

103D CONGRESS  
1ST SESSION

# S. 542

To amend the Internal Revenue Code of 1986 to provide additional safeguards to protect taxpayer rights.

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## IN THE SENATE OF THE UNITED STATES

MARCH 10 (legislative day, MARCH 3), 1993

Mr. PRYOR (for himself, Mr. GRASSLEY, Mr. REID, Mr. BAUCUS, Mr. PACKWOOD, Mr. BOREN, Mr. DANFORTH, Mr. RIEGLE, Mr. HATCH, Mr. ROCKEFELLER, Mr. WALLOP, Mr. DASCHLE, Mr. BREAUX, Mr. CONRAD, Mr. BRYAN, Mr. BUMPERS, Mr. CAMPBELL, Mr. COCHRAN, Mr. D'AMATO, Mr. DECONCINI, Mr. DOMENICI, Mr. EXON, Mr. GLENN, Mr. HELMS, Mr. HOLLINGS, Mr. JOHNSTON, Mr. LOTT, Ms. MIKULSKI, Mr. MURKOWSKI, Mr. NICKLES, Mr. PRESSLER, Mr. SARBANES, Mr. SASSER, Mr. SHELBY, Mr. SIMON, Mr. WOFFORD, and Mr. COHEN) introduced the following bill; which was read twice and referred to the Committee on Finance

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## A BILL

To amend the Internal Revenue Code of 1986 to provide additional safeguards to protect taxpayer rights.

1 *Be it enacted by the Senate and House of Representa-*  
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE; AMENDMENT OF 1986 CODE;**

4 **TABLE OF CONTENTS.**

5 (a) SHORT TITLE.—This Act may be cited as the

6 “Taxpayer Bill of Rights 2”.

1 (b) AMENDMENT OF 1986 CODE.—Except as other-  
 2 wise expressly provided, whenever in this Act an amend-  
 3 ment or repeal is expressed in terms of an amendment  
 4 to, or repeal of, a section or other provision, the reference  
 5 shall be considered to be made to a section or other provi-  
 6 sion of the Internal Revenue Code of 1986.

7 (c) TABLE OF CONTENTS.—The table of contents of  
 8 this Act is as follows:

#### TITLE I—TAXPAYER ADVOCATE

- Sec. 101. Establishment of position of Taxpayer Advocate within Internal Revenue Service.
- Sec. 102. Expansion of authority to issue taxpayer assistance orders.

#### TITLE II—MODIFICATIONS TO INSTALLMENT AGREEMENT PROVISIONS

- Sec. 201. Taxpayer's right to installment agreement.
- Sec. 202. Notification of reasons for termination or denial of installment agreements.
- Sec. 203. Administrative review of denial of request for, or termination of, installment agreement.

#### TITLE III—INTEREST

- Sec. 301. Expansion of authority to abate interest.
- Sec. 302. Extension of interest-free period for payment of tax after notice and demand.

#### TITLE IV—JOINT RETURNS

- Sec. 401. Disclosure of collection activities.
- Sec. 402. Joint return may be made after separate returns without full payment of tax.

#### TITLE V—COLLECTION ACTIVITIES

- Sec. 501. Modifications to lien and levy provisions.
- Sec. 502. Offers-in-compromise.
- Sec. 503. Notification of examination.
- Sec. 504. Increase in limit on recovery of civil damages for unauthorized collection actions.
- Sec. 505. Safeguards relating to designated summons.

#### TITLE VI—INFORMATION RETURNS

- Sec. 601. Phone number of person providing payee statements required to be shown on such statement.

- Sec. 602. Civil damages for fraudulent filing of information returns.
- Sec. 603. Requirement to verify accuracy of information returns.

TITLE VII—MODIFICATIONS TO PENALTY FOR FAILURE TO  
COLLECT AND PAY OVER TAX

- Sec. 701. Preliminary notice requirement.
- Sec. 702. No penalty if prompt notification of the Secretary.
- Sec. 703. Disclosure of certain information where more than 1 person subject to penalty.
- Sec. 704. Penalties under section 6672.

TITLE VIII—AWARDING OF COSTS AND CERTAIN FEES

- Sec. 801. Motion for disclosure of information.
- Sec. 802. Increased limit on attorney fees.
- Sec. 803. Failure to agree to extension not taken into account.
- Sec. 804. Effective date.

TITLE IX—OTHER PROVISIONS

- Sec. 901. Required content of certain notices.
- Sec. 902. Treatment of substitute returns under section 6651.
- Sec. 903. Relief from retroactive application of Treasury Department regulations.
- Sec. 904. Required notice of certain payments.
- Sec. 905. Unauthorized enticement of information disclosure.

TITLE X—FORM MODIFICATIONS; STUDIES

- Sec. 1000. Definitions.

Subtitle A—Form Modifications

- Sec. 1001. Explanation of certain provisions.
- Sec. 1002. Improved procedures for notifying service of change of address or name.
- Sec. 1003. Rights and responsibilities of divorced individuals.

Subtitle B—Studies

- Sec. 1011. Pilot program for appeal of enforcement actions.
- Sec. 1012. Study on taxpayers with special needs.
- Sec. 1013. Reports on taxpayer-rights education program.
- Sec. 1014. Biennial reports on misconduct by Internal Revenue Service employees.
- Sec. 1015. Study of notices of deficiency.
- Sec. 1016. Notice and form accuracy study.
- Sec. 1017. Internal Revenue Service employees' suggestions study.

1 **TITLE I—TAXPAYER ADVOCATE**

2 **SEC. 101. ESTABLISHMENT OF POSITION OF TAXPAYER AD-**  
 3 **VOCATE WITHIN INTERNAL REVENUE SERV-**  
 4 **ICE.**

5 (a) GENERAL RULE.—Section 7802 (relating to  
 6 Commissioner of Internal Revenue; Assistant Commis-  
 7 sioner (Employee Plans and Exempt Organizations)) is  
 8 amended by adding at the end thereof the following new  
 9 subsection:

10 “(d) OFFICE OF TAXPAYER ADVOCATE.—

11 “(1) IN GENERAL.—There is established in the  
 12 Internal Revenue Service an office to be known as  
 13 the ‘Office of the Taxpayer Advocate’. Such office,  
 14 including all problem resolution officers, shall be  
 15 under the supervision and direction of an official to  
 16 be known as the ‘Taxpayer Advocate’ who shall re-  
 17 port directly to the Commissioner of Internal Reve-  
 18 nue. The Taxpayer Advocate shall be entitled to  
 19 compensation at the same rate as the Chief Counsel  
 20 for the Internal Revenue Service.

21 “(2) FUNCTIONS OF OFFICE.—

22 “(A) IN GENERAL.—It shall be the func-  
 23 tion of the Office of Taxpayer Advocate to—

24 “(i) assist taxpayers in resolving prob-  
 25 lems with the Internal Revenue Service,

1           “(ii) identify areas in which taxpayers  
2           have problems in dealings with the Internal  
3           Revenue Service,

4           “(iii) to the extent possible, propose  
5           changes in the administrative practices of  
6           the Internal Revenue Service to mitigate  
7           problems identified under clause (ii), and

8           “(iv) identify potential legislative  
9           changes which may be appropriate to miti-  
10          gate such problems.

11          “(B) ANNUAL REPORTS.—

12           “(i) OBJECTIVES.—Not later than Oc-  
13           tober 31 of each calendar year after 1993,  
14           the Taxpayer Advocate shall report to the  
15           Committee on Ways and Means of the  
16           House of Representatives and the Commit-  
17           tee on Finance of the Senate on the objec-  
18           tives of the Taxpayer Advocate for the fol-  
19           lowing calendar year. Any such report shall  
20           contain full and substantive analysis, in  
21           addition to statistical information.

