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112TH CONGRESS
1ST SESSION

H. R. 3215

To prevent identity theft and tax fraud.

IN THE HOUSE OF REPRESENTATIVES

OCTOBER 14, 2011

Ms. CASTOR of Florida (for herself and Mr. NUGENT) introduced the following bill; which was referred to the Committee on Ways and Means

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A BILL

To prevent identity theft and tax fraud.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. SHORT TITLE.

This Act may be cited as the ''Identify Theft and Tax Fraud Prevention Act''.

SEC. 2. CRIMINAL PENALTY FOR USING A FALSE IDENTITY IN CONNECTION WITH TAX FRAUD.

(a) IN GENERAL.—Section 7207 of the Internal Revenue Code of 1986 is amended—

(1) by striking ''Any person who willfully'' and inserting the following:

''(a) IN GENERAL.—Any person who willfully'',

(2) by striking ''Any person required'' and inserting the following:

''(b) INFORMATION IN CONNECTION WITH CERTAIN EXEMPT ORGANIZATIONS.—Any person required'', and

(3) by adding at the end the following:

''(c) MISAPPROPRIATION OF IDENTITY.—Any person who knowingly or willfully misappropriates another person's tax identification number in connection with any list, return, account, statement, or other document submitted to the Secretary shall be fined not less than $25,000 ($200,000 in the case of a corporation), or imprisoned not more than 5 years, or both, together with the costs of prosecution.''.

(b) EFFECTIVE DATE.—The amendments made by this section shall apply to returns and information submitted after the date of the enactment of this Act.

SEC. 3. INCREASED PENALTY FOR IMPROPER DISCLOSURE OR USE OF INFORMATION BY PREPARERS OF RETURNS.

(a) IN GENERAL.—Section 6713(a) of the Internal Revenue Code of 1986 is amended—

(1) by striking ''$250'' and inserting ''$1,000'', and

(2) by striking ''$10,000'' and inserting ''$50,000''.

(b) CRIMINAL PENALTY.—Section 7216(a) of the Internal Revenue Code of 1986 is amended by striking ''$1,000'' and inserting ''$100,000''.

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

SEC. 4. PIN SYSTEM FOR PREVENTION OF IDENTITY THEFT TAX FRAUD.

(a) IN GENERAL.—Not later than 1 year after the date of the enactment of this Act, the Secretary of the Treasury (or the Secretary's delegate) shall implement an identify theft tax fraud prevention program under which—

(1) a person who has filed an identity theft affidavit with the Secretary may elect—

(A) to be provided with a unique personal identification number to be included on any Federal tax return filed by such person, or

(B) to prevent the processing of any Federal tax return submitted in an electronic format by a person purporting to be such person, and

(2) the Secretary will provide additional identity verification safeguards for the processing of any Federal tax return filed by a person described in

paragraph (1) in cases where a unique personal identification number is not included on the return.

SEC. 5. AUTHORITY TO TRANSFER INTERNAL REVENUE SERVICE APPROPRIATIONS TO USE FOR TAX FRAUD ENFORCEMENT.

For any fiscal year, the Commissioner of Internal Revenue may transfer not more than $10,000,000 to the ''Enforcement'' account of the Internal Revenue Service from amounts appropriated to other Internal Revenue Service accounts. Any amounts so transferred shall be used solely for the purposes of preventing and resolving potential cases of tax fraud.

SEC. 6. LOCAL LAW ENFORCEMENT LIAISON.

(a) ESTABLISHMENT.—The Commissioner of Internal Revenue shall establish within the Criminal Investigation Division of the Internal Revenue Service the position of Local Law Enforcement Liaison.

(b) DUTIES.—The Local Law Enforcement Liaison shall—

(1) coordinate the investigation of tax fraud with State and local law enforcement agencies;

(2) communicate the status of tax fraud cases involving identity theft, and

(3) carry out such other duties as delegated by the Commissioner of Internal Revenue.

SEC. 7. REPORT ON TAX FRAUD.

Subsection (a) of section 7803 of the Internal Revenue Code of 1986 is amended by adding at the end the following new paragraph:

"(4) ANNUAL REPORT ON TAX FRAUD.—The Commissioner shall submit to the Committee on Finance of the Senate and the Committee on Ways and Means of the House of Representatives an annual report detailing—

"(A) the number of reports of tax fraud and suspected tax fraud received from State and local law enforcement agencies in the preceding year, and

"(B) the actions taken in response to such reports.".

