INTERNAL REVENUE SERVICE RESTRUCTURING AND REFORM ACT OF 1998

The Senate continued with the consideration of the bill.

AMENDMENT NO. 2368

(Purpose: To amend the provision regarding offset of past-due legally enforceable State income tax obligations against overpayments to apply to debts for which an administrative hearing has determined an amount of State income tax to be due, and for other purposes)

Mr. KERREY. Mr. President, I send an amendment to the desk and ask for its immediate consideration.

The PRESIDING OFFICER. The clerk will report.

The assistant legislative clerk read as follows:

The Senator from Nebraska [Mr. KERREY], for Mr. GRASSLEY, for himself and Mr. KERREY, proposes an amendment numbered 2368.

Mr. KERREY. Mr. President, I ask unanimous consent that reading of the amendment be dispensed with.

The PRESIDING OFFICER. Without objection, it is so ordered.

The amendment is as follows:

On page 386, lines 17 and 18, strike ''return for such taxable year'' and insert ''Federal return for such taxable year of the overpayment''.

On page 387, line 23, insert ''by certified mail with return accept'' after ''notifies''.

On page 388, strike lines 17 through 25, and insert the following:

''(A)(i) which resulted from—

''(I) a judgment rendered by a court of competent jurisdiction which has determined an amount of State income tax to be due, or

''(II) a determination after an administrative hearing which has determined an amount of State tax to be due, and

''(ii) which is no longer subject to judicial review, or

''(B) which resulted from a State income tax which has been assessed but not collected, the time for redetermination of which has expired, and which has not been delinquent for more than 10 years.

Mr. KERREY. Mr. President, this amendment offered by Senator GRASSLEY and I will fix a problem having to do with Federal tax refunds and State offsets. For those of us that have State income tax, there is a problem of some considerable proportion. I thank Chairman ROTH for being willing to work with Senator GRASSLEY and me on this one. There was confusion. We answered incorrectly when the chairman asked us about whether or not judicial judgments would solve this. I appreciate very much the chairman working with us to accept this amendment.

Mr. ROTH. Mr. President, I believe the amendment in its present form is satisfactory. I did initially have some serious concerns—some concern that an innocent taxpayer might find money owed him that would be offset by the State under situations where that would not be appropriate. But we have worked together and have come up with an amendment that takes care of that concern. The majority is willing to accept the proposed amendment.

Mr. KERREY. Mr. President, the distinguished Senator from Iowa, Senator GRASSLEY, is not on the floor, but I am certain he is going to want to speak on this. However, I think it will be fine if we urge adoption of the amendment at this time.

The PRESIDING OFFICER. The question is on agreeing to the amendment.

The amendment (No. 2368) was agreed to.

Mr. ROTH. Mr. President, I move to reconsider the vote.

Mr. KERREY. I move to lay that motion on the table.

The motion to lay on the table was agreed to.

Ms. MIKULSKI addressed the Chair.

The PRESIDING OFFICER. The Senator from Maryland is recognized.

Ms. MIKULSKI. Mr. President, I rise in strong support of the IRS Reform and Modernization Act. It is now over six months since the House passed this reform measure. I am pleased that at last we are taking this bill up here in the Senate, and that we will be voting on this today.

Let me tell you why I think this bill is so important.

Others have spoken on the new projections that this bill will provide for taxpayers. I agree that they are very important.

As my colleagues have noted, this bill will provide taxpayers with important new rights and protections. It shifts the burden of proof in many tax court cases from the taxpayer to the Secretary of the Treasury. It gives taxpayers an expanded ability to recover costs if they win their cases. It protects ''innocent spouses''.

The bill also will help taxpayers by changing the framework for interest and penalties and improving due process in matters regarding audits and collections. These are all important reforms. They will help ensure fairness for taxpayers.

Mr. President, I really want to get to the heart of why I am for this bill.

First, the Senate should know that I am very, very proud of the fact that the IRS will have its headquarters in Maryland. I want to salute the devoted men and women at the IRS who have worked under a very difficult set of conditions. They have often worked under a lack of leadership and often with a lack of technology. I hope that as we move ahead with the IRS reform package, we really remember and reward the dedicated and faithful civil servants who follow the laws that Congress passes.

I must tell why I am so enthusiastic about this bill. It provides not only a new legislative framework, but a new culture and a new attitude at the top that then says to the agent at the grassroots level what is expected of him. Let me tell you why I think this new culture and new attitude is so important. I believe there is no doubt that the IRS has engaged in many inappropriate management practices. I know from my conversations with Maryland constituents that too many of them have been outright harassed by the IRS.

I want to talk about two constituencies: the veterans of the State of Maryland and the firefighters in Frederick County. I think it is outrageous that IRS singled out these veterans of Maryland, and actually even stalked them over what they were doing in their VFW halls and their American Legion posts. The IRS wanted to penalize them because they had a little beer and a little bingo on a Friday night.

Over the past several years IRS has targeted a number of veterans posts in Maryland. Veterans of Foreign Wars and American Legion posts have been subjected to audits, harassment and threats. What is their crime? They sell drinks and food to their post members and their guests; a little bingo and a little beer and a lot of IRS. Let me tell you, that has got to end.

Every member of this Senate has veterans' posts in their state. We know that these neighborhood meeting places offer veterans a place for fellowship, entertainment and an affordable meal for their families and friends. The IRS believes that posts should have to pay taxes on these sales. Maryland veterans' posts report that IRS has confiscated their sign-in books. People have been subpoenaed. One post, the Dundalk post in the State of Maryland, was even threatened the loss of their nonprofit status.

Ladies and gentleman of the Senate, these are the men and women who fought to save America, and I am willing to stand up today to save America's veterans from the Internal Revenue Service. And that is why I am going to be an enthusiastic voter for the final passage of this bill.

What did our veterans have to do? They had to hire attorneys, they had to hire CPAs. Amazingly, the American Legion was told by the IRS they could not use post funds to provide this legal help. Then instead of offering to work cooperatively with the post to help them come into compliance, the IRS went after them in the most heavy-handed manner. They also said, ''If you go to any Member of your Congress, we will get you.'' I am not out to get anybody. But what I am here to be sure of is that our Tax Code is a workable one and that the people who work at IRS follow the law.

Let me give you another example—our volunteer firefighters. Underline that, Mr. President. Volunteer firefighters, who put themselves, their lives on the line to save us and our families.

One of the ways that they get money to be able to purchase a firetruck or other equipment is something called a tip jar. It is just a big glass jar which they have in taverns or other places; voluntary contributions to help a volunteer fire department. But, oh, no. Along comes the IRS and says even though you risk your lives, even

though you do not have the backing of big city technology, we are going to make sure we are going to tax you for what you have done.

To help the firefighters, the Frederick County Commissioners passed a local gaming law making it legal and less bureaucratic for the fire company to have tip jars in local taverns. The new law eliminated the need for the county tax processors to get involved in a voluntary philanthropic activity. But, no, the IRS had other ideas. They had to come after our firefighters. They audited the fire company. They informed the volunteers that they owed $29,000 in back Federal taxes because the money was not funneled through some local tax authority.

What comes next? Are they going to be after the Girl Scouts when they sell their cookies?

I believe an agency culture that identifies America's veterans and America's volunteer firefighters as the enemy is a culture in desperate need of change.

So that is why this bill is important. I believe that we are not only changing the law, but it will change the culture of IRS.

The Oversight Board this bill provides will work to ensure the best use of agency resources. It will help the IRS focus its priorities where they should be—stopping flagrant tax cheats and tax evaders, not going after veterans and volunteers who have made innocent mistakes.

The National Taxpayer Advocate, and the system of local taxpayers advocates will help these groups navigate their way through an often intimidating and complex dispute resolution process. The special customer group dedicated to working with members of the tax-exempt sector will also be a big help. This division will be able to work with the non-profits to ensure they understand their responsibilities under the law, and to help them comply.

Mr. President, before closing, I want to pay tribute to the devoted men and women who work at the IRS, often under difficult circumstances, inadequate and dated technology, and often poor leadership or supervision. I believe this bill will help them too. They have chosen to devote their careers to our government and to public service. They receive little recognition and little thanks. I want them to know I value their work. And I am delighted that the Oversight Board will include an employee representative. No one knows more about how to change the culture of the IRS than the employees themselves. This bill recognizes the importance of ensuring that they have a place at the table.