22           “(ii) ACTIVITIES.—Not later than  
23           June 30 of each calendar year after 1993,  
24           the Taxpayer Advocate shall report to the  
25           Committee on Ways and Means of the

1 House of Representatives and the Commit-  
2 tee on Finance of the Senate on the activi-  
3 ties of the Taxpayer Advocate during the  
4 fiscal year ending during such calendar  
5 year. Any such report shall contain full  
6 and substantive analysis, in addition to  
7 statistical information, and shall—

8 “(I) identify the initiatives the  
9 Taxpayer Advocate has taken on im-  
10 proving taxpayer services and Internal  
11 Revenue Service responsiveness,

12 “(II) contain recommendations  
13 received from individuals with the au-  
14 thority to issue taxpayer assistance  
15 orders under section 7811,

16 “(III) contain a summary of at  
17 least 20 of the most serious problems  
18 encountered by taxpayers, including a  
19 description of the nature of such prob-  
20 lems,

21 “(IV) contain an inventory of the  
22 items described in subclauses (I), (II),  
23 and (III) for which action has been  
24 taken and the result of such action,

1           “(V) contain an inventory of the  
2 items described in subclauses (I), (II),  
3 and (III) for which action remains to  
4 be completed and the period during  
5 which each item has remained on such  
6 inventory,

7           “(VI) contain an inventory of the  
8 items described in subclauses (II) and  
9 (III) for which no action has been  
10 taken, the period during which each  
11 item has remained on such inventory,  
12 the reasons for the inaction, and iden-  
13 tify any Internal Revenue Service offi-  
14 cial who is responsible for such inac-  
15 tion,

16           “(VII) identify any Taxpayer As-  
17 sistance Order which was not honored  
18 by the Internal Revenue Service in a  
19 timely manner, as specified under sec-  
20 tion 7811(b),

21           “(VIII) contain recommendations  
22 for such administrative and legislative  
23 action as may be appropriate to re-  
24 solve problems encountered by tax-  
25 payers, and

1           “(IX) include such other infor-  
2           mation as the Taxpayer Advocate may  
3           deem advisable.

4           “(iii) REPORT TO BE SUBMITTED DI-  
5           RECTLY.—Each report required under this  
6           subparagraph shall be provided directly to  
7           the Committees referred to in clauses (i)  
8           and (ii) without any prior review or com-  
9           ment from the Commissioner of the Inter-  
10          nal Revenue Service, the Secretary of the  
11          Treasury, any other officer or employee of  
12          the Department of the Treasury, or the  
13          Office of Management and Budget.

14          “(3) RESPONSIBILITIES OF COMMISSIONER OF  
15          INTERNAL REVENUE SERVICE.—The Commissioner  
16          of Internal Revenue shall establish procedures re-  
17          quiring a formal response to all recommendations  
18          submitted to the Commissioner by the Taxpayer  
19          Advocate.”.

20          (b) CONFORMING AMENDMENTS.—

21                 (1) Section 7811 (relating to taxpayer assist-  
22                 ance orders) is amended—

23                         (A) by striking “the Office of Ombuds-  
24                         man” in subsection (a) and inserting “the Of-  
25                         fice of the Taxpayer Advocate”, and

1 (B) by striking “Ombudsman” each place  
 2 it appears (including in the headings of sub-  
 3 sections (e) and (f)) and inserting “Taxpayer  
 4 Advocate”.

5 (2) The heading for section 7802 is amended to  
 6 read as follows:

7 **“SEC. 7802. COMMISSIONER OF INTERNAL REVENUE; AS-**  
 8 **SISTANT COMMISSIONERS; TAXPAYER ADVO-**  
 9 **CATE.”**

10 (3) The table of sections for subchapter A of  
 11 chapter 80 of subtitle F is amended by striking the  
 12 item relating to section 7802 and inserting the  
 13 following new item:

“Sec. 7802. Commissioner of Internal Revenue; Assistant Com-  
 missioners; Taxpayer Advocate.”.

14 (c) EFFECTIVE DATE.—The amendments made by  
 15 this section shall take effect on the date of the enactment  
 16 of this Act.

17 **SEC. 102. EXPANSION OF AUTHORITY TO ISSUE TAXPAYER**  
 18 **ASSISTANCE ORDERS.**

19 (a) TERMS OF ORDERS.—Subsection (b) of section  
 20 7811 (relating to terms of taxpayer assistance orders) is  
 21 amended—

22 (1) by inserting “within a specified time pe-  
 23 riod” after “the Secretary”, and

1           (2) by inserting “take any action as permitted  
2           by law,” after “cease any action,”.

3           (b) LIMITATION ON AUTHORITY TO MODIFY OR RE-  
4           SCIND.—Section 7811(c) (relating to authority to modify  
5           or rescind) is amended to read as follows:

6           “(c) AUTHORITY TO MODIFY OR RESCIND.—Any  
7           Taxpayer Assistance Order issued by the Taxpayer Advo-  
8           cate under this section may be modified or rescinded only  
9           by the Taxpayer Advocate, the Commissioner, or any supe-  
10          rior of either.”.

11          (c) EFFECTIVE DATE.—The amendments made by  
12          this section shall take effect on the date of the enactment  
13          of this Act.

14          **TITLE II—MODIFICATIONS TO**  
15                **INSTALLMENT AGREEMENT**  
16                **PROVISIONS**

17          **SEC. 201. TAXPAYER'S RIGHT TO INSTALLMENT AGREE-**  
18                        **MENT.**

19          (a) IN GENERAL.—Subsection (a) of section 6159  
20          (relating to agreements for payment of tax liability in in-  
21          stallments) is amended to read as follows:

22               “(a) IN GENERAL.—

23                       “(1) AUTHORIZATION OF AGREEMENTS.—The  
24                Secretary is authorized to enter into written agree-  
25                ments with any taxpayer under which such taxpayer

1 is allowed to satisfy liability for payment of any tax  
2 in installment payments if the Secretary determines  
3 that such agreement will facilitate collection of such  
4 liability.

5 “(2) AGREEMENT AS A MATTER OF RIGHT.—In  
6 the case of any taxpayer other than a corporation,  
7 the Secretary shall enter into such an agreement  
8 if—

9 “(A) the taxpayer requests such an agree-  
10 ment,

11 “(B) the tax liability is attributable to the  
12 tax imposed under chapter 1 and is less than  
13 \$10,000, and

14 “(C) the taxpayer has paid any tax liability  
15 for the 3 preceding taxable years at the time  
16 such liability was due.”.

17 (b) EFFECTIVE DATE.—The amendment made by  
18 subsection (a) shall take effect on the date of the enact-  
19 ment of this Act.

20 **SEC. 202. NOTIFICATION OF REASONS FOR TERMINATION**  
21 **OR DENIAL OF INSTALLMENT AGREEMENTS.**

22 (a) TERMINATIONS.—Subsection (b) of section 6159  
23 (relating to extent to which agreements remain in effect)  
24 is amended by adding at the end thereof the following new  
25 paragraph:

1           “(5) NOTICE REQUIREMENTS.—The Secretary  
2           may not take any action under paragraph (2), (3),  
3           or (4) unless—

4                   “(A) a notice of such action is provided to  
5                   the taxpayer not later than the day 30 days be-  
6                   fore the date of such action, and

7                   “(B) such notice includes an explanation  
8                   why the Secretary intends to take such action.

9           The preceding sentence shall not apply in any case  
10           in which the Secretary believes that collection of any  
11           tax to which an agreement under this section relates  
12           is in jeopardy.”.

