee makes an unauthorized disclosure or inspection, suit may be brought directly against such person. No liability results from a disclosure based on a good faith, but erroneous, interpretation of section 6103. A disclosure or inspection made at the request of the taxpayer will also relieve liability.

Upon a finding of liability, a taxpayer can recover the greater of $1,000 per act of unauthorized disclosure (or inspection), or the sum of actual damages plus, in the case of an inspection or disclosure that was willful or the result of gross negligence, punitive damages. The taxpayer may also recover the costs of the action and, if found to be a prevailing party, reasonable attorney fees.

The taxpayer has two years from the date of the discovery of the unauthorized inspection or disclosure to bring suit. The IRS is required to notify a taxpayer of an unauthorized inspection or disclosure as soon as practicable after any person is criminally charged by indictment or information for unlawful inspection or disclosure. In addition, if the IRS or a Federal or State agency (upon notice to the Secretary by such Federal or State agency) proposes an administrative determination as to disciplinary or adverse action against an employee arising from the employee's unauthorized inspection or disclosure of the taxpayer's return or return information, the taxpayer is also required to be notified.

B. Reasons for Change

Charles Littlejohn, a contractor for the IRS, stole confidential tax return information for thousands of the nation's wealthiest individuals and disclosed this information to two news organizations, which published articles on the information. Although the information of thousands of taxpayers was involved, Mr. Littlejohn was charged with only a single count of willful unauthorized disclosure.[15] Mr. Littlejohn was sentenced to the maximum provided by section 7213, $5,000 and five years in prison. The Committee believes that the penalties for unauthorized disclosure should be strengthened by increasing the maximum penalty to a $250,000 fine and 10 years imprisonment, to serve as a deterrent to future violations of the law. In addition, the bill ensures that each tax-

[14] A fine of up to $100,000 can be imposed pursuant to 18 U.S.C. sec. 3571(b)(4), applicable to Class A misdemeanors, defined in section 3559 of Title 18 as an offense with a maximum authorized term of imprisonment of "one year or less but more than six months."

[15] Details of the Littlejohn prosecution, including court filings, are available at https://www.justice.gov/criminal/criminal-vns/case/united-states-v-charles-littlejohn.

payer impacted by a disclosure will count as a separate and distinct violation of the law.

C. Explanation of Provisions

The provision increases the specified maximum fine in section 7213 from $5,000 to $250,000, consistent with 18 U.S.C. section 3571. The provision also increases from five years to 10 years the maximum term of imprisonment upon conviction of a section 7213 violation. Under the provision, for a willful unauthorized disclosure involving the returns or return information of multiple taxpayers, a separate violation occurs with respect to each such taxpayer whose return or return information is disclosed.

D. Effective Date

The provision is effective for disclosures made after the date of enactment.

III. VOTES OF THE COMMITTEE

In compliance with the Rules of the House of Representatives, the following statement is made concerning the vote of the Committee on Ways and Means during the markup consideration of H.R. 8292, the "Taxpayer Data Protection Act," on May 15, 2024.

H.R. 8292 was ordered favorably reported to the House of Representatives as amended by a roll call vote of 40 yeas to 1 nay (with a quorum being present). The vote was as follows:

Representative	Yea	Nay	Present	Representative	Yea	Nay	Present
Mr. Smith (MO)	X			Mr. Neal	X		
Mr. Buchanan	X			Mr. Doggett			
Mr. Smith (NE)	X			Mr. Thompson	X		
Mr. Kelly	X			Mr. Larson	X		
Mr. Schweikert	X			Mr. Blumenauer	X		
Mr. Lahood	X			Mr. Pascrell		X	
Dr. Wenstrup	X			Mr. Davis	X		
Mr. Arrington	X			Ms. Sánchez	X		
Dr. Ferguson	X			Ms. Sewell	X		
Mr. Estes	X			Ms. DelBene	X		
Mr. Smucker	X			Ms. Chu	X		
Mr. Hern	X			Ms. Moore	X		
Ms. Miller	X			Mr. Kildee	X		
Dr. Murphy	X			Mr. Beyer	X		
Mr. Kustoff	X			Mr. Evans			
Mr. Fitzpatrick	X			Mr. Schneider	X		
Mr. Steube	X			Mr. Panetta	X		
Ms. Tenney	X			Mr. Gomez	X		
Mrs. Fischbach	X						
Mr. Moore	X						
Mrs. Steel	X						
Ms. Van Duyne	X						
Mr. Feenstra	X						
Ms. Malliotakis	X						
Mr. Carey	X						

IV. BUDGET EFFECTS OF THE BILL

A. COMMITTEE ESTIMATE OF BUDGETARY EFFECTS

In compliance with clause 3(d) of rule XIII of the Rules of the House of Representatives, the following statement is made concerning the effects on the budget of the bill, H.R. 8292 as reported.