I do want the IRS to focus on collecting the taxes in the most efficient way, and I want them to go after tax cheats, tax evaders, and drug dealers so that we can use the IRS to stop real crime in our country. There is no crime going on in the VFW or in the volunteer fire companies of America.

I know this bill and hopefully now the new Commissioner will interact with different customer groups by working with them in a different type of way.

I look forward to the fact that with the new leadership and the new legislation that we will really back the dedicated civil servants with this new framework and that we will be able to help them. But today I vote for reform of IRS. I stand here on the Senate floor in my own modest way to fight as hard for the veterans as they have fought for us and to stand up for protecting our volunteer firefighters.

Certainly in the United States of America a little beer and a little bingo should not be penalized.

Mr. President, I yield the floor.

Mr. FEINGOLD addressed the Chair.

The PRESIDING OFFICER. The Senator from Wisconsin.

Mr. FEINGOLD. Thank you, Mr. President.

Mr. FEINGOLD. Mr. President, as we approach so-called Tax Freedom Day, I rise to offer some comments about the IRS Reform measure before us, and to address some more general issues on the state of our tax code.

Mr. President, let me begin by especially commending the senior Senator from Nebraska, Mr. KERREY, for his efforts to bring IRS reform before the body. His long involvement in this issue, and his unflagging efforts to bring these reforms before us deserve our highest praise.

This bill is very much the product of Senator KERREY's work, and American taxpayers are fortunate to have his gifted advocacy.

Mr. President, there are many significant reforms included in the bill before us, but one that I was especially interested to see included mirrors legislation I was pleased to join in introducing with the senior Senator from Vermont (Mr. LEAHY) .

Our measure would extend the protections of the Equal Access to Justice Act to taxpayers who have had actions brought against them by the IRS.

Mr. President, for those who are not familiar with this important Act, it was established in response to the dilemma individuals and small businesses face when the government brings an unjustified action against them that may be relatively expensive to contest.

Even though they may feel very strongly that they are right and they did nothing wrong, they feel they cannot pay the costs associated with it.

Too often, an individual or a small business may feel forced to forgo contesting the government's action, feeling that any potential fine or forfeiture would be less expensive than the cost of fighting the government in court.

Mr. President, I saw this long before I entered the political world as an attorney representing small business people who faced this frustration and feeling that they really couldn't fight the Government in these cases because of the problems with fines, and especially attorneys' fees.

Under the Equal Access to Justice Act, those individuals and small businesses are entitled to recover their court costs if they are successful in fighting the government action.

Mr. President, as a member of the Wisconsin State Senate, I worked to establish an Equal Access to Justice law for Wisconsin, and since coming to this body, I have offered measures to further strengthen the Federal law in this regard.

This bill, the IRS bill, is a golden opportunity for us to improve this law by including in large part the provisions of the bill Senator LEAHY and I introduced that would make the IRS have to play by these rules as well.

I also want to thank the managers of the bill for accepting the amendment my colleague from Wisconsin, Senator KOHL, and I offered regarding the equal employment opportunity problems that were brought to our attention by IRS employees in Wisconsin.

This matter came to the attention of the Finance Committee at a recent hearing, and I very much hope the action we are taking in this legislation will help resolve those problems.

Mr. President, the IRS reform bill before us is by and large a good response to many of the problems with our current tax collection system. The tax collection system is a vitally important issue, and it certainly contributes to the larger issue surrounding the Tax Code itself. Of course, the problems with the Tax Code are likely to be much thornier to address, and as we approach what has been called Tax Freedom Day, I want to offer a few comments on the challenges we face in taking the next step beyond this bill in reforming the Tax Code itself.

We have all heard about this Tax Freedom Day. There is some dispute about when it really is, but it is supposed to be the day by which we have worked enough to pay our taxes for the year. The Tax Foundation maintains that the date is May 10. Other organizations question that and point to other dates. One says Tax Freedom Day is really April 22. Looking just at the Federal personal income tax, some say Tax Freedom Day for the typical taxpayer is really January 20. So it may be interesting to examine all of these estimates and compare the differences in the way we calculate Tax Freedom Day. But without trying to argue which day is the right day, I think we can at least agree there probably is not anyone who, if told their own tax freedom day was this Sunday, wouldn't prefer that it was Saturday instead. No one likes to pay taxes and everyone would like to pay less than they do now. For most people this would be a key part of tax reform, and I think they are right.

Although we may not be voting on a significant overhaul of the Tax Code this year, I really hope that serious debate of various tax reform proposals

can begin. This was something that was identified as one of the very top four or five priorities after the 1994 election, to have a debate about tax reform. But we have never had that debate over the past 4 years. The work that has gone into the IRS reform bill, and especially the leadership of Senator KERREY, shows how much can be done if this body actually works toward reform. And I think the same would be true if we really dedicated ourselves to tax reform legislation.

While we may not be voting on tax reform this year, we are certainly likely to be taking actions, including apparently passing tax bills, that will have a direct bearing on tax reform when it does finally come before us.

With this in mind as we take actions that are likely to have this downstream effect on tax reform, I hope we keep various principles in mind. We should promote equity and fairness; we should resist complexity; and we should insist on fiscal responsibility.

An aspect of the current Tax Code that really strains each of these principles, and which contributes to our having a later Tax Freedom Day for most of us, is, in fact, the huge number of special interest provisions that appear throughout the Tax Code. It is riddled with them. These provisions, often called tax expenditures, have been enacted over the years to help specific groups of taxpayers but they have come at a cost. They come at a cost of lost revenue, and that ends up being a burden that other taxpayers are left to bear through higher taxes.

While some tax expenditures are justified, many are not. And they can combine to produce significant tax avoidance by some of the biggest and most profitable financial interests in the world.

One example related to me recently concerned one of our largest automakers, a firm that is obviously one of the largest and most successful corporations in our Nation's history. This enormous corporation reportedly had billions in U.S. profits for 1995 and 1996. But they didn't pay one penny of Federal income tax. In fact, they actually got refunds totaling over $1 billion. In a case like this, for a company like this, Tax Freedom Day isn't in May or April or March or even January 1. It must be last December because they were getting a refund. That is a real freedom from taxation.

This kind of special treatment is, unfortunately, all too common, and while Tax Freedom Day may not be in the previous tax year for all of these interests as in the example I gave, it is certainly the case that while many of us have to work until the flowers are blooming to pay our taxes for the year, many special interests get their tax freedom at least by Groundhog Day. Thousands and thousands of interests have been able to slip special provisions into the Tax Code over the years, increasing the tax burden for the rest of us and further complicating the Tax Code.

I am sorry to say that in the past few years Congress has not stopped this trend. It has not slowed this trend. Congress has continued down this path. On an almost annual basis, Congress passes more and more of these special provisions. And these special provisions not only add to the Tax Code's complexity while shifting a greater tax burden on the rest of us, they actually also undermine our ability to get to that genuine tax reform that all of us are talking about. Again, sorry to say, although I believe it is correct, last year's so-called tax cut bill was a prime example of this sort of abuse.

First and foremost, it was premature. It was not fiscally responsible. Despite all of our recent good economic news and the windfalls to the Government's bottom line, according to the most recent CBO estimate, we are still nearly $100 billion short of a truly balanced budget. We have not balanced our books, unless you are somehow willing to again and again, as has been done for far too many years, use the Social Security trust fund balances to, in effect, mask the currently existing deficit. The real budget is still in deficit, and last year's tax cut bill has made it harder to finish our most important task, and that is to actually balance the Federal budget.

Making matters worse, the cost of that tax bill was heavily back loaded, putting even more pressure on our budget just when the baby boomers begin to retire. That tax bill, of course, added even more layers of complexity to a Tax Code that was already thick with it, and that complexity was not only to the entire code, it reached down to the level of the individual taxpayer. Anyone who had to fill out some of the tax forms that were changed because of the 1997 tax bill knows just how much more complex taxes became because of last year's legislation.