13           (b) DENIALS.—Section 6159 (relating to agreements  
14           for payment of tax liability in installments) is amended  
15           by adding at the end thereof the following new subsection:

16                   “(c) NOTICE REQUIREMENTS FOR DENIALS.—The  
17           Secretary may not deny any request for an installment  
18           agreement under this section unless—

19                   “(1) a notice of the proposed denial is provided  
20                   to the taxpayer not later than the day 30 days be-  
21                   fore the date of such denial, and

22                   “(2) such notice includes an explanation why  
23                   the Secretary intends to deny such request.

24           The preceding sentence shall not apply in any case in  
25           which the Secretary believes that collection of any tax to

1 which a request for an agreement under this section re-  
2 lates is in jeopardy.”.

3 (c) CONFORMING AMENDMENT.—Paragraph (3) of  
4 section 6159(b) is amended to read as follows:

5 “(3) SUBSEQUENT CHANGE IN FINANCIAL CON-  
6 DITIONS.—If the Secretary makes a determination  
7 that the financial condition of a taxpayer with whom  
8 the Secretary has entered into an agreement under  
9 subsection (a) has significantly changed, the Sec-  
10 retary may alter, modify, or terminate such agree-  
11 ment.”.

12 (d) EFFECTIVE DATE.—The amendments made by  
13 this section shall take effect on the date 6 months after  
14 the date of the enactment of this Act.

15 **SEC. 203. ADMINISTRATIVE REVIEW OF DENIAL OF RE-**  
16 **QUEST FOR, OR TERMINATION OF, INSTALL-**  
17 **MENT AGREEMENT.**

18 (a) GENERAL RULE.—Section 6159 (relating to  
19 agreements for payment of tax liability in installments),  
20 as amended by section 202(b), is amended by adding at  
21 the end thereof the following new subsection:

22 “(d) ADMINISTRATIVE REVIEW.—The Secretary shall  
23 establish procedures for an independent administrative re-  
24 view of denials of requests for, or terminations of, install-  
25 ment agreements under this section.”.

1 (b) EFFECTIVE DATE.—The amendment made by  
2 subsection (a) shall take effect on January 1, 1994.

3 **TITLE III—INTEREST**

4 **SEC. 301. EXPANSION OF AUTHORITY TO ABATE INTEREST.**

5 (a) GENERAL RULE.—Paragraph (1) of section  
6 6404(e) (relating to abatement of interest in certain cases)  
7 is amended—

8 (1) by inserting “unreasonable” before “error”  
9 each place it appears in subparagraphs (A) and (B),  
10 and

11 (2) by striking “in performing a ministerial  
12 act” each place it appears.

13 (b) CLERICAL AMENDMENT.—The subsection head-  
14 ing for subsection (e) of section 6404 is amended by strik-  
15 ing “Assessments” and inserting “Abatement”.

16 (c) EFFECTIVE DATE.—The amendments made by  
17 this section shall apply to interest accruing with respect  
18 to deficiencies or payments for taxable years beginning  
19 after the date of the enactment of this Act.

20 **SEC. 302. EXTENSION OF INTEREST-FREE PERIOD FOR**  
21 **PAYMENT OF TAX AFTER NOTICE AND DE-**  
22 **MAND.**

23 (a) GENERAL RULE.—Paragraph (3) of section  
24 6601(e) (relating to payments made within 10 days after  
25 notice and demand) is amended to read as follows:

1           “(3) PAYMENTS MADE WITHIN SPECIFIED PE-  
2           RIOD AFTER NOTICE AND DEMAND.—If notice and  
3           demand is made for payment of any amount and if  
4           such amount is paid within 21 days (10 days if the  
5           amount for which such notice and demand is made  
6           equals or exceeds \$100,000) after the date of such  
7           notice and demand, interest under this section on  
8           the amount so paid shall not be imposed for the pe-  
9           riod after the date of such notice and demand.”.

10          (b) CONFORMING AMENDMENT.—Paragraph (3) of  
11          section 6651(a) (relating to addition to tax for failure to  
12          file tax return or pay tax) is amended by striking “10  
13          days” and inserting “21 days (10 days if the amount for  
14          which such notice and demand is made equals or exceed  
15          \$100,000)”.

16          (c) EFFECTIVE DATE.—The amendments made by  
17          this section shall apply in the case of any notice and de-  
18          mand given after December 31, 1993.

## 19           **TITLE IV—JOINT RETURNS**

### 20          **SEC. 401. DISCLOSURE OF COLLECTION ACTIVITIES.**

21          (a) GENERAL RULE.—Subsection (e) of section 6103  
22          (relating to disclosure to persons having material interest)  
23          is amended by adding at the end thereof the following new  
24          paragraph:



1                   **TITLE V—COLLECTION**  
2                   **ACTIVITIES**

3 **SEC. 501. MODIFICATIONS TO LIEN AND LEVY PROVISIONS.**

4           (a) WITHDRAWAL OF CERTAIN NOTICES.—Section  
5 6323 (relating to validity and priority against certain per-  
6 sons) is amended by adding at the end thereof the follow-  
7 ing new subsection:

8           “(j) WITHDRAWAL OF NOTICE IN CERTAIN CIR-  
9 CUMSTANCES.—

10           “(1) IN GENERAL.—The Secretary may with-  
11 draw a notice of a lien filed under this section and  
12 this chapter shall be applied as if the withdrawn no-  
13 tice had not been filed, if the Secretary determines  
14 that—

15           “(A) the filing of such notice was pre-  
16 mature or otherwise not in accordance with ad-  
17 ministrative procedures of the Secretary,

18           “(B) the taxpayer has entered into an  
19 agreement under section 6159 to satisfy the tax  
20 liability for which the lien was imposed by  
21 means of installment payments, unless such  
22 agreement provides otherwise,

23           “(C) the withdrawal of such notice will fa-  
24 cilitate the collection of the tax liability, or

1           “(D) with the consent of the taxpayer or  
2           the Taxpayer Advocate, the withdrawal of such  
3           notice would be in the best interests of the tax-  
4           payer (as determined by the Taxpayer Advo-  
5           cate) and the United States.

6           Any such withdrawal shall be made by filing notice  
7           thereof at the same office as the withdrawn notice.  
8           A copy of such notice of withdrawal shall be pro-  
9           vided to the taxpayer.

10           “(2) NOTICE TO CREDIT AGENCIES, ETC.—  
11           Upon written request by the taxpayer with respect  
12           to whom a notice of a lien was withdrawn under  
13           paragraph (1), the Secretary shall promptly make  
14           reasonable efforts to notify credit reporting agencies,  
15           and any financial institution or creditor whose name  
16           and address is specified in such request, of the with-  
17           drawal of such notice. Any such request shall be in  
18           such form as the Secretary may prescribe.”.

19           (b) RETURN OF LEVIED PROPERTY IN CERTAIN  
20           CASES.—Section 6343 (relating to authority to release  
21           levy and return property) is amended by adding at the  
22           end thereof the following new subsection:

23           “(d) RETURN OF PROPERTY IN CERTAIN CASES.—  
24           If—

25           “(1) any property has been levied upon, and

1 “(2) the Secretary determines that—

2 “(A) the levy on such property was pre-  
3 mature or otherwise not in accordance with ad-  
4 ministrative procedures of the Secretary,

5 “(B) the taxpayer has entered into an  
6 agreement under section 6159 to satisfy the tax  
7 liability for which the levy was imposed by  
8 means of installment payments, unless such  
9 agreement provides otherwise,

10 “(C) the return of such property will facili-  
11 tate the collection of the tax liability, or

12 “(D) with the consent of the taxpayer or  
13 the Taxpayer Advocate, the return of such  
14 property would be in the best interests of the  
15 taxpayer (as determined by the Taxpayer Advo-  
16 cate) and the United States,

17 the provisions of subsection (b) shall apply in the same  
18 manner as if such property had been wrongly levied upon,  
19 except that no interest shall be allowed under subsection  
20 (c).”.

