

107TH CONGRESS
1ST SESSION

S. 189

To amend the Internal Revenue Code of 1986 to provide tax relief for small businesses, and for other purposes.

IN THE SENATE OF THE UNITED STATES

JANUARY 25, 2001

Mr. BOND (for himself and Mr. ENZI) introduced the following bill; which was read twice and referred to the Committee on Finance

A BILL

To amend the Internal Revenue Code of 1986 to provide tax relief for small businesses, and for other purposes.

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

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

4 **TABLE OF CONTENTS.**

5 (a) SHORT TITLE.—This Act may be cited as the
6 “Small Business Works Act of 2001”.

7 (b) AMENDMENT OF 1986 CODE.—Except as other-
8 wise expressly provided, whenever in this Act an amend-
9 ment or repeal is expressed in terms of an amendment
10 to, or repeal of, a section or other provision, the reference

1 shall be considered to be made to a section or other provi-
 2 sion of the Internal Revenue Code of 1986.

3 (c) TABLE OF CONTENTS.—The table of contents is
 4 as follows:

Sec. 1. Short title; amendment of 1986 code; and table of contents.

TITLE I—TAX RELIEF

Sec. 101. Deduction for health insurance costs of self-employed individuals in-
 creased.

Sec. 102. Alternative minimum tax.

Sec. 103. Repeal of Federal unemployment surtax.

Sec. 104. Permanent extension of research credit.

Sec. 105. Increased deduction for business meal expenses.

TITLE II—TAX SIMPLIFICATION

Sec. 201. Clarification of cash accounting rules for small business.

Sec. 202. Increase in expense treatment for small businesses.

Sec. 203. Depreciation modifications.

Sec. 204. Simplification of estimated tax rules.

Sec. 205. Exclusion from partnership filing requirements for married couples as
 business co-owners.

TITLE III—TAXPAYER PROTECTIONS

Sec. 301. Taxpayer's right to have an IRS examination take place at another
 site.

Sec. 302. Clarification of electronic filing.

Sec. 303. Taxpayer's election with respect to recovery of costs and certain fees.

Sec. 304. Repeal of the failure-to-pay penalty.

Sec. 305. Repeal of interest on deficiencies.

5 **TITLE I—TAX RELIEF**

6 **SEC. 101. DEDUCTION FOR HEALTH INSURANCE COSTS OF** 7 **SELF-EMPLOYED INDIVIDUALS INCREASED.**

8 (a) IN GENERAL.—Section 162(l)(1) (relating to spe-
 9 cial rules for health insurance costs of self-employed indi-
 10 viduals) is amended to read as follows:

11 “(1) ALLOWANCE OF DEDUCTION.—In the case
 12 of an individual who is an employee within the
 13 meaning of section 401(c)(1), there shall be allowed

1 as a deduction under this section an amount equal
2 to the amount paid during the taxable year for in-
3 surance which constitutes medical care for the tax-
4 payer, the taxpayer's spouse, and dependents.”.

5 (b) CLARIFICATION OF LIMITATIONS ON OTHER COV-
6 ERAGE.—The first sentence of section 162(l)(2)(B) is
7 amended to read as follows: “Paragraph (1) shall not
8 apply to any taxpayer for any calendar month for which
9 the taxpayer participates in any subsidized health plan
10 maintained by any employer (other than an employer de-
11 scribed in section 401(c)(4)) of the taxpayer or the spouse
12 of the taxpayer.”.

13 (c) DEDUCTION TAKEN INTO ACCOUNT FOR SELF-
14 EMPLOYMENT TAX PURPOSES.—Section 162(l) is amend-
15 ed by striking paragraph (4) and redesignating paragraph
16 (5) as paragraph (4).

17 (d) EFFECTIVE DATE.—The amendments made by
18 this section shall apply to taxable years beginning after
19 December 31, 2000.

20 **SEC. 102. ALTERNATIVE MINIMUM TAX.**

21 (a) REPEAL OF ALTERNATIVE MINIMUM TAX ON IN-
22 DIVIDUALS.—

23 (1) IN GENERAL.—Section 55(a) (relating to al-
24 ternative minimum tax) is amended by adding at the
25 end the following new flush sentence:

1 “For purposes of this title, the tentative minimum tax on
 2 any taxpayer other than a corporation for any taxable year
 3 beginning after December 31, 2004, shall be zero.”.

4 (2) REDUCTION OF TAX ON INDIVIDUALS PRIOR
 5 TO REPEAL.—Section 55 is amended by adding at
 6 the end the following new subsection:

7 “(f) PHASEOUT OF TAX ON INDIVIDUALS.—

8 “(1) IN GENERAL.—The tax imposed by this
 9 section on a taxpayer other than a corporation for
 10 any taxable year beginning after December 31,
 11 2000, and before January 1, 2005, shall be the ap-
 12 plicable percentage of the tax which would be im-
 13 posed but for this subsection.

14 “(2) APPLICABLE PERCENTAGE.—For purposes
 15 of paragraph (1), the applicable percentage shall be
 16 determined in accordance with the following table:

“For taxable years beginning in calendar year—	The applicable percentage is—
2001	80
2002	60
2003	40
2004	20.”.