The bill is estimated to have a negligible effect on Federal fiscal year budget receipts over the 2024–2034 budget period.

B. STATEMENT REGARDING NEW BUDGET AUTHORITY AND TAX EXPENDITURES BUDGET AUTHORITY

In compliance with clause 3(c)(2) of rule XIII of the Rules of the House of Representatives, the Committee states that the bill involves no new or increased budget authority.

C. COST ESTIMATE PREPARED BY THE CONGRESSIONAL BUDGET OFFICE

With respect to the requirements of clause 3(c)(2) of rule XIII of the Rules of the House of Representatives and section 308(a) of the *Congressional Budget Act of 1974* and with respect to requirements of clause (3)(c)(3) of rule XIII of the Rules of the House of Representatives and section 402 of the *Congressional Budget Act of 1974*, the Congressional Budget Office cost estimate is attached.

H.R. 8292, Taxpayer Data Protection Act
As ordered reported by the House Committee on Ways and Means on May 15, 2024

By Fiscal Year, Millions of Dollars	2024	2024-2029	2024-2034
Direct Spending (Outlays)	0	0	0
Revenues	0	*	*
Increase or Decrease (-) in the Deficit	0	*	*
Spending Subject to Appropriation (Outlays)	*	*	not estimated

Increases *net direct spending* in any of the four consecutive 10-year periods beginning in 2035?	No	Statutory pay-as-you-go procedures apply?	Yes
		Mandate Effects	
Increases *on-budget deficits* in any of the four consecutive 10-year periods beginning in 2035?	No	Contains intergovernmental mandate?	No
		Contains private-sector mandate?	No

* = between -$500,000 and $500,000.

H.R. 8292 would increase the maximum penalties for the unauthorized disclosure of the tax return information of a person. Under current law, such unauthorized disclosure is a felony punishable by a fine of up to $5,000, imprisonment of up to 5 years, or both. H.R. 8292 would increase the maximum penalty to a fine of up to $250,000, imprisonment of not more than 10 years, or both. The bill also would clarify that any unauthorized disclosure which affects more than one taxpayer shall be treated as a separate, distinct violation for each taxpayer affected.

The Congressional Budget Act of 1974, as amended, stipulates that revenue estimates provided by the staff of the Joint Committee on Taxation (JCT) will be the official estimates for all tax legislation considered by the Congress. As such, CBO incorporates those estimates into its cost estimates of the effects of legislation. All of the estimates for the revenue provisions of H.R. 8292 were provided by JCT.[1]

For this estimate, CBO and JCT assume that the bill will be enacted in fiscal year 2024.

JCT estimates that enacting H.R. 8292 would result in a negligible increase in revenues over the 2024–2034 period.

CBO estimates that implementing H.R. 8292 would increase administrative costs for the Internal Revenue Service by less than $500,000 over the 2024–2029 period; any related spending would be subject to the availability of appropriated funds.

The CBO staff contact for this estimate is Nathaniel Frentz. The estimate was reviewed by John McClelland, Director of Tax Analysis.

PHILLIP L. SWAGEL,
Director, Congressional Budget Office.

V. OTHER MATTERS TO BE DISCUSSED UNDER THE RULES OF THE HOUSE

A. COMMITTEE OVERSIGHT FINDINGS AND RECOMMENDATIONS

With respect to clause 3(c)(1) of rule XIII of the Rules of the House of Representatives, the Committee made findings and recommendations that are reflected in this report.

B. STATEMENT OF GENERAL PERFORMANCE GOALS AND OBJECTIVES

With respect to clause 3(c)(4) of rule XIII of the Rules of the House of Representatives, the Committee advises that the bill does not authorize funding, so no statement of general performance goals and objectives is required.