21 (c) MODIFICATIONS IN CERTAIN LEVY EXEMPTION  
22 AMOUNTS.—

23 (1) FUEL, ETC.—Paragraph (2) of section  
24 6334(a) (relating to fuel, provisions, furniture, and  
25 personal effects exempt from levy) is amended—

1 (A) by striking “If the taxpayer is the  
2 head of a family, so” and inserting “So”, and

3 (B) by striking “\$1,650 (\$1,550 in the  
4 case of levies issued during 1989)” and insert-  
5 ing “\$1,700”.

6 (2) BOOKS, ETC.—Paragraph (3) of section  
7 6334(a) (relating to books and tools of a trade, busi-  
8 ness, or profession exempt from levy) is amended by  
9 striking “\$1,100 (\$1,050 in the case of levies issued  
10 during 1989)” and inserting “\$1,200”.

11 (3) HEALTH CARE PREMIUMS.—TO BE DIS-  
12 CUSSED.

13 (4) INDEXED FOR INFLATION.—Section 6334  
14 (relating to property exempt from levy) is amended  
15 by adding at the end thereof the following new sub-  
16 section:

17 “(f) INFLATION ADJUSTMENTS.—

18 “(1) IN GENERAL.—In the case of any calendar  
19 year beginning after 1993, each dollar amount re-  
20 ferred to in paragraphs (2) and (3) of subsection (a)  
21 shall be increased by an amount equal to—

22 “(A) such dollar amount, multiplied by

23 “(B) the cost-of-living adjustment deter-  
24 mined under section 1(f)(3) for such calendar  
25 year, by substituting ‘calendar year 1992’ for

1           ‘calendar year 1989’ in subparagraph (B)  
2           thereof.

3           “(2) ROUNDING.—If any dollar amount after  
4           being increased under paragraph (1) is not a mul-  
5           tiple of \$10, such dollar amount shall be rounded to  
6           the nearest multiple of \$10 (or, if such dollar  
7           amount is a multiple of \$5, such dollar amount shall  
8           be increased to the next higher multiple of \$10).”.

9           (d) EFFECTIVE DATES.—

10           (1) IN GENERAL.—Except as provided in para-  
11           graph (2), the amendments made by this section  
12           shall take effect on the date of the enactment of this  
13           Act.

14           (2) EXEMPT AMOUNTS.—The amendments  
15           made by subsection (c) shall take effect with respect  
16           to levies issued after December 31, 1993.

17 **SEC. 502. OFFERS-IN-COMPROMISE.**

18           (a) GENERAL RULE.—Subsection (a) of section 7122  
19           (relating to compromises) is amended by adding at the end  
20           thereof the following new sentence: “The Secretary may  
21           make such a compromise in any case where the Secretary  
22           determines that such compromise would be in the best in-  
23           terests of the United States.”.

24           (b) REVIEW REQUIREMENTS.—Subsection (b) of sec-  
25           tion 7122 (relating to records) is amended by striking

1 “\$500.” and inserting “\$50,000. However, such com-  
2 promise shall be subject to continuing quality review by  
3 the Secretary.”.

4 (c) EFFECTIVE DATE.—The amendments made by  
5 this section shall take effect on the date of the enactment  
6 of this Act.

7 **SEC. 503. NOTIFICATION OF EXAMINATION.**

8 (a) IN GENERAL.—Section 7605 (relating to restric-  
9 tions on examination of taxpayer) is amended by redesi-  
10 gnating subsection (c) as subsection (d) and by inserting  
11 after subsection (b) the following new subsection:

12 “(c) NOTIFICATION REQUIREMENT.—No examina-  
13 tion described in subsection (a) shall be made unless the  
14 Secretary notifies the taxpayer in writing by mail to an  
15 address determined under section 6212(b) that the tax-  
16 payer is under examination and provides the taxpayer with  
17 an explanation of the process as described in section  
18 7521(b)(1). The preceding sentence shall not apply in the  
19 case of any examination if the Secretary determines  
20 that—

21 “(1) such examination is in connection with a  
22 criminal investigation or is with respect to a tax the  
23 collection of which is in jeopardy, or

24 “(2) the application of the preceding sentence  
25 would be inconsistent with national security needs or

1 would interfere with the effective conduct of a con-  
2 fidential law enforcement or foreign counterintel-  
3 ligence activity.”.

4 (b) CONFORMING AMENDMENT.—Paragraph (1) of  
5 section 7521(b) (relating to safeguards) is amended by  
6 striking “or at”.

7 (c) EFFECTIVE DATE.—The amendments made by  
8 this section shall take effect on the date of the enactment  
9 of this Act.

10 **SEC. 504. INCREASE IN LIMIT ON RECOVERY OF CIVIL**  
11 **DAMAGES FOR UNAUTHORIZED COLLECTION**  
12 **ACTIONS.**

13 (a) GENERAL RULE.—Subsection (b) of section 7433  
14 (relating to damages) is amended by striking “\$100,000”  
15 and inserting “\$1,000,000”.

16 (b) EFFECTIVE DATE.—The amendment made by  
17 subsection (a) shall apply to actions by officers or employ-  
18 ees of the Internal Revenue Service after the date of the  
19 enactment of this Act.

20 **SEC. 505. SAFEGUARDS RELATING TO DESIGNATED SUM-**  
21 **MONS.**

22 (a) STANDARD OF REVIEW.—Subparagraph (A) of  
23 section 6503(k)(2) (defining designated summons) is  
24 amended by redesignating clauses (i) and (ii) as clauses

1 (ii) and (iii), respectively, and by inserting before clause  
2 (ii) (as so redesignated) the following new clause:

3                   “(i) the issuance of such summons is  
4                   preceded by a review of such issuance by  
5                   the regional counsel of the Office of Chief  
6                   Counsel for the region in which the exam-  
7                   ination of the corporation is being con-  
8                   ducted.”.

9           (b) NOTICE REQUIREMENTS FOR ISSUANCE.—Sec-  
10 tion 6503(k) is amended by adding at the end thereof the  
11 following new paragraph:

12                   “(4) NOTICE REQUIREMENTS.—With respect to  
13                   any summons referred to in paragraph (1)(A) issued  
14                   to any person other than the corporation, the Sec-  
15                   retary shall promptly notify the corporation, in writ-  
16                   ing, that such summons has been issued with respect  
17                   to such corporation’s return of tax.”.

18           (c) EFFECTIVE DATE.—The amendments made by  
19 this section shall apply to summons issued after the date  
20 of the enactment of this Act.

1           **TITLE VI—INFORMATION**  
2                           **RETURNS**

3   **SEC. 601. PHONE NUMBER OF PERSON PROVIDING PAYEE**  
4                           **STATEMENTS REQUIRED TO BE SHOWN ON**  
5                           **SUCH STATEMENT.**

6           (a) GENERAL RULE.—The following provisions are  
7 each amended by striking “name and address” and insert-  
8 ing “name, address, and phone number of the information  
9 contact”:

- 10           (1) Section 6041(d)(1).  
11           (2) Section 6041A(e)(1).  
12           (3) Section 6042(c)(1).  
13           (4) Section 6044(e)(1).  
14           (5) Section 6045(b)(1).  
15           (6) Section 6049(c)(1)(A).  
16           (7) Section 6050B(b)(1).  
17           (8) Section 6050H(d)(1).  
18           (9) Section 6050I(e)(1).  
19           (10) Section 6050J(e).  
20           (11) Section 6050K(b)(1).  
21           (12) Section 6050N(b)(1).