Mr. President, I use last year's tax bill as an example only because I want to make the point that these problems not only are reason to fault that specific legislation, they also, again, undermine our ability to get anywhere near genuine tax reform. Tax reform inevitably creates winners and losers. But we have a better chance of enacting reform if at the time of doing the reform we can increase the number of winners and decrease the number of losers by cutting taxes at the same time that you enact reform. Do not do the complex and all the things that mess it up first and then expect the resources to be available when we have to do tax reform. We have to link the effort to simplify the Tax Code and give some people tax relief.

Simply put, if you could lower taxes while you reformed the code, you sure would have a better chance of enacting real reform. Unfortunately, what last year's tax bill did was commit hundreds of billions of dollars that could have gone to help us achieve true tax reform. It also, unfortunately, created several new classes of winners under the current system, groups that will benefit from the specific provisions in the bill. Why do I say ''unfortunately''? Because these winners, and these winners were only a very few among us—there were far more losers than winners—these few winners now have a bigger stake in the current tax system and they will now be less likely to want to give up their gains or will again require greater tax cuts to allow us to move to a new system. We keep creating our own inertia against reform by giving out more of these tax break goodies. And, as the history of our Tax Code has shown, special tax provisions lead to even more special tax provisions.

So, as we approach what I hope is a real effort to achieve significant tax reform, and as we consider those tax bills that will work their way to us prior to that larger debate, I hope we will, again, keep three principles in mind: We should use our Tax Code to promote equity and fairness, we should resist complexity in the Tax Code, and we should insist on fiscal responsibility when we are taking actions with respect to the Tax Code. Adhering to these three principles will not only result in better tax bills, it will also pave the way for truly significant tax reform, tax reform that will move Tax Freedom Day back for all American families.

I yield the floor.

The PRESIDING OFFICER (Mr. DEWINE). The Senator from Nebraska.

Mr. KERREY. Mr. President, in response to the statement of the distinguished Senator from Wisconsin, might I say, first of all, I appreciate very much his constructive involvement in this legislation, improving it and making it a better piece of legislation. The Senator's voice was heard by the Finance Committee on several key points.

I would like to give some additional information that my colleague probably already has, so I am being redundant about it, on this issue of tax simplification. Today, it is estimated that taxpayers spend about—somewhere, actually, between $70 billion and $100 billion to comply with the Tax Code, $70 to $100 billion a year to comply with the Tax Code. The IRS budget is about $7 billion, so we spend about $7 billion on the IRS to have them collect our taxes.

There is another side to the coin of this complexity. Again, I don't want to revisit this education IRA that just passed on the Senate floor; I don't want to argue that specific objective. But, in order to implement that, the other side of the coin is, the IRS actually becomes more invasive. So a lot of the horror stories that we have heard came as a consequence of the IRS insisting that the taxpayer do X, Y, and Z. They are insisting that they do X, Y, and Z because we passed a law here that will require it, a specific one, which is the 64th change in the tax law since 1986—64 times. Last year, after

the Balanced Budget Act of 1997—ask anybody what schedule D looks like out there in the country as to capital gains and they will tell you how complicated and how costly and how difficult it is to comply.

On the education piece, the IRS, in order to make certain that the taxpayer is following the law, will have to insist that the taxpayer produce documents, insist the taxpayer produce receipts to be able to demonstrate that the expenditures are going to education-related purposes; not only education-related purposes, but purposes that have been required by the school in which the child is enrolled. It is going to be a very difficult set of compliance requirements, A, that the taxpayer is going to have to do, and that the IRS is going to have to make certain the taxpayer has done in order to make certain that they qualify for this tax credit. In addition to the cost, anywhere from $70 to $100 billion annually the taxpayers spend to comply, in addition to that, there is the other side of the coin, which is the IRS. As a consequence of us using income as a basis of determining what the tax is going to be, the IRS has to come out and request the receipts and the documentation and all sorts of other things. That produces the invasive mood that many people on this floor have talked about over and over and over as one of the problems with the IRS.

So I would just say to the Senator from Wisconsin, he is dead right; the next debate has to be, How do we organize this Tax Code to begin with? I am excited that some of the provisions the Senator has added to this bill will increase the likelihood that this debate will go forward. The Taxpayer Advocate that is in title I is going to change the dynamic, because not only are they a Taxpayer Advocate, they are a National Taxpayer Advocate and they will have a tremendous amount of independence. They will be a National Taxpayer Advocate in the State of Wisconsin, of Nebraska, of Ohio. They will have a separate phone number, a separate fax; they will not be operated by the IRS, they will be independent. They are told by this law that they are to come back to this Congress and say: ''Here are items that are repetitive problems with the taxpayer, causing us problems every single year, and they are part of the law. We recommend you change the law.''

Second, as the Senator from Wisconsin knows, because he strengthened the provision, the Commissioner of the IRS will be at the table when tax laws are written. Unlike the education IRA, unlike the Balanced Budget Act last year, where the tax commissioner is silent—the best test of this is, ask yourself, when is the last time you heard an IRS Commissioner say, ''Mr. President that's a great tax idea but here's what it's going to cost the taxpayers to collect''? When is the last time you heard the tax commissioner say, ''Senator Blowhard, that's a great tax idea, but here is what it's going to cost the taxpayers to comply''?

We, under this law, say to the Commissioner, you are empowered to tell the American people and to tell us what it is going to cost and we, as well, require, as a result of the simplicity index, some kind of evaluation, as we do with regulation, as we do with all regulation—some kind of evaluation to inform the Congress as to the cost to comply.

Last, I would say one of the reasons that I felt very strongly about having an employee representative on this board is that the Commissioner is granted, under this legislation, the authority—indeed, directed—to reorganize the IRS along functional lines. I can tell you, of all the things in this bill, I would put that in the top five things that I think taxpayers will notice immediately. Today, what you have is a three-tiered system: National, regional, and district organization. It is very complicated and very difficult for the taxpayer to figure out how this organization occurs. Under the new organization, what you will have is taxpayers organized by category: Individual payers, small business, large business, and nonprofit, all with special problems, all with different needs. The Commissioner has already said that he intends to follow up on some of the suggestions the National Restructuring Commission made, which is that it may be that for both the individual and especially small business, there will be entire categories where the Commissioner will say: ''The small business community spends $2 billion a year complying with this particular provision of the code. We generate, with $2 billion worth of cost, nothing. All we have is cost. There is no revenue coming in. We recommend that large categories of people actually be exempt from having to go through all the compliance requirements.''

I believe what you will see as a consequence of this is a lot of exciting changes being proposed by the Commissioner of the IRS to this Congress that will enable the taxpayer, with its individual small business, large business, or nonprofit, to say, ''I still may not like paying my taxes. I still may think they are too high. But it has gotten a heck of a lot easier. You have gotten rid of some of the things that don't make any sense at all.'' As a consequence, the customer satisfaction is going to increase.

So I applaud the distinguished Senator from Wisconsin. His amendments, his suggestions, his input have improved this bill. And I especially point out that he is right on target, talking about simplification. Not only is there a cost but there is also an invasion that occurs as a consequence of the complexity of the code.

Mr. President, I yield the floor.

Mr. DOMENICI addressed the Chair.

The PRESIDING OFFICER. The Senator from New Mexico.

Mr. DOMENICI. Mr. President, I have two amendments that I understand are going to be acceptable, but they are being drafted in a manner to comply with the wishes of the committee. I will refer to the two. Then I understand that, in due course, the chairman and ranking member will be introducing amendments and mine will go in as one of their en bloc amendments, but I will have spoken to two of them for just a minute, and then for a couple of minutes on the overall bill.

The first one of my amendments is cosponsored by Senator D'AMATO and Senator MCCAIN and anybody else who would like to join. I welcome them cosponsoring it. The IRS already provides forms and instructions in the Spanish language. I commend them for that. Obviously, we are now being told that, while the Hispanic population in America is very large, it will soon be the largest minority by far. And by middle of the next century, one out of every four Americans will be of Hispanic origin—which will be the largest by far.

This first amendment, that is currently sponsored by Senators D'AMATO and MCCAIN, would have the telephone help line mandated to provide communications in Spanish to those who can more easily communicate in Spanish.