C. APPLICABILITY OF HOUSE RULE XXI, CLAUSE 5(b)

Rule XXI 5(b) of the Rules of the House of Representatives provides, in part, that “A bill or joint resolution, amendment, or conference report carrying a Federal income tax rate increase may not be considered as passed or agreed to unless so determined by a vote of not less than three-fifths of the Members voting, a quorum being present.” The Committee has carefully reviewed the bill, and states that the bill does not provide such a Federal income tax rate increase.

D. INFORMATION RELATING TO UNFUNDED MANDATES

This information is provided in accordance with section 423 of the *Unfunded Mandates Reform Act of 1995* (Pub. L. No. 104–4).

The Committee has determined that the bill does not contain Federal mandates on the private sector. The Committee has determined that the bill does not impose a Federal intergovernmental mandate on State, local, or tribal governments.

[1] See Joint Committee on Taxation, *Description of the Chairman’s Amendment in the Nature of a Substitute to H.R. 8292, The “Taxpayer Data Protection Act”*, JCX–22–24 (May 14, 2024), https://www.jct.gov/publications/2024/jcx-22-24/, and *Description of H.R. 8292, The “Taxpayer Data Protection Act”*, JCX–17–24 (May 13, 2024), https://www.jct.gov/publications/2024/jcx-17-24/.

E. Tax Complexity Analysis

Section 4022(b) of the Internal Revenue Service Reform and Restructuring Act of 1998 ("IRS Reform Act") requires the staff of the Joint Committee on Taxation (in consultation with the Internal Revenue Service and the Treasury Department) to provide a tax complexity analysis. The complexity analysis is required for all legislation reported by the Senate Committee on Finance, the House Committee on Ways and Means, or any committee of conference if the legislation includes a provision that directly or indirectly amends the Internal Revenue Code and has widespread applicability to individuals or small businesses. The staff of the Joint Committee on Taxation has determined that there are no provisions that are of widespread applicability to individuals or small businesses.

F. Congressional Earmarks, Limited Tax Benefits, and Limited Tariff Benefits

With respect to clause 9 of rule XXI of the Rules of the House of Representatives, the Committee has carefully reviewed the provisions of the bill, and states that the provisions of the bill do not contain any congressional earmarks, limited tax benefits, or limited tariff benefits within the meaning of the rule.

G. Duplication of Federal Programs

In compliance with clause 3(c)(5) of rule XIII of the Rules of the House of Representatives, the Committee states that no provision of the bill establishes or reauthorizes: (1) a program of the Federal Government known to be duplicative of another Federal program; (2) a program included in any report from the Government Accountability Office to Congress pursuant to section 21 of Public Law 111–139; or (3) a program related to a program identified in the most recent Catalog of Federal Domestic Assistance, published pursuant to the Federal Program Information Act (Pub. L. No. 95–220, as amended by Pub. L. No. 98–169).

VI. CHANGES IN EXISTING LAW MADE BY THE BILL, AS REPORTED

In compliance with clause 3(e) of rule XIII of the Rules of the House of Representatives, changes in existing law made by the bill, as reported, are shown as follows.

Changes in Existing Law Made by the Bill, as Reported

In compliance with clause 3(e) of rule XIII of the Rules of the House of Representatives, changes in existing law made by the bill, as reported, are shown as follows (existing law proposed to be omitted is enclosed in black brackets, new matter is printed in italics, and existing law in which no change is proposed is shown in roman):

INTERNAL REVENUE CODE OF 1986

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Subtitle F—Procedure and Administration

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CHAPTER 75—CRIMES, OTHER OFFENSES, AND FORFEITURES

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Subchapter A—CRIMES

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PART I—GENERAL PROVISIONS

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SEC. 7213. UNAUTHORIZED DISCLOSURE OF INFORMATION.

(a) RETURNS AND RETURN INFORMATION.—

(1) FEDERAL EMPLOYEES AND OTHER PERSONS.—It shall be unlawful for any officer or employee of the United States or any person described in section 6103(n) (or an officer or employee of any such person), or any former officer or employee, willfully to disclose to any person, except as authorized in this title, any return or return information (as defined in section 6103(b)). Any violation of this paragraph shall be a felony punishable upon conviction by a fine in any amount not exceeding ⟦$5,000, or imprisonment of not more than 5 years⟧ *$250,000, or imprisonment of not more than 10 years*, or both, together with the costs of prosecution, and if such offense is committed by any officer or employee of the United States, he shall, in addition to any other punishment, be dismissed from office or discharged from employment upon conviction for such offense.