22           (b) EFFECTIVE DATE.—The amendments made by  
23 subsection (a) shall apply to statements required to be fur-  
24 nished after December 31, 1993 (determined without  
25 regard to any extension).

1 **SEC. 602. CIVIL DAMAGES FOR FRAUDULENT FILING OF IN-**  
2 **FORMATION RETURNS.**

3 (a) GENERAL RULE.—Subchapter B of chapter 76  
4 (relating to proceedings by taxpayers and third parties)  
5 is amended by redesignating section 7434 as section 7435  
6 and by inserting after section 7433 the following new  
7 section:

8 **“SEC. 7434. CIVIL DAMAGES FOR FRAUDULENT FILING OF**  
9 **INFORMATION RETURNS.**

10 “(a) IN GENERAL.—If any person willfully files a  
11 false or fraudulent information return with respect to pay-  
12 ments purported to be made to any other person, such  
13 other person may bring a civil action for damages against  
14 the person so filing such return.

15 “(b) DAMAGES.—In any action brought under sub-  
16 section (a), upon a finding of liability on the part of the  
17 defendant, the defendant shall be liable to the plaintiff in  
18 an amount equal to the greater of \$5,000 or the sum of—

19 “(1) any actual damages sustained by the plain-  
20 tiff as a proximate result of the filing of the false  
21 or fraudulent information return (including any  
22 costs attributable to resolving deficiencies asserted  
23 as a result of such filing), and

24 “(2) the costs of the action.

25 “(c) PERIOD FOR BRINGING ACTION.—Notwith-  
26 standing any other provision of law, an action to enforce

1 the liability created under this section may be brought  
2 without regard to the amount in controversy and may be  
3 brought only within the later of—

4 “(1) 4 years after the date of the filing of the  
5 false or fraudulent information return, or

6 “(2) 1 year after the date such false or fraudu-  
7 lent information return would have been discovered  
8 by exercise of reasonable care.

9 “(d) COPY OF COMPLAINT FILED WITH IRS.—Any  
10 person bringing an action under subsection (a) shall pro-  
11 vide a copy of the complaint to the Internal Revenue Serv-  
12 ice upon the filing of such complaint with the court.

13 “(e) FINDING OF COURT TO INCLUDE CORRECT  
14 AMOUNT OF PAYMENT.—The judgment of the court in an  
15 action brought under subsection (a) shall include a finding  
16 of the correct amount which should have been reported  
17 in the information return.

18 “(f) INFORMATION RETURN.—For purposes of this  
19 section, the term ‘information return’ means any state-  
20 ment described in section 6724(d)(1)(A).”.

21 (b) CLERICAL AMENDMENT.—The table of sections  
22 for subchapter B of chapter 76 is amended by striking  
23 the item relating to section 7434 and inserting the follow-  
24 ing:

“Sec. 7434. Civil damages for fraudulent filing of information re-  
turns.

“Sec. 7435. Cross references.”.

1 (c) EFFECTIVE DATE.—The amendments made by  
2 this section shall apply to false or fraudulent information  
3 returns filed after the date of the enactment of this Act.

4 **SEC. 603. REQUIREMENT TO VERIFY ACCURACY OF INFOR-**  
5 **MATION RETURNS.**

6 (a) GENERAL RULE.—Section 6201 (relating to as-  
7 sessment authority) is amended by redesignating sub-  
8 section (d) as subsection (e) and by inserting after sub-  
9 section (c) the following new subsection:

10 “(d) REQUIRED REASONABLE VERIFICATION OF IN-  
11 FORMATION RETURNS.—In any court proceeding, if a tax-  
12 payer asserts a reasonable dispute with respect to any  
13 item of income reported on an information return filed  
14 with the Secretary under subpart B of part III of sub-  
15 chapter A of chapter 61 by a third party and the taxpayer  
16 has fully cooperated with the Secretary (including provid-  
17 ing, within a reasonable period of time, access to and in-  
18 spection of all witnesses, information, and documents  
19 within the control of the taxpayer as reasonably requested  
20 by the Secretary), the Secretary shall present reasonable  
21 and probative information concerning such deficiency in  
22 addition to such information return.”.

23 (b) EFFECTIVE DATE.—The amendment made by  
24 subsection (a) shall take effect on the date of the enact-  
25 ment of this Act.

1 **TITLE VII—MODIFICATIONS TO**  
2 **PENALTY FOR FAILURE TO**  
3 **COLLECT AND PAY OVER TAX**

4 **SEC. 701. PRELIMINARY NOTICE REQUIREMENT.**

5 (a) IN GENERAL.—Section 6672 (relating to failure  
6 to collect and pay over tax, or attempt to evade or defeat  
7 tax) is amended by redesignating subsection (b) as sub-  
8 section (c) and by inserting after subsection (a) the follow-  
9 ing new subsection:

10 “(b) PRELIMINARY NOTICE REQUIREMENT.—

11 “(1) IN GENERAL.—No penalty shall be im-  
12 posed under subsection (a) unless the Secretary noti-  
13 fies the taxpayer in writing by mail to an address as  
14 determined under section 6212(b) that the taxpayer  
15 shall be subject to an assessment of such penalty.

16 “(2) TIMING OF NOTICE.—The mailing of the  
17 notice described in paragraph (1) shall precede any  
18 notice and demand of any penalty under subsection  
19 (a) by at least 60 days.

20 “(3) STATUTE OF LIMITATIONS.—If a notice  
21 described in paragraph (1) with respect to any pen-  
22 alty is mailed before the expiration of the period  
23 provided by section 6501 for the assessment of such  
24 penalty (determined without regard to this para-  
25 graph), the period provided by such section for the

1 assessment of such penalty shall not expire before  
2 the date 90 days after the date on which such notice  
3 was mailed.

4 “(4) EXCEPTION FOR JEOPARDY.—This sub-  
5 section shall not apply if the Secretary finds that the  
6 collection of the penalty is in jeopardy.”.

7 (b) EFFECTIVE DATE.—The amendment made by  
8 subsection (a) shall apply to assessments made after June  
9 30, 1994.

10 **SEC. 702. NO PENALTY IF PROMPT NOTIFICATION OF THE**  
11 **SECRETARY.**

12 (a) IN GENERAL.—Section 6672 (relating to failure  
13 to collect and pay over tax, or attempt to evade or defeat  
14 tax) is amended by adding at the end thereof the following  
15 new subsection:

16 “(d) PENALTY NOT APPLICABLE WHERE PROMPT  
17 NOTIFICATION OF FAILURE.—

18 “(1) IN GENERAL.—A person shall not be liable  
19 for any penalty under subsection (a) by reason of  
20 any failure referred to in subsection (a) if—

21 “(A) such person is not a significant  
22 owner, or highly compensated employee, of the  
23 trade or business with respect to which such  
24 failure occurred,

1           “(B) such person notifies the Secretary (in  
2 such manner as he may prescribe) that such  
3 failure has occurred within 10 days after the  
4 date of such failure,

5           “(C) such notification was before any no-  
6 tice by the Secretary to any person with respect  
7 to such failure, and

8           “(D) such failure is not a part of a plan  
9 to defraud the Federal Government.

10           “(2) DEFINITIONS.—For purposes of paragraph  
11 (1)—

12           “(A) SIGNIFICANT OWNER.—The term  
13 ‘significant owner’ means—

14           “(i) any person holding an interest as  
15 a proprietor in a trade or business carried  
16 on as a proprietorship, and

17           “(ii) in the case of a trade or business  
18 conducted by a corporation or partnership,  
19 any person who is a 5-percent owner (as  
20 defined in section 416(i)(1)) in such cor-  
21 poration or partnership, as the case may  
22 be.