I indicated that we already have forms in Spanish. I am for English-plus, in America, which is English—clearly, we should all learn, but I think that instead of talking about English only, we should talk about plusing it up with other languages. That would mean that English and Spanish would be very much appreciated and used in many parts of the country as we educate our young people.

That is one of the amendments. I understand neither the floor manager nor the minority opposes this amendment. Again, I ask if anyone would like to join in cosponsoring that amendment. It is going to be offered by the floor manager as one of the en bloc amendments in the not-too-distant future here on the floor.

Second, I don't know how many Senators have participated in making enough of their own telephone calls these days to find that large institutions have an automated system when you call.

Let's say you want to call, I say to the occupant of the Chair, Sears and Roebuck. Understand, it used to be 25 years ago you would call up and say, ''I'd like the sporting department.'' They would say, ''Just a moment, sir.'' And the next person answering would be somebody in the sporting department.

If you made that phone call today, the answering voice would likely be a recording. ''If you want somebody in the merchandising, punch 1. If you want somebody in''—this area—''punch 2.'' And when they get on, they say, ''If you are looking for this department''—or that department—''punch 4.''

The IRS has a similar system. If you want information on withholding press 1; If you want information about filing

separately press two; If you want information about the new child credit press three. Too often, unfortunately, there isn't a number to press for the question you want answered. My amendment would correct that problem.

I am told as of yesterday in the State of New Mexico, my home State, if you are trying to get a voice to respond to you, believe it or not, in the State of New Mexico, if you want a voice to answer you at the IRS, it now takes 45 minutes for that event to occur. That means you are going through telephones one after the other: Punch this one, then you wait and you tell them what you want; punch another one.

All this amendment says is, if you are going to have these automated lines with press 1, press 2, press 3, you have to have one early on in the numbering system that says, ''Press if you want to speak to a person who can either answer your question or direct you to a person who can.''

I think the American people calling the IRS would be thrilled to death if sooner, rather than later, it did not take you 45 minutes of going through the press 1, press 3, press 28, and you could press something that would give you a live IRS person to talk to you. That is the second amendment.

It is obvious to me that this bill is telling the IRS how to manage things, but it is pretty obvious that those of us who have constituents and go home and ask our office staff what the constituents are saying, they are saying the kind of things that I am telling Senators right now really bug them.

They lose hope when they are 35 minutes on the line and haven't gotten a person yet, so they hang up. I don't think we want that. That isn't good government.

I am hopeful that the new management and the person in charge, who is a manager and businessman, will not see this as trying to micromanage, but sees it is obviously as something they ought to be doing. I don't want to take a chance and not put it in this bill and, in 4 years, when we have oversight, find we are still where we are.

These two amendments, in addition to those other provisions crafted by the committee make up a good bill. The Committee incorporated a number of the recommendations that came from our State as I went through my offices asking what kind of things were not working in dealing with the IRS.

Having said that, I would like to speak for a few moments on the bill.

There are more than 168 ways that this bill makes the IRS more service oriented, and taxpayer friendly. It cracks down on abuses highlighted in the hearings. It corrects some problems called to my attention by constituents. Chairman ROTH and the Finance Committee should be commended for the fine job they did on this bill.

Often when we pass legislation, I ask the question: Who cares?

I can assure you that this is one piece of legislation that everyone cares about. No agency touches more Americans than the IRS. Yet one out of two Americans said they would rather be mugged than be audited by the IRS. This bill should reverse that prevailing view.

Among the key provisions the bill strives for better management; better use of technology; reinstatment of a checks and balances system so that the IRS will no longer be the judge, jury and excutioner; discipline for rogue IRS agents; taxpayer protections including the right to a speedier resolution of a dispute with the IRS; fundamental due process and a long overdue reorganization. Hopefully, these reforms will change the environment and change the culture at the IRS.

The bill prohibits the IRS from contacting taxpayers directly if they are represented by a lawyer or an accountant. The IRS called this practice of bypassing the tax professional and visiting the taxpayer at work or at dinner ''aggressive collection'' techniques, my constituents called it harrassment.

The bill attempts to make the IRS employees more accountable for their actions by putting their jobs on the line when they deal abusively with taxpayers.

The bill requires the IRS to terminate an employee if any of the following conduct relating to the employees official duties is proven in a final administrative or judicial determination:

Failure to obtain the required appproval signatures on documents authorizing the seizure of a taxpayer's home, personal belongings, or business assets.

Falsifying or destroying documents to conceal mistakes made by the employee with respect to a matter involving a taxpayer.

Assault or battery on a taxpayer or other IRS employee.

Under the bill, the IRS will no longer be allowed to send out tax bills with huge penalties compounded with interest and cascading penalties just because the IRS was years behind in its work.

If the IRS does not provide a notice of additional taxes due (a deficiency) within 1 year after a return is timely filed, then interest and penalities will not start to be assessed and compounded until 21 days after demand for payment is made by the IRS. (This excludes penalties for failure to file, failure to pay, and fraud) It isn't fair for the IRS to wait years before contacting a taxpayer who honestly believes he has paid the correct amount, only to deliver to him years later a tax bill with interest and penalites that dwarfs the original underpayment. I had a constituent who was told he owed an additional dollar—one dollar—in taxes but owed more than $2,500 in penalties and interest! The IRS agent's response when asked about it was, ''Well, I guess we gotch ya good.''

Small businesses have been the target of some of the worst abuses. I will always remember the day a good friend, a restaurant owner in New Mexico called my office, justifiably hysterical. The IRS had just padlocked her restaurant! What was she to do? What could I do?

This bill codifies the proposition that all men and women, even if they work for the IRS, shall follow fundamental due process requirements. Padlocks and raids should be a last resort under this bill.

The bill requires the IRS to provide notice to taxpayers 30 days (90 days in the case of life insurance) before the IRS files a notice of Federal tax lien, levies, or seizes a taxpayer's property.

The bill gives taxpayers 30 days to request a hearing. No collection activity would be allowed until after the hearing.

The bill requires IRS to notify taxpayers before the IRS contacts or summons customers, vendors, and neighbors and other third parties.

The bill requires the IRS to implement a review process under which liens, levies, and seizures would be approved by a supervisor, who would review the taxpayer's information, verify that a balance is due, and affirm that a lien, levy, or seizure is appropriate under the circumstances.

The bill requires the IRS to provide an accounting and receipt to a taxpayer including the amount credited to the taxpayer's account when the IRS seizes and sells the taxpayer's property. It seemed ironic that an agency that requires a receipt if a taxpayer is claiming a $5 business lunch wouldn't provide a receipt to a taxpyaer when it seized and sold all of a taxpayer's earthly belongings.

The bill legislates common sense. It prohibits the IRS from seizing a personal residence to satisfy unpaid liabilities less than $5,000, and provides that a principal residence or business property should be seized as a last resort.

In addition, the bill expands the attorney client privilege to acountants and other tax practioners.

Under this bill, the IRS could no longer insist that a taxpayer waive his rights. In particular, the IRS could no longer insist that a taxpayer waive the statute of limitations before the IRS would settle a case. The bill requires the IRS to provide taxpayers with a notice of their rights regarding the waiver of the statute of limitations on assessment.

The bill makes it easier for a taxpayer to settle his or her liability with the IRS.

If the IRS cannot locate the taxpayer's file, the bill prohibits the IRS from rejecting the taxpayer's offer-in-compromise based upon doubt as to the taxpayer's liability. I have known constitutents who are left in an IRS twilight zone because the IRS lost their file. I know of one constitutent who had his file lost five times. Fortunately, he kept a copy of the file himself, and worked next door to a Kinko's copying center.

This bill allows for a prevailing taxpayer to be reimbursed for his or her

costs and attorney's fees if the IRS is found not to be ''substantially justified.'' The substantially justified standard in consistent with the little-guy-can-fight-the-federal-government-and-win philosophy. I am glad this standard is being expanded, and incorporated into this bill. Originally, the notion that a citizen should be able to recoup attorney's fees and costs when the federal government was not substantially justified was a concept in the Equal Access to Justice Act which I authored in the early 1980s. It is historically interesting to note, and perhaps prophetic, that the IRS lobbyied very hard to be exempt from that law. In fact, the IRS was exempt when the bill was first enacted. When the Equal Access to Justice was reauthorized five years latter, Senator GRASSLEY and I worked to include the IRS. It was a big fight but Congress prevailed and got the IRS under the Equal Access to Justice Act's umbrella. The federal government with its deep pockets shouldn't be allowed to simply ''outlast'' the average American taxpayer. That isn't what our justice system is about.