SEC. 8. STUDY ON THE USE OF PREPAID DEBIT CARDS AND COMMERCIAL TAX PREPARATION SOFTWARE IN TAX FRAUD.

(a) IN GENERAL.—The Comptroller General shall conduct a study to examine the role of prepaid debit cards and commercial tax preparation software in facilitating fraudulent tax returns through identity theft.

(b) REPORT.—Not later than 1 year after the date of the enactment of this Act, the Comptroller General shall submit to the Committee on Finance of the Senate and the Committee on Ways and Means of the House of Rep-

resentatives a report with the results of the study conducted under subsection (a), together with any recommendations.

SEC. 9. RESTRICTION ON ACCESS TO THE DEATH MASTER FILE.

(a) IN GENERAL.—The Secretary of Commerce shall not disclose information contained on the Death Master File to any person with respect to any individual who has died at any time during the calendar year in which the request for disclosure is made or the succeeding calendar year unless such person is certified under the program established under subsection (b).

(b) CERTIFICATION PROGRAM.—

(1) IN GENERAL.—The Secretary of Commerce shall establish a program to certify persons who are eligible to access the information described in subsection (a) contained on the Death Master File.

(2) CERTIFICATION.—A person shall not be certified under the program established under paragraph (1) unless the Secretary determines that such person has a legitimate fraud prevention interest in accessing the information described in subsection (a).

(c) IMPOSITION OF PENALTY.—Any person who is certified under the program established under subsection

(b), who receives information described in subsection (a), and who during the period of time described in subsection (a)—

(1) discloses such information to any other person, or

(2) uses any such information for any purpose other than to detect or prevent fraud,

shall pay a penalty of $1,000 for each such disclosure or use, but the total amount imposed under this subsection on such a person for any calendar year shall not exceed $50,000.

(d) EXEMPTION FROM FREEDOM OF INFORMATION ACT REQUIREMENT WITH RESPECT TO CERTAIN RECORDS OF DECEASED INDIVIDUALS.—

(1) IN GENERAL.—The Social Security Administration shall not be compelled to disclose to any person who is not certified under the program established under section 9(b) the information described in section 9(a).

(2) TREATMENT OF INFORMATION.—For purposes of section 552 of title 5, United States Code, this section shall be considered a statute described in subsection (b)(3)(B) of such section 552.

SEC. 10. EXTENSION OF AUTHORITY TO DISCLOSE CERTAIN RETURN INFORMATION TO PRISON OFFICIALS.

(a) IN GENERAL.—Section 6103(k)(10) of the Internal Revenue Code of 1986 is amended by striking subparagraph (D).

(b) REPORT FROM FEDERAL BUREAU OF PRISONS.—Not later than 6 months after the date of the enactment of this Act, the head of the Federal Bureau of Prisons shall submit to Congress a detailed plan on how it will use the information provided from the Secretary of Treasury under section 6103(k)(10) of the Internal Revenue Code of 1986 to reduce prison tax fraud.

(c) SENSE OF SENATE REGARDING STATE PRISON AUTHORITIES.—It is the sense of the Senate that the heads of State agencies charged with the administration of prisons should—

(1) develop plans for using the information provided by the Secretary of Treasury under section 6103(k)(10) of the Internal Revenue Code of 1986 to reduce prison tax fraud, and

(2) coordinate with the Internal Revenue Service with respect to the use of such information.

SEC. 11. TREASURY REPORT ON INFORMATION SHARING BARRIERS WITH RESPECT TO IDENTITY THEFT.

(a) REVIEW.—

(1) IN GENERAL.—The Secretary of the Treasury (or the Secretary's delegate) shall review whether current Federal tax laws and regulations related to the confidentiality and disclosure of return information prevent the effective enforcement of local, State, and Federal identity theft statutes. The review shall consider whether greater information sharing between the Internal Revenue Service and State and local law enforcement authorities would improve the enforcement of criminal laws at all levels of government.

(2) CONSULTATION.—In conducting the review under paragraph (1), the Secretary shall solicit the views of, and consult with, State and local law enforcement officials.

(b) REPORT.—Not later than 180 days after the date of enactment of this Act, the Secretary shall submit a report with the results of the review conducted under subsection (a), along with any legislative recommendations, to the Committee on Finance of the Senate and the Com-

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