23           “(B) HIGHLY COMPENSATED EM-  
24 PLOYEE.—The term ‘highly compensated em-  
25 ployee’ means any employee who receives com-

1           pensation from the employer at an annual rate  
2           in excess of \$75,000.

3           “(3) SPECIAL RULES.—

4                   “(A) ONE-TIME RELIEF.—This subsection  
5           shall apply only once with respect to—

6                           “(i) any person, and

7                           “(ii) any trade or business with re-  
8                   spect to which the failure described in sub-  
9                   section (a) occurred.

10                   “(B) APPLICATION OF SUBSECTION.—This  
11           subsection shall not apply if it results in no per-  
12           son being held liable for the penalty described  
13           in subsection (a).”.

14           (b) EFFECTIVE DATE.—The amendment made by  
15           subsection (a) shall apply in the case of failures after the  
16           date of the enactment of this Act.

17   **SEC. 703. DISCLOSURE OF CERTAIN INFORMATION WHERE**

18                   **MORE THAN 1 PERSON SUBJECT TO PEN-**

19                   **ALTY.**

20           (a) IN GENERAL.—Subsection (e) of section 6103  
21           (relating to disclosure to persons having material interest),  
22           as amended by section 401(a), is amended by adding at  
23           the end thereof the following new paragraph:

24                   “(9) DISCLOSURE OF CERTAIN INFORMATION  
25           WHERE MORE THAN 1 PERSON SUBJECT TO PEN-

1 ALTY UNDER SECTION 6672.—If the Secretary deter-  
2 mines that a person is liable for a penalty under sec-  
3 tion 6672(a) with respect to any failure, upon re-  
4 quest in writing of such person, the Secretary shall  
5 disclose in writing to such person—

6 “(A) the name of any other person whom  
7 the Secretary has determined to be liable for  
8 such penalty with respect to such failure, and

9 “(B) whether the Secretary has attempted  
10 to collect such penalty from such other person,  
11 the general nature of such collection activities,  
12 and the amount collected.”.

13 (b) EFFECTIVE DATE.—The amendment made by  
14 subsection (a) shall take effect on the date of the enact-  
15 ment of this Act.

16 **SEC. 704. PENALTIES UNDER SECTION 6672.**

17 (a) PUBLIC INFORMATION REQUIREMENTS.—The  
18 Secretary of the Treasury or the Secretary’s delegate  
19 (hereafter in this section referred to as the “Secretary”)  
20 shall take such actions as may be appropriate to ensure  
21 that employees are aware of their responsibilities under  
22 the Federal tax depository system, the circumstances  
23 under which employees may be liable for the penalty im-  
24 posed by section 6672 of the Internal Revenue Code of  
25 1986, and the responsibility to promptly report to the In-

1 ternal Revenue Service any failure referred to in sub-  
2 section (a) of such section 6672. Such actions shall in-  
3 clude—

4 (1) printing of a warning on deposit coupon  
5 booklets and the appropriate tax returns that certain  
6 employees may be liable for the penalty imposed by  
7 such section 6672, and

8 (2) the development of a special information  
9 packet.

10 (b) BOARD MEMBERS OF TAX-EXEMPT ORGANIZA-  
11 TIONS.—

12 (1) VOLUNTARY BOARD MEMBERS.—

13 (A) IN GENERAL.—The penalty under sec-  
14 tion 6672 of the Internal Revenue Code of 1986  
15 shall not be imposed on unpaid, volunteer mem-  
16 bers of any board of trustees or directors of an  
17 organization referred to in section 501 of such  
18 Code to the extent such members are solely  
19 serving in an honorary capacity, do not partici-  
20 pate in the day-to-day or financial operations of  
21 the organization, and do not have actual knowl-  
22 edge of the failure on which such penalty is im-  
23 posed.

24 (B) APPLICATION OF PARAGRAPH.—This  
25 paragraph shall not apply if it results in no per-

1 son being held liable for the penalty described  
2 in section 6672(a) of the Internal Revenue  
3 Code of 1986.

4 (2) DEVELOPMENT OF EXPLANATORY MATE-  
5 RIALS.—The Secretary shall develop materials ex-  
6 plaining the circumstances under which board mem-  
7 bers of tax-exempt organizations (including vol-  
8 untary and honorary members) may be subject to  
9 penalty under section 6672 of such Code. Such ma-  
10 terials shall be made available to tax-exempt organi-  
11 zations.

12 (3) IRS INSTRUCTIONS.—The Secretary shall  
13 clarify the instructions to Internal Revenue Service  
14 employees on the application of the penalty under  
15 section 6672 of such Code with regard to voluntary  
16 members of boards of trustees or directors of tax-  
17 exempt organizations.

18 (c) PROMPT NOTIFICATION.—To the maximum ex-  
19 tent practicable, the Secretary shall notify all persons who  
20 have failed to make timely and complete deposit of any  
21 taxes described in section 6672 of the Internal Revenue  
22 Code of 1986 of such failure within 30 days after the re-  
23 turn was filed reflecting such failure or after the date on  
24 which the Secretary is first aware of such failure. If the  
25 person failing to make the deposit is not an individual,

1 the Secretary shall notify the entity subject to such deposit  
2 requirement and that entity shall notify, within 15 days  
3 of the notification by the Secretary, all officers, general  
4 partners, trustees, or other managers of the failure.

5 **TITLE VIII—AWARDING OF**  
6 **COSTS AND CERTAIN FEES**

7 **SEC. 801. MOTION FOR DISCLOSURE OF INFORMATION.**

8 Paragraph (4) of section 7430(c) (defining prevailing  
9 party) is amended by adding at the end thereof the follow-  
10 ing new subparagraph:

11 “(C) MOTION FOR DISCLOSURE OF INFOR-  
12 MATION.—Once a taxpayer substantially pre-  
13 vails as described in subparagraph (A)(ii), the  
14 taxpayer may file a motion for an order requir-  
15 ing the disclosure (within a reasonable period of  
16 time specified by the court) of all information  
17 and copies of relevant records in the possession  
18 of the Internal Revenue Service with respect to  
19 such taxpayer’s case and the substantial jus-  
20 tification for the position taken by the Internal  
21 Revenue Service.”.

22 **SEC. 802. INCREASED LIMIT ON ATTORNEY FEES.**

23 Paragraph (1) of section 7430(c) (defining reason-  
24 able litigation costs) is amended—

1 (1) by striking “\$75” in clause (iii) of subpara-  
2 graph (B) and inserting “\$110”,

3 (2) by striking “an increase in the cost of living  
4 or” in clause (iii) of subparagraph (B), and

5 (3) by adding after clause (iii) the following:

6 “In the case of any calendar year beginning after  
7 1992, the dollar amount referred to in clause (iii)  
8 shall be increased by an amount equal to such dollar  
9 amount multiplied by the cost-of-living adjustment  
10 determined under section 1(f)(3) for such calendar  
11 year, by substituting ‘calendar year 1991’ for ‘cal-  
12 endar year 1989’ in subparagraph (B) thereof. If  
13 any dollar amount after being increased under the  
14 preceding sentence is not a multiple of \$10, such  
15 dollar amount shall be rounded to the nearest mul-  
16 tiple of \$10 (or, if such dollar amount is a multiple  
17 of \$5, such dollar amount shall be increased to the  
18 next higher multiple of \$10).”.

19 **SEC. 803. FAILURE TO AGREE TO EXTENSION NOT TAKEN**  
20 **INTO ACCOUNT.**

21 Paragraph (1) of section 7430(b) (relating to require-  
22 ment that administrative remedies be exhausted) is  
23 amended by adding at the end thereof the following new  
24 sentence: “Any failure to agree to an extension of the time  
25 for the assessment of any tax shall not be taken into ac-

1 count for purposes of determining whether the prevailing  
2 party meets the requirements of the preceding sentence.”