The bill also clarifies that attorney fees may be recovered in a civil action in which the U.S. is a party for unauthorized browsing or disclosure of taxpayer information. I have heard a lot about this abuse both from constituents and from the witnesses in the Campaign Finance investigation.

If a taxpayer makes an offer to settle his or her tax bill and the IRS rejects it and the IRS ultimately obtains a judgment against the taxpayer in the amount equal to, or less than the amount of the taxpayer's statutory offer, the IRS must pay the taxpayer's fees and costs incurred from the date of the statutory offer. I am pleased this provision is included in this bill. The offer and settlement provisions are patterned after the Securities Litigation Reform bill which Senator DODD and I authored last Congress.

I can't believe we have to pass a federal statute to accomplish this next task but apparently we do.

The bill requires all IRS notices and correspondence to include the name, phone number and address of an IRS employee the taxpayer should contact regarding the notice. To the extent practicable and if advantageous to the taxpayer, one IRS employee should be assigned to handle a matter until resolved.

In New Mexico, a notice can come from the Albuquerque, Dallas, Phoenix, or Ogden IRS center. Taxpayers are often left with no option but to contact my office asking for help in simply identifying who they should talk to at the IRS to settle their tax matter. The caseworkers are experts, but it would take them two days to track down the right IRS office so that the constituent could try and solve their problem. It was so commonly befuddling to constituents that my caseworkers asked that this identification provision be included in this bill.

Movie stars, rock singers and hermits like, and need unlisted phone numbers. The same is not true for federal agencies. The bill also requires the IRS to publish their phone number in the phone book along with the address. We have a beautiful new IRS building in Albuqueruque, but the only phone number for the IRS is the toll free number that is too frequently busy. If you didn't know the IRS building in Albuquerque existed, you wouldn't find a clue of its location in the telephone book.

We experienced a lot of complaints about the IRS toll free numbers. I am glad that an amendment that I authored to this bill includes a provision requiring that automated phone lines include the option to talk to a real, knowledgable person who can answer the taxpayers' questions. This would be an option in addition to merely listening to a recorded message.

I am pleased that the Senate was willing to accept a Domenici amendment, cosponsored by Mr. D'AMATO and Mr. MCCAIN that requires IRS helplines to include the capability for taxpayers to have their questions answered in Spanish.

In addition, the bill establishes a toll free number for taxpayers to register complaints of misconduct by IRS employees and publish the number.

The bill requires the IRS to place a priority on employee training and adequately fund employee training programs. The IRS is making progress. The accuracy of the advice that taxpayers received when they called the IRS was very bad. For example, in 1989, the advice was correct only 67 percent of the time. The accuracy has fortunately improved. Training is the key.

The bill requires the Treasury to make matching grants for the development expansion or continuation of certain low-income taxpayer clinics.

The bill requires at least one local taxpayer advocate in each state who has the authority to issue ''Taxpayer Assistance Order'' when the taxpayer Advocate believes it is appropriate.

Mr. President, many, in fact most, IRS employees work very hard and do a good job. Perhaps the best way to reform the IRS is to reform the code to make it simpler. The doubling from $100 billion to $195 billion of the tax gap—the difference between the amount of taxes owed and the amount actually paid—is evidence that the system is breaking down.

The last point I would like to make is that I was going to offer an amendment to provide for a biennial budget and appropriations cycle because if Congress took this step, it would give us more time to do adequate and more aggressive oversight. If we had biennial budgeting the Finance Committee would have more time to focus on keeping an eye on the IRS. Senator MOYNIHAN is a distinguished student of history and he told the Senate that the IRS was created in 1862, but it wasn't until 1997 that the full Finance Committee exercised its oversight jurisdiction. Other committees could, likewise, exercise better oversight of all federal agencies if we had biennial budgeting. We would have better run programs and an opportunity for a truly more efficient federal government.

The Majority Leader has agreed to schedule time for the Senate to debate this bill in the near future. I am pleased that we were able to reach that agreement. Thank you Mr. President.

I yield the floor.

Mr. GRAHAM addressed the Chair.

The PRESIDING OFFICER. The Senator from Florida.

AMENDMENT NO. 2369

(Purpose: To clarify the actual knowledge standard of the innocent spouse provision)

Mr. GRAHAM. Mr. President, I send an amendment to the desk and ask for its immediate consideration.

The PRESIDING OFFICER. The clerk will report.

The assistant legislative clerk read as follows:

The Senator from Florida [Mr. GRAHAM], for himself, Mr. D'AMATO and Mrs. FEINSTEIN, proposes an amendment numbered 2369.

Mr. GRAHAM. Mr. President, I ask unanimous consent that the reading of the amendment be dispensed with.

The PRESIDING OFFICER. Without objection, it is so ordered.

The amendment is as follows:

On page 293, strike lines 3 through 10, and insert:

''(C) ELECTION NOT VALID WITH RESPECT TO CERTAIN DEFICIENCIES.—If the Secretary demonstrates that an individual making an election under this section had actual knowledge, at the time such individual signed the return, of any item giving rise to a deficiency (or portion thereof) which is not allocable to such individual under subsection (c), such election shall not apply to such deficiency (or portion). This subparagraph shall not apply where the individual with actual knowledge establishes that such individual signed the return under duress.

Mr. GRAHAM. Mr. President, the amendment that I am offering, joined by our colleagues, Senator D'AMATO and Senator FEINSTEIN, makes two modifications to the innocent spouse provision which is in this legislation.

Background: Under the current tax law, if a husband and wife jointly sign a return, they are jointly responsible for any deficiency that might subsequently be found to have been the result of that filing.

A typical case is that after a husband and wife have had marital discord and are divorced, the husband may have left town and is difficult to find, the IRS locates the custodial parent, typically the wife, who is more easily accessible, and then she becomes responsible for 100 percent of the tax deficiency that was the result of a filing while the marriage was in place.

Under the current law, there is a provision called ''innocent spouse'' in which a spouse can theoretically avoid that responsibility. I emphasize the word ''theoretically,'' because the testimony we heard before the Finance

Committee was that it is virtually impossible for the standards of that innocent spouse provision to be met and that, in fact, there are some 50,000 women, generally ex-spouses, who are caught up in this 100-percent responsibility for a tax return.

In the Finance Committee hearings, we were impressed with a recommendation made by the American Bar Association as to a different approach to this issue. That approach was essentially an accounting approach which said that instead of using joint and several responsibility, it would be an individual responsibility.

If, for instance, the husband was responsible for 60 percent of the income, which went into the tax return, and the wife, 40 percent, then those percentages would define responsibility in a subsequent deficiency.

That basic approach was adopted by the Finance Committee, but there were some exceptions to that filing for proportional responsibility. The primary exception was that if the Secretary of the Treasury could demonstrate—and the burden is on the Secretary of the Treasury to demonstrate—that an individual making this election to be taxed only for their proportional share of the deficiency of the return, that if they had actual knowledge of the conditions within that return which led to this deficiency, then they would be 100 percent responsible. So actual knowledge would override the ability to elect only partial responsibility.

This amendment makes two modifications to that provision. The first is the question of when is that knowledge relevant. The language that we are inserting into the legislation which is currently before the Senate is that the actual knowledge has to be ''at the time such individual''—that is, the individual who is seeking to pay only a proportionate share of a deficiency—''signed the return.'' So the key question is what did you know at the time you signed the return.

The second issue is an unfortunate reality where we had testimony that some spouses signed the joint return, and may even have had actual knowledge of its contents, but did so under duress, including under physical duress. So we have provided a second provision which says that even if you had actual knowledge at the time you signed the return, that you would not be denied the right to apply for this proportioning of responsibility if you, the individual, can establish that the return was signed under duress.