(2) STATE AND OTHER EMPLOYEES.—It shall be unlawful for any person (not described in paragraph (1)) willfully to disclose to any person, except as authorized in this title, any return or return information (as defined in section 6103(b)) acquired by him or another person under subsection (d), (i)(1)(C), (3)(B)(i), or (7)(A)(ii), (k)(10), (13), (14), or (15), (*l*)(6), (7), (8), (9), (10), (12), (15), (16), (19), (20), or (21) or (m)(2), (4), (5), (6), or (7) of section 6103 or under section 6104(c). Any violation of this paragraph shall be a felony punishable by a fine in any amount not exceeding ⟦$5,000, or imprisonment of not more than 5 years⟧ *$250,000, or imprisonment of not more than 10 years*, or both, together with the costs of prosecution.

(3) OTHER PERSONS.—It shall be unlawful for any person to whom any return or return information (as defined in section 6103(b)) is disclosed in a manner unauthorized by this title thereafter willfully to print or publish in any manner not provided by law any such return or return information. Any violation of this paragraph shall be a felony punishable by a fine in any amount not exceeding ⟦$5,000, or imprisonment of not more than 5 years⟧ *$250,000, or imprisonment of not more than 10 years*, or both, together with the costs of prosecution.

(4) SOLICITATION.—It shall be unlawful for any person willfully to offer any item of material value in exchange for any return or return information (as defined in section 6103(b)) and to receive as a result of such solicitation any such return or return information. Any violation of this paragraph shall be a felony punishable by a fine in any amount not exceeding ⟦$5,000, or imprisonment of not more than 5 years⟧ *$250,000, or imprisonment of not more than 10 years*, or both, together with the costs of prosecution.

(5) SHAREHOLDERS.—It shall be unlawful for any person to whom a return or return information (as defined in section 6103(b)) is disclosed pursuant to the provisions of section 6103(e)(1)(D)(iii) willfully to disclose such return or return information in any manner not provided by law. Any violation of this paragraph shall be a felony punishable by a fine in any amount not to exceed ⟦$5,000, or imprisonment of not more than 5 years⟧ *$250,000, or imprisonment of not more than 10 years*, or both, together with the costs of prosecution.

(6) DISCLOSURES OF RETURN INFORMATION OF MULTIPLE TAXPAYERS TREATED AS MULTIPLE VIOLATIONS.—For purposes of paragraphs (1), (2), (3), (4), and (5), a separate violation occurs with respect to each taxpayer whose return or return information is disclosed in violation of any such paragraph.

(b) DISCLOSURE OF OPERATIONS OF MANUFACTURER OR PRODUCER.—Any officer or employee of the United States who divulges or makes known in any manner whatever not provided by law to any person the operations, style of work, or apparatus of any manufacturer or producer visited by him in the discharge of his official duties shall be guilty of a misdemeanor and, upon conviction thereof, shall be fined not more than $1,000, or imprisoned not more than 1 year, or both, together with the costs of prosecution; and the offender shall be dismissed from office or discharged from employment.

(c) DISCLOSURES BY CERTAIN DELEGATES OF SECRETARY.—All provisions of law relating to the disclosure of information, and all provisions of law relating to penalties for unauthorized disclosure of information, which are applicable in respect of any function under this title when performed by an officer or employee of the Treasury Department are likewise applicable in respect of such function when performed by any person who is a "delegate" within the meaning of section 7701(a)(12)(B).

(d) DISCLOSURE OF SOFTWARE.—Any person who willfully divulges or makes known software (as defined in section 7612(d)(1)) to any person in violation of section 7612 shall be guilty of a felony and, upon conviction thereof, shall be fined not more than $5,000, or imprisoned not more than 5 years, or both, together with the costs of prosecution.

(e) CROSS REFERENCES.—

(1) PENALTIES FOR DISCLOSURE OF INFORMATION BY PREPARERS OF RETURNS.—For penalty for disclosure or use of information by preparers of returns, see section 7216.

(2) PENALTIES FOR DISCLOSURE OF CONFIDENTIAL INFORMATION.—For penalties for disclosure of confidential information

by any officer or employee of the United States or any department or agency thereof, see 18 U.S.C. 1905.

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