3 **SEC. 804. EFFECTIVE DATE.**

4 The amendments made by this title shall apply in the  
5 case of proceedings commenced after the date of the enact-  
6 ment of this Act.

7 **TITLE IX—OTHER PROVISIONS**

8 **SEC. 901. REQUIRED CONTENT OF CERTAIN NOTICES.**

9 (a) GENERAL RULE.—Subsection (a) of section 7522  
10 (relating to content of tax due, deficiency, and other no-  
11 tices) is amended by striking “shall describe the basis for,  
12 and identify” and inserting “shall set forth the adjust-  
13 ments which are the basis for, and shall identify”.

14 (b) EFFECTIVE DATE.—The amendment made by  
15 subsection (a) shall apply to notices sent after the date  
16 6 months after the date of the enactment of this Act.

17 **SEC. 902. TREATMENT OF SUBSTITUTE RETURNS UNDER**  
18 **SECTION 6651.**

19 (a) GENERAL RULE.—Section 6651 (relating to fail-  
20 ure to file tax return or to pay tax) is amended by adding  
21 at the end thereof the following new subsection:

22 “(h) TREATMENT OF RETURNS PREPARED BY SEC-  
23 RETARY UNDER SECTION 6020(b).—In the case of any  
24 return made by the Secretary under section 6020(b)—

1           “(1) such return shall be disregarded for pur-  
2           poses of determining the amount of the addition  
3           under paragraph (1) of subsection (a), but

4           “(2) such return shall be treated as the return  
5           filed by the taxpayer for purposes of determining the  
6           amount of the addition under paragraphs (2) and  
7           (3) of subsection (a).”.

8           (b) EFFECTIVE DATE.—The amendment made by  
9           subsection (a) shall apply in the case of any return the  
10          due date for which (determined without regard to exten-  
11          sions) is after the date of the enactment of this Act.

12   **SEC. 903. RELIEF FROM RETROACTIVE APPLICATION OF**  
13                           **TREASURY DEPARTMENT REGULATIONS.**

14          (a) IN GENERAL.—Subsection (b) of section 7805  
15          (relating to rules and regulations) is amended to read as  
16          follows:

17          “(b) RETROACTIVITY OF REGULATIONS.—

18                 “(1) IN GENERAL.—Except as otherwise pro-  
19                 vided in this subsection, no temporary, proposed, or  
20                 final regulation relating to the internal revenue laws  
21                 shall apply to any taxable period ending before the  
22                 earliest of the following dates:

23                         “(A) The date on which such regulation is  
24                         filed with the Federal Register.

1           “(B) In the case of any final regulation,  
2           the date on which any proposed or temporary  
3           regulation to which such final regulation relates  
4           was filed with the Federal Register.

5           “(C) The date on which any notice sub-  
6           stantially describing the expected contents of  
7           any temporary, proposed, or final regulation is  
8           issued to the public.

9           “(2) PREVENTION OF ABUSE.—The Secretary  
10          may provide that any regulation may take effect or  
11          apply retroactively to prevent abuse of a statute to  
12          which the regulation relates.

13          “(3) CORRECTION OF PROCEDURAL DE-  
14          FECTS.—The Secretary may provide that any regu-  
15          lation may apply retroactively to correct a proce-  
16          dural defect in the issuance of any prior regulation.

17          “(4) INTERNAL REGULATIONS.—The limitations  
18          of paragraph (1) shall not apply to any regulation  
19          relating to internal Treasury Department policies,  
20          practices or procedures.

21          “(5) CONGRESSIONAL AUTHORIZATION.—The  
22          limitation of paragraph (1) may be superseded by a  
23          legislative grant from Congress authorizing the Sec-  
24          retary to prescribe the effective date with respect to  
25          any regulation.

1           “(6) ELECTION TO APPLY RETROACTIVELY.—  
2           The Secretary may provide for any taxpayer to elect  
3           to apply any regulation before the dates specified in  
4           paragraph (1).

5           “(7) APPLICATION TO RULINGS.—The Sec-  
6           retary may prescribe the extent, if any, to which any  
7           ruling (including any judicial decision or any admin-  
8           istrative determination other than by regulation) re-  
9           lating to the internal revenue laws shall be applied  
10          without retroactive effect.”.

11          (b) EFFECTIVE DATE.—

12           (1) IN GENERAL.—Except as provided in para-  
13          graph (2), the amendment made by subsection (a)  
14          shall apply with respect to—

15           (A) any temporary or proposed regulation  
16          filed on or after January 5, 1993, and

17           (B) any temporary or proposed regulation  
18          filed before January 5, 1993, and filed as a  
19          final regulation after such date.

20          (2) SPECIAL RULE.—Section 7805(b)(2) of the  
21          Internal Revenue Code of 1986 (as added by sub-  
22          section (a)) shall apply only to statutes enacted on  
23          or after the date of the enactment of this Act.

1 **SEC. 904. REQUIRED NOTICE OF CERTAIN PAYMENTS.**

2 If any payment is received by the Secretary of the  
3 Treasury or the Secretary's delegate (hereafter in the sec-  
4 tion referred to as the "Secretary") from any taxpayer  
5 and the Secretary cannot associate such payment with any  
6 outstanding tax liability of such taxpayer, the Secretary  
7 shall make reasonable efforts to notify the taxpayer of  
8 such inability within 60 days after the receipt of such  
9 payment.

10 **SEC. 905. UNAUTHORIZED ENTICEMENT OF INFORMATION**  
11 **DISCLOSURE.**

12 (a) IN GENERAL.—Subchapter B of chapter 76 (re-  
13 lating to proceedings by taxpayers and third parties) is  
14 amended by redesignating section 7434 as section 7435  
15 and by inserting after section 7433 the following new  
16 section:

17 **"SEC. 7434. CIVIL DAMAGES FOR UNAUTHORIZED ENTICE-**  
18 **MENT OF INFORMATION DISCLOSURE.**

19 "(a) IN GENERAL.—If any officer or employee of the  
20 United States intentionally compromises the determina-  
21 tion or collection of any tax due from an attorney, certified  
22 public accountant, or enrolled agent representing a tax-  
23 payer in exchange for information conveyed by the tax-  
24 payer to the attorney, certified public accountant, or en-  
25 rolled agent for purposes of obtaining advice concerning  
26 the taxpayer's tax liability, such taxpayer may bring a civil

1 action for damages against the United States in a district  
2 court of the United States. Such civil action shall be the  
3 exclusive remedy for recovering damages resulting from  
4 such actions.

5 “(b) DAMAGES.—In any action brought under sub-  
6 section (a), upon a finding of liability on the part of the  
7 defendant, the defendant shall be liable to the plaintiff in  
8 an amount equal to the lesser of \$500,000 or the sum  
9 of—

10 “(1) actual, direct economic damages sustained  
11 by the plaintiff as a proximate result of the informa-  
12 tion disclosure, and

13 “(2) the costs of the action.

14 Damages shall not include the taxpayer’s liability for any  
15 civil or criminal penalties, or other losses attributable to  
16 incarceration or the imposition of other criminal sanctions.

17 “(c) PAYMENT AUTHORITY.—Claims pursuant to  
18 this section shall be payable out of funds appropriated  
19 under section 1304 of title 31, United States Code.

20 “(d) PERIOD FOR BRINGING ACTION.—Notwith-  
21 standing any other provision of law, an action to enforce  
22 liability created under this section may be brought without  
23 regard to the amount in controversy and may be brought  
24 only within 2 years after the date the actions creating such

1 liability would have been discovered by exercise of reason-  
2 able care.