The burden of proof is on the taxpayer to establish that even though they had actual knowledge of the circumstances in the return that led to the deficiency, but still want to secure the benefits of less than joint and several responsibility, because they were under duress, coerced into signing, it is their responsibility to carry the burden of proof that, in fact, those circumstances existed.

Mr. President, I apologize for having taken the time of the Senate, but I thought it was important since this is a very significant part of the provision of taxpayer relief which is in this legislation. And it is a fairly expensive provision in terms of the potential for lost revenue. But that expense is one that we believe is a just expense because it will lift from the responsibility of taxpayers who were ignorant of circumstances but were entrapped by conditions that were often beyond their control and certainly beyond their knowledge and in some cases the result of actual duress and coercion, that we should recognize that and not require them to be responsible for more than their proportional share of the deficiency.

So, Mr. President, I appreciate the joinder in this amendment by Senator D'AMATO and Senator FEINSTEIN and ask for the amendment's immediate consideration.

Mr. D'AMATO. Mr. President I am pleased to join my colleague Senator GRAHAM on this very important amendment.

Senator GRAHAM and I recently introduced S. 1682, the Innocent Spouse Tax Relief Act of 1998, to bring long overdue relief to innocent spouses, predominately women, who become responsible for the tax liabilities of their spouses merely because they happened to sign a joint return.

I am pleased that the distinguished Chairman of the Finance Committee agrees that the current law innocent spouse provisions are weak at best, and needs dramatic change. I commend him for his leadership in making that change.

There were concerns, and rightly so, that some taxpayers may try to abuse the innocent spouse rules by knowingly signing false returns, or transferring assets for the purpose of avoiding the payment of tax, and then claim to be innocent. Obviously, no one would want to open the door to that type of fraud. As such, language was included in the bill that would prevent an individual from electing the innocent spouse provision if they had ''actual knowledge of any item giving rise to a deficiency.''

However, this language raised concern for Senator GRAHAM and myself because the IRS or the courts could deny relief to an innocent spouse simply because he or she had ''actual knowledge'' after the fact.

Our amendment will correct what would have been an unintended consequence. It will clarify that the ''actual knowledge'' standard be based on knowledge of an item at the time the return was signed, and that it was not signed under duress.

I urge my colleagues to vote for this amendment and provide relief to the 50,000 innocent spouses each year who are unfairly pursued by the IRS.

Mr. ROTH addressed the Chair.

The PRESIDING OFFICER (Mr. SESSIONS). The Senator from Delaware.

Mr. ROTH. I say to my distinguished friend from Florida that his amendment has been cleared on both sides of the aisle. Accordingly, I urge its adoption.

The PRESIDING OFFICER. Is there further debate on the amendment?

Mr. CONRAD. Mr. President, I just say, we see this amendment as valuable on this side, as well. And we have no objection to it.

The PRESIDING OFFICER. If there is no further debate, without objection, the amendment is agreed to.

The amendment (No. 2369) was agreed to.

Mr. GRAHAM. I move to reconsider the vote.

Mr. ROTH. I move to lay that motion on the table.

The motion to lay on the table was agreed to.

Mr. GRAHAM. Thank you, Mr. President.

AMENDMENTS NOS. 2370 AND 2371, EN BLOC

Mr. ROTH. Mr. President, I send two amendments to the desk and ask unanimous consent that they be considered en bloc.

The PRESIDING OFFICER. Without objection, they will be considered en bloc. The clerk will report.

The legislative clerk read as follows:

The Senator from Delaware [Mr. ROTH] proposes amendments numbered 2370 and 2371, en bloc.

Mr. ROTH. Mr. President, I ask unanimous consent that reading of the amendments be dispensed with.

The PRESIDING OFFICER. Without objection, it is so ordered.

The amendments (Nos. 2370 and 2371), en bloc, are as follows:

AMENDMENT NO. 2370

(Purpose: To require on all IRS telephone helplines an option for questions to be answered in Spanish)

On page 381, after line 25, insert:

(c) TELEPHONE HELPLINE OPTIONS.—The Secretary of the Treasury or the Secretary's delegate shall provide on all telephone helplines of the Internal Revenue Service an option for any taxpayer questions to be answered in Spanish.

On page 382, strike lines 1 and 2, and insert:

(e) EFFECTIVE DATES.—

(1) IN GENERAL.—Except as otherwise provided in this subsection, this section shall take effect 60 days after the date of the enactment of this Act.

(2) SUBSECTION (C).—Subsection (c) shall take effect on January 1, 2000.

AMENDMENT NO. 2371

(Purpose: To require on all IRS telephone helplines an option to talk to a live person in addition to hearing a recorded message)

On page 382, before line 1, insert:

(d) TELEPHONE HELPLINE OPTIONS.—The Secretary of the Treasury or the Secretary's delegate shall provide on all telephone helplines of the Internal Revenue Service an option for any taxpayer to talk to a live person in addition to hearing a recorded message. The person shall direct phone questions of the taxpayer to other Internal Revenue Service personnel who can provide understandable information to the taxpayer.

On page 382, after line 2, insert:

(3) SUBSECTION (D).—Subsection (d) shall take effect on January 1, 2000.

Mr. ROTH. Mr. President, I point out these two amendments are the amendments discussed by my good friend,

Senator DOMENICI, the Senator from New Mexico, as modified. And these amendments, as modified, have been cleared on both sides of the aisle.

I urge their adoption.

Mr. CONRAD. Mr. President, we, too, on this side, agree to these amendments, find them useful and constructive.

The PRESIDING OFFICER. If there is no further debate, without objection, the amendments, en bloc, are agreed to.

The amendments (Nos. 2370 and 2371) were agreed to.

Mr. ROTH. I move to reconsider the vote.

Mr. CONRAD. I move to lay that motion on the table.

The motion to lay on the table was agreed to.

Mr. ROTH. Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The legislative clerk proceeded to call the roll.

Mr. CONRAD. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. CONRAD. Mr. President, I rise to speak in support of the bill before us. The Finance Committee bill is a dramatic improvement over the bill that was passed in the other body last year. This legislation will make the IRS far more accountable.

I want to take this moment to thank the chairman of the committee, Senator ROTH, and thank the ranking member, Senator MOYNIHAN. I also thank my colleague, Senator KERREY, because they have really all participated in this effort.

This is a significant advance. As a former revenue commissioner myself, elected in my home State, I can say, based on my own experience, that these provisions are going to make a positive difference. The bill not only addresses the administrative structure of the Internal Revenue Service, but also makes substantive changes in the law that will improve taxpayers' rights and protections.

The Commissioner of the IRS will get new tools to deal quickly and firmly with misbehavior by IRS personnel. We certainly heard in the Finance Committee's hearings of that kind of misbehavior. We want to send a clear and unmistakable signal that those actions and those behaviors are unacceptable and will not be permitted to continue.

Mr. President, taxpayers, under the legislation, will receive greater protections, particularly in the areas of innocent spouse relief, interest and penalties, and audit and collection activities. These areas, too, as we heard repeatedly in the hearings, are areas that require improvement. And Congress, too, will share in the increased accountability as it will have to assess the complexity of tax law changes before they occur.

Under the legislation, the IRS will undergo restructuring. I think we all understand that the fundamental obligation of the IRS is to serve the public. And that has been overlooked for too long, at least by some. I think we should also readily acknowledge that the vast majority of employees of the IRS are honest, are hard working, and have provided good service. But it is also clear that the Internal Revenue Service is not well structured to meet the requirement to provide the service that the public expects.

Overseeing the IRS should not be a game just for Government insiders. That is why the bill mandates an IRS Oversight Board dominated by private sector representatives.

We took a hard look at the offices of the Treasury Inspector General and the IRS Chief Inspector—the offices which, under current law, carry out the bulk of IRS oversight activities. We concluded that the current arrangement is not working. The Office of the Chief Inspector does not have the autonomy it needs to perform objective and credible oversight. The Treasury Inspector General does not devote enough of its resources to IRS oversight.

Consequently, the bill would establish an independent Inspector General within the Treasury Department, which would have as its primary responsibility auditing, investigating, and evaluating IRS programs.