3 “(e) MANDATORY STAY.—Upon a certification by the  
4 Commissioner or the Commissioner’s delegate that there  
5 is an ongoing investigation or prosecution of the taxpayer,  
6 the district court before which an action under this section  
7 is pending, shall stay all proceedings with respect to such  
8 action pending the conclusion of the investigation or  
9 prosecution.

10 “(f) CRIME-FRAUD EXCEPTION.—Subsection (a)  
11 shall not apply to information conveyed to an attorney,  
12 certified public accountant, or enrolled agent for the pur-  
13 pose of perpetrating a fraud or crime.”.

14 (b) CLERICAL AMENDMENT.—The table of sections  
15 for subchapter B of chapter 76 is amended by striking  
16 the item relating to section 7434 and by adding at the  
17 end thereof the following new items:

“Sec. 7434. Civil damages for unauthorized enticement of infor-  
mation disclosure.

“Sec. 7435. Cross references.”.

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

21 **TITLE X—FORM**  
22 **MODIFICATIONS; STUDIES**

23 **SEC. 1000. DEFINITIONS.**

24 For purposes of this title:

1           (1) SECRETARY.—The term “Secretary” means  
2           the Secretary of the Treasury or his delegate.

3           (2) 1986 CODE.—The term “1986 Code”  
4           means the Internal Revenue Code of 1986.

5           (3) TAX-WRITING COMMITTEES.—The term  
6           “tax-writing Committees” means the Committee on  
7           Ways and Means of the House of Representatives  
8           and the Committee on Finance of the Senate.

## 9           **Subtitle A—Form Modifications**

### 10          **SEC. 1001. EXPLANATION OF CERTAIN PROVISIONS.**

11          (a) GENERAL RULE.—The Secretary shall take such  
12          actions as may be appropriate to ensure that taxpayers  
13          are aware of the provisions of the 1986 Code permitting  
14          payment of tax in installments, extensions of time for pay-  
15          ment of tax, and compromises of tax liability. Such actions  
16          shall include revising the instructions for filing income tax  
17          returns so that such instructions include an explanation  
18          of—

19                 (1) the procedures for requesting the benefits of  
20                 such provisions, and

21                 (2) the terms and conditions under which the  
22                 benefits of such provisions are available.

23          (b) COLLECTION NOTICES.—In any notice of an  
24          underpayment of tax or proposed underpayment of tax  
25          sent by the Secretary to any taxpayer, the Secretary shall

1 include a notification of the availability of the provisions  
2 of sections 6159, 6161, and 7122 of the 1986 Code.

3 **SEC. 1002. IMPROVED PROCEDURES FOR NOTIFYING SERV-**  
4 **ICE OF CHANGE OF ADDRESS OR NAME.**

5 The Secretary shall provide improved procedures for  
6 taxpayers to notify the Secretary of changes in names and  
7 addresses. Not later than June 30, 1994, the Secretary  
8 shall institute procedures for timely updating all Internal  
9 Revenue Service records with change-of-address informa-  
10 tion provided to the Secretary by taxpayers.

11 **SEC. 1003. RIGHTS AND RESPONSIBILITIES OF DIVORCED**  
12 **INDIVIDUALS.**

13 The Secretary shall include in the Internal Revenue  
14 Service publication entitled “Your Rights As A Taxpayer”  
15 a section on the rights and responsibilities of divorced  
16 individuals.

17 **Subtitle B—Studies**

18 **SEC. 1011. PILOT PROGRAM FOR APPEAL OF ENFORCE-**  
19 **MENT ACTIONS.**

20 (a) GENERAL RULE.—The Secretary shall establish  
21 a 1-year pilot program for appeals of enforcement actions  
22 (including lien, levy, and seizure actions) to the Appeals  
23 Division of the Internal Revenue Service—

24 (1) where the deficiency was assessed without  
25 actual knowledge of the taxpayer,

1           (2) where the deficiency was assessed without  
2           an opportunity for administrative appeal, and

3           (3) in other appropriate circumstances.

4           (b) REPORT.—Not later than June 30, 1994, the  
5 Secretary shall submit to the tax-writing Committees a re-  
6 port on the pilot program established under subsection (a),  
7 together with such recommendations as he may deem  
8 advisable.

9 **SEC. 1012. STUDY ON TAXPAYERS WITH SPECIAL NEEDS.**

10          (a) GENERAL RULE.—The Secretary shall conduct a  
11 study on ways to assist the elderly, physically impaired,  
12 foreign-language speaking, and other taxpayers with spe-  
13 cial needs to comply with the internal revenue laws.

14          (b) REPORT.—Not later than June 30, 1994, the  
15 Secretary shall submit to the tax-writing Committees a re-  
16 port on the study conducted under subsection (a), together  
17 with such recommendations as he may deem advisable.

18 **SEC. 1013. REPORTS ON TAXPAYER-RIGHTS EDUCATION**  
19 **PROGRAM.**

20          Not later than April 1, 1994, the Secretary shall sub-  
21 mit a report to the tax-writing Committees on the scope  
22 and content of the Internal Revenue Service's taxpayer-  
23 rights education program for its officers and employees.  
24 Not later than June 30, 1994, the Secretary shall submit

1 a report to the tax-writing Committees on the effectiveness  
2 of the program referred to in the preceding sentence.

3 **SEC. 1014. BIENNIAL REPORTS ON MISCONDUCT BY INTER-**  
4 **NAL REVENUE SERVICE EMPLOYEES.**

5 Not later than June 30, 1994 and during June of  
6 each second calendar year thereafter, the Secretary shall  
7 report to the tax-writing Committees on all cases involving  
8 complaints about misconduct of Internal Revenue Service  
9 employees and the disposition of such complaints.

10 **SEC. 1015. STUDY OF NOTICES OF DEFICIENCY.**

11 (a) GENERAL RULE.—The Comptroller General shall  
12 conduct a study on—

13 (1) the effectiveness of current Internal Reve-  
14 nue Service efforts to notify taxpayers with regard  
15 to tax deficiencies under section 6212 of the 1986  
16 Code,

17 (2) the number of registered or certified letters  
18 and other notices returned to the Internal Revenue  
19 Service as undeliverable,

20 (3) any follow-up action taken by the Internal  
21 Revenue Service to locate taxpayers who did not re-  
22 ceive actual notice,

23 (4) the effect that failures to receive notice of  
24 such deficiencies have on taxpayers, and

1 (5) recommendations to improve Internal Reve-  
 2 nue Service notification of taxpayers.

3 (b) REPORT.—Not later than June 30, 1994, the  
 4 Comptroller General shall submit to the tax-writing Com-  
 5 mittees a report on the study conducted under subsection  
 6 (a), together with such recommendations as he may deem  
 7 advisable.

8 **SEC. 1016. NOTICE AND FORM ACCURACY STUDY.**

9 (a) GENERAL RULE.—The Comptroller General shall  
 10 conduct annual studies of the accuracy of 25 of the most  
 11 commonly used Internal Revenue Service forms, notices,  
 12 and publications. In conducting any such study, the Comp-  
 13 troller General shall examine the suitability and usefulness  
 14 of Internal Revenue Service telephone numbers on Inter-  
 15 nal Revenue Service notices and shall solicit and consider  
 16 the comments of organizations representing taxpayers,  
 17 employers, and tax professionals.

18 (b) REPORTS.—The Comptroller General shall sub-  
 19 mit to the tax-writing Committees a report on each study  
 20 conducted under subsection (a), together with such rec-  
 21 ommendations as he may deem advisable. The first such  
 22 report shall be submitted not later than June 30, 1994.

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S 542 IS—3

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