When IRS agents step over the line, the Commissioner has to be able to respond swiftly and firmly. This legislation will give the IRS Commissioner that authority and that power. The bill requires termination for IRS employees who commit gross violations of the law in connection with the performance of their official duties.

There are also other provisions—the innocent spouse protections—that I think are a real advance for taxpayers in this country. In our recent hearings, the Finance Committee heard stories from women who were being pursued by the IRS for tax liabilities, often including enormous penalties and interest, that arose as a result of the wrongful actions of their spouses. These were acts about which the women knew nothing. Yet because they were married, they wound up being responsible for bills that they had absolutely no idea were being incurred. The current law's test for spousal innocence does not work. It needs to be simplified, and the bill does just that.

Interest and penalty reform are also provided for in the legislation. If a taxpayer comes to terms with the IRS to pay his or her taxes under an installment agreement, current law can still impose a penalty. This makes no sense. The legislation we are advancing eliminates this irrational penalty for any taxpayer who is, in fact, paying taxes under an installment agreement.

The Finance Committee considered the provision which allows accrual of interest and penalties for unpaid taxes even when the taxpayer is unaware that there is a tax due. It is only fair that the IRS notify taxpayers promptly whenever it detects a deficiency or an amount due. Consequently, the bill provides that accrual of interest will be suspended if the IRS has not sent a notice of deficiency within a year.

There are additional audit and collection protections which I think taxpayers around the country, when they become more aware of them, will applaud. Taxpayers who need to seek outside guidance to comply with the tax laws should not have the Internal Revenue Code influencing their decision as to the type of tax practitioner they employ. The common law privilege of attorney-client confidentiality extends to tax matters when a taxpayer goes to an attorney for tax assistance. There is no compelling reason why a taxpayer who chooses another option should be deprived of that privilege of confidentiality. This bill addresses that question.

The bill would also strengthen the IRS's approval process for liens, levies, and seizures by requiring every such action to be approved by an agent's supervisor, and only after careful review that verifies the amount of the balance due and the appropriateness of the proposed enforcement action.

We also know of taxpayers who had their business assets—and in some extreme cases, even their homes—seized, to satisfy relatively small tax liabilities. These types of seizures can have a significant impact not only on the taxpayer, but on his or her family and on a business' employees and customers. So steps have been taken in this legislation to prevent those abuses. The IRS must exhaust all other payment options before seizing either a taxpayer's principal residence or business.

The legislation also provides for fuller disclosures to taxpayers. The tax return, obviously, is one of the most important legal documents an individual ever has to sign. Doing so establishes a variety of rights and responsibilities that affect the behavior of the taxpayer towards the IRS, and vice versa. Too often the taxpayers are at a disadvantage when it comes to knowing about these rights and responsibilities. As a result, this legislation imposes a number of new requirements on the IRS.

First, the IRS must alert married taxpayers to the ramifications of signing and filing a joint return. Second, the IRS must let taxpayers know that they are entitled to be represented, and to have that representative present, when the IRS wants to conduct an interview with the taxpayer. Third, the IRS must let taxpayers know that, when they receive a letter of proposed deficiency, they can request a review of that action in the IRS Office of Appeals.

These are fairminded changes to give taxpayers a fair hearing and a fair process. I think these will be welcome changes as we move forward.

Now, there is also the question of congressional responsibility, because, very frankly, we here in Congress are responsible for the complexity of the Tax Code itself. Without question, the single most persistent complaint about tax law that I receive is that the tax laws are too complex.

One reason I am in the U.S. Senate is that, when I was tax commissioner of the State of North Dakota, I adopted a dramatically simplified tax system for our State. I instituted a postcard return. You could just take a percentage of the Federal liability and pay that to the State of North Dakota and not have to have a separate tax return at all. That was well received by the people of North Dakota. It saved literally hundreds of thousands of hours of tax preparation time and gave us a dramatically simplified tax system. We should strive for that magnitude of simplification nationally. We have that opportunity.

At the very least, we ought to make clear that the Congress has a responsibility to simplify this tax system. We all understand that we live in a complicated economy, and that creates complicated tax situations for more and more taxpayers. This means that any tax system, based on income, is going to have a certain amount of irreducible complexity. But all too often, we in Congress have changed the Internal Revenue Code without even taking the complexity question into consideration.

Consequently, the bill would, for the first time, require a formal analysis of the complexity issues related to pending tax legislation. Not only will this analysis be an important tool for members of the tax-writing committees, but its presence on the public record will heighten awareness of pending tax law changes and their possible future consequences.

There are other important provisions that are in this legislation. I will not enumerate them all here this afternoon. Suffice it to say, I believe the Finance Committee, of which I am a member, has done a good job of taking initial steps to dramatically reform the Internal Revenue Service. We are going to restructure it. We are going to provide new protections to taxpayers so that they are more fairly treated. We are going to remind the Internal Revenue Service that they have an affirmative obligation to treat our taxpayers with respect.

Again, I want to conclude by saying the vast majority of people at the IRS are responsible, honest, decent and hard working. But we have some problems there that very clearly need to be addressed. We need to say loudly and clearly that we simply will not accept any mistreatment or abuse of America's taxpayers. That is unacceptable. It will not be permitted to continue. This legislation is an excellent first step.

I yield the floor.

The PRESIDING OFFICER. The Senator from Montana.

Mr. BURNS. Mr. President, I rise to withdraw an amendment that I had on this bill, but I want to make a short statement. Although this amendment will be ruled as not relevant to this piece of legislation, it is very relevant to the field of agriculture.

I have submitted S. 1879, which would make income averaging for farmers permanent in the Tax Code.

Last year, I offered an amendment to the Revenue Reconciliation Act of 1997 which extended to farmers the ability to average their income over a 3-year period. That amendment was included and made part of the U.S. Tax Code, but only after further negotiations will we have to extend it beyond 2001 because it sunsets in the year 2001.

I don't think many of my colleagues really understand what is going on in agriculture today. There are a few. If there is one way we can affect change regarding farm income, it would be through how we treat it regarding taxes. We will consider the agriculture research, and we will consider crop insurance later on this month. It is really in the best interest of this Government to pass that piece of legislation so that it is enforced with this year's crop. It won't be long until we are coming into harvest time.

This business of farming and ranching is difficult at best; we know that. There are no monthly checks. There is not much reward in the financial field for those who participate in it. And it is not getting any easier. Today we are seeing more and more family farms fade from the landscape of middle-income America, where this country has been. Corporate farms become more and more of a factor every day. Those of us who grew up in the farming communities understand the frustrations of the business. Of course, we are trying to do something right now at a time when just about all parts of agriculture, if you are in the business of producing a raw product, are in trouble. We cannot make it selling our farm commodities below what they were selling for in 1948 and still expect to provide the abundance of food that we provide for this country.

I will make one point. It is hard for me to understand, and it is hard for our farmers to understand why if you go into a grocery store and you look down and find out you are paying $2.75 for a pound of Wheaties, and we can't get $2.75 for a 60-pound bushel of wheat. America must understand that. And if this is allowed to happen, there will be no wheat, because it will just be beyond the cost of production to produce it.

Market forces are funny. Right now, we have a situation in the Pacific rim where you have four, maybe five economies that are in desperate trouble and could not buy even if they wanted to. When you live in a State where the biggest share of your production goes to the Pacific rim, that means we are in big trouble.

Last fall, we had the fiasco in the rail business in Houston. A lot of grain didn't get moved, or they took advantage of a higher market that cost us a lot of money—out of the control of the farmers. Yet, they are the ones that pay the costs.

So we are going to consider this. And I hope that this will be made part of the permanent law of the Tax Code. I would like to get some kind of commitment from this committee and the Finance Committee that it will be considered because it is very, very important. We had income averaging at one time, and we lost it in 1986.

The bill, last year, received overwhelming support in the U.S. Senate, and I understand that it will be ruled irrelevant now by the Parliamentarian, so I plan to withdraw the amendment. Before I do, I want to emphasize to this body that we have a situation not only in the grain industry, but the livestock industry, and it is in areas where the producer has little or no control. They are at the end of the line. They sell wholesale, they buy retail, they pay the transportation and the taxes both ways. We have to do something in the middle to at least give them some relief.

This bill has very little impact on our Federal budget. The American people would look at this as an insurance policy. We must pay to insure our cars or our lives. How much would you pay to ensure that the grocery store is full every time you go there? There are a lot of us that know about the front end of the grocery store; very few of us know anything about the back end. So I think America has a stake in this—all the citizens that live in this country.

I will agree to withdraw the amendment, but I want to reaffirm my commitment to the American farmer that this Congress will act, and this will become a permanent part of the Tax Code before we end the 105th Congress.

Mr. President, I ask unanimous consent that this amendment be withdrawn from consideration. I thank the managers of the bill and yield the floor.

The PRESIDING OFFICER. Without objection, the amendment is withdrawn.

Mr. ROTH. Mr. President, I ask unanimous consent that when Senator MACK offers his amendment, there be 1½ hours equally divided for debate on the amendment; further, that at expiration or yielding back of time, the Senate proceed to a vote on or in relation to the Mack amendment, and no amendments are in order.

I further ask as part of the unanimous consent request that Senator MACK be permitted to offer his amendment upon the conclusion of the statement of the Senator from California.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mrs. FEINSTEIN addressed the Chair.

The PRESIDING OFFICER. The Senator from California is recognized.

Mrs. FEINSTEIN. Mr. President, I thank the chairman and the Senator

from Florida for allowing me a few moments to make a statement.

I wish to begin by indicating my support for this bill. I believe it will be very helpful to every taxpayer throughout the Nation. I am very happy to support the bill, Mr. President.

Mr. President, I ask unanimous consent to speak as in morning business for a few minutes.

The PRESIDING OFFICER. Without objection, it is so ordered.

A CRUCIAL MOMENT IN THE MIDDLE EAST PEACE PROCESS

Mrs. FEINSTEIN. Mr. President, I come to the floor of the Senate because I was very concerned in reading this morning's newspaper about criticism of the administration in the Middle East peace process. As a strong supporter of Israel and its security, I want to take this opportunity to commend President Clinton and Secretary Albright for their current effort to preserve the peace process.

About a month ago, 81 Senators sent a letter to the President of the United States in which they expressed concern about the negotiations between Israel and the Palestinians. They, in effect, were concerned about a proposal for land redeployment going public, about security cooperation, and final status talks.

I was not one of those 81 Senators. In fact, a few days later, I sent a letter of my own expressing my support for the current course. In that letter, I mentioned that I have great faith in what the administration is doing, and I still believe that.

I ask unanimous consent that my letter be printed in the RECORD at this time.

There being no objection, the letter was ordered to be printed in the RECORD, as follows:

U.S. SENATE,
Washington, DC, April 9, 1998.

The PRESIDENT,
The White House,
Washington, DC.

DEAR MR. PRESIDENT: At a time of considerable urgency in the Middle East peace process, I write to express my support for your ongoing efforts to help achieve a diplomatic resolution of the Arab-Israeli conflict. The success of these efforts is crucial to the fulfillment of the United States' commitments to ensure Israel's security, to enhance regional stability, and to protect U.S. strategic interests in the Middle East.

Progress on the Israeli-Palestinian track is clearly the most urgent need. The stalemate that has defined these talks for the past year poses great dangers for all sides. Your approach to moving this process forward has included a healthy combination of urging the parties to uphold their commitments, discouraging unilateral acts that undermine confidence, facilitating ongoing contacts and negotiations, helping each side understand the other's needs, and presenting ideas intended to help bridge gaps between the parties.

As you and Secretary of State Albright have repeatedly stressed, an all-out Palestinian effort to combat terrorism, and the full commitment of both sides to Israeli-Palestinian security cooperation, are absolutely essential for further progress to occur. Without these, the region could easily descend into violence, ending the chances for a peace settlement in the foreseeable future.

In addition, you have consistently urged the parties to approach their negotiations with a sense of realism and restraint, while understanding the needs of the other side, and avoiding unilateral steps that call into question the parties' commitment to achieving a settlement.

While you understand that U.S. diplomacy may be essential to bridge some of the gaps between the two sides, you have remained keenly aware that only the parties themselves can make the difficult, but necessary, decisions required to move toward a final agreement. We cannot do this for them.

America's longstanding and unshakeable commitment to Israel's security, which you have faithfully upheld, is fully consistent with your efforts to move the peace process toward a successful outcome. Without a peaceful permanent resolution to the Israeli-Palestinian conflict, Israel's security—which is undoubtedly a vital U.S. interest—can never be guaranteed.

I have great faith in your Administration's efforts to move the peace process forward without undue micromanagement from Congress. I believe that you, Secretary Albright, Special Middle East Coordinator Dennis Ross, and Assistant Secretary of State for Near Eastern Affairs Martin Indyk have great ability and credibility in this effort. As you continue to pursue this vital mission, you will continue to have my support.

Sincerely,

DIANNE FEINSTEIN,
U.S. Senator.

Mrs. FEINSTEIN. Mr. President, in view of the attacks leveled against the administration's efforts by leaders of the other body, I felt it necessary to come to the floor today to respond. As a concerned American, who cares deeply for the State of Israel, its future and its security—as I think my statement in the RECORD on Israel's 50th anniversary will reflect—and as a member of the Senate Foreign Relations Committee, and the relevant subcommittee for the past 4 years, I have watched these negotiations go up and down.

What I have never forgotten is the importance of Israel's survival as a Jewish, democratic state with safe and secure borders. I have never forgotten a meeting I had with Yitzhak Rabin in the mid-1980s, when I was the Mayor of San Francisco and he was Israel's Minister of Defense. He explained to me how the demographics of Israel and the West Bank and Gaza showed that, over time, the Jewish majority in these areas would be eroded.

He showed me even then, as we stepped out on the Knesset balcony and looked out and saw how close Jordan really is to the capital, how Israel could return some land, which accomplished the goal of preserving Israel's security from a military and strategic view while also preserving a strong Jewish majority. I have never forgotten that. That is the reason why success in this peace process is so important—because peace is the ultimate guarantor of Israel's security.

No one ever thought it would be easy to achieve peace between Israel and the Palestinians. If it were easy, peace would have already been achieved. It is almost 20 years now since the end of the Camp David accords. But criticizing the administration at this particular point in time, I strongly believe, is counterproductive. In many cases these criticisms are driven by politics—not by the urgent desire for peace and Israel's security. And I find that deeply troubling.

It is a responsibility of the executive branch to conduct these negotiations, not the Congress. That is provided for in the United States Constitution. So, in my view, it would be prudent for all of us who care about Israel and the search for peace to give these negotiations a chance to succeed before rushing to criticize.

There is no more knowledgeable or respected negotiator that I know of than Ambassador Dennis Ross, who is leading the American effort. The State Department has an institutional knowledge of these talks going back 20 years—all the way to the Camp David Accords—which deserves a certain amount of respect as well. And President Clinton's own commitment to Israel and its security cannot seriously be called into question.

For months now, the President has been urged—by many of the same people who are now criticizing him—to put forth a strong effort to rescue what has been a crumbling peace process.

In that time, the Secretary of State and the Middle East peace team have shuttled back and forth to the Middle East trying to find a formula that would advance the talks. President Clinton has been personally engaged in the details of these talks, and has met on several occasions with Prime Minister Netanyahu, Chairman Arafat, and other regional leaders.

After months with no progress, the issues that divide the two sides have crystallized into a clear few dominant issues. So our negotiators have tried to help the two sides identify possible solutions that would allow them to move on to the next stage of the talks.

Like any mediator, having reached this point, the United States now faces two choices: Either identify the terms it feels the parties can move ahead on, or walk away from the talks. Frankly, I would expect them to be criticized whatever they would do.

But what the President and Secretary Albright are doing is not trying to impose a solution on either side—they are simply trying to create the conditions that allow for progress by proposing the ideas they believe can bridge the gaps between the two sides. Ultimately, only the parties themselves can decide if these ideas are acceptable.

To the best of my knowledge, the terms being discussed are quite favorable to Israel: The Palestinians originally sought Israeli redeployment from 30 percent of the West Bank, and Israel offered 8 percent. On the table now is 13 percent, which many security officials