17 (3) NONREFUNDABLE PERSONAL CREDITS
 18 FULLY ALLOWED AGAINST REGULAR TAX LIABIL-
 19 ITY.—

20 (A) IN GENERAL.—Section 26(a) (relating
 21 to limitation based on amount of tax) is amend-
 22 ed to read as follows:

1 “(a) LIMITATION BASED ON AMOUNT OF TAX.—The
2 aggregate amount of credits allowed by this subpart for
3 the taxable year shall not exceed the taxpayer’s regular
4 tax liability for the taxable year.”.

5 (B) CHILD CREDIT.—Section 24(d) is
6 amended by striking paragraph (2) and by re-
7 designating paragraph (3) as paragraph (2).

8 (4) EFFECTIVE DATE.—The amendments made
9 by this subsection shall apply to taxable years begin-
10 ning after December 31, 2000.

11 (b) INCOME AVERAGING NOT TO INCREASE ALTER-
12 NATIVE MINIMUM TAX LIABILITY.—

13 (1) IN GENERAL.—Section 55(c) (relating to
14 regular tax) is amended by redesignating paragraph
15 (2) as paragraph (3) and by inserting after para-
16 graph (1) the following:

17 “(2) COORDINATION WITH INCOME AVERAGING
18 FOR FARMERS.—Solely for purposes of this section,
19 section 1301 (relating to averaging of farm income)
20 shall not apply in computing the regular tax.”.

21 (2) EFFECTIVE DATE.—The amendment made
22 by this subsection shall apply to taxable years begin-
23 ning after December 31, 2000.

24 (c) EXPANSION OF THE EXEMPTION FROM THE AL-
25 TERNATIVE MINIMUM TAX FOR SMALL CORPORATIONS.—

1 (1) IN GENERAL.—Section 55(e)(1)(A) (relating
2 to exemption for small corporations) is amended to
3 read as follows:

4 “(A) \$10,000,000 GROSS RECEIPTS
5 TEST.—The tentative minimum tax of a cor-
6 poration shall be zero for any taxable year if
7 the corporation’s average annual gross receipts
8 for all 3-taxable-year periods ending before such
9 taxable year does not exceed \$10,000,000. For
10 purposes of the preceding sentence, only taxable
11 years beginning after December 31, 1997, shall
12 be taken into account.”.

13 (2) GROSS RECEIPTS TEST FOR FIRST 3-YEAR
14 PERIOD.—Section 55(e)(1)(B) is amended to read as
15 follows:

16 “(B) \$7,500,000 GROSS RECEIPTS TEST
17 FOR FIRST 3-YEAR PERIOD.—Subparagraph (A)
18 shall be applied by substituting ‘\$7,500,000’ for
19 ‘\$10,000,000’ for the first 3-taxable-year period
20 (or portion thereof) of the corporation which is
21 taken into account under subparagraph (A).”.

22 (3) EFFECTIVE DATE.—The amendments made
23 by this subsection shall apply to taxable years begin-
24 ning after December 31, 2000.

1 **SEC. 103. REPEAL OF FEDERAL UNEMPLOYMENT SURTAX.**

2 (a) IN GENERAL.—Section 3301 (relating to rate of
3 Federal unemployment tax) is amended—

4 (1) by striking “2007” and inserting “2000”,
5 and

6 (2) by striking “2008” and inserting “2001”.

7 (b) EFFECTIVE DATE.—The amendment made by
8 this section shall apply to calendar years beginning after
9 December 31, 2000.

10 **SEC. 104. PERMANENT EXTENSION OF RESEARCH CREDIT.**

11 (a) IN GENERAL.—Section 41 of the Internal Rev-
12 enue Code of 1986 (relating to credit for increasing re-
13 search activities) is amended by striking subsection (h).

14 (b) CONFORMING AMENDMENT.—Section 45C(b)(1)
15 of such Code is amended by striking subparagraph (D).

16 (c) EFFECTIVE DATE.—The amendments made by
17 this section shall apply to amounts paid or incurred after
18 the date of the enactment of this Act.

19 **SEC. 105. INCREASED DEDUCTION FOR BUSINESS MEAL EX-**
20 **PENSES.**

21 (a) IN GENERAL.—Section 274(n)(1) (relating to
22 only 50 percent of meal and entertainment expenses al-
23 lowed as deduction) is amended by striking “50 percent”
24 in the text and inserting “the allowable percentage”.

25 (b) ALLOWABLE PERCENTAGE.—Section 274(n) is
26 amended by redesignating paragraphs (2) and (3) as para-

1 graphs (3) and (4), respectively, and by inserting after
2 paragraph (1) the following new paragraph:

3 “(2) ALLOWABLE PERCENTAGE.—For purposes
4 of paragraph (1), the allowable percentage is—

5 “(A) in the case of amounts for items de-
6 scribed in paragraph (1)(B), 50 percent, and

7 “(B) in the case of expenses for food or
8 beverages, 80 percent.”.

9 (c) CLARIFICATION OF SPECIAL RULE FOR INDIVID-
10 UALS SUBJECT TO FEDERAL HOURS OF SERVICE.—Sec-
11 tion 274(n)(4) (relating to limited percentages of meal and
12 entertainment expenses allowed as deduction), as redesign-
13 nated by subsection (b), is amended to read as follows:

14 “(4) SPECIAL RULE FOR INDIVIDUALS SUBJECT
15 TO FEDERAL HOURS OF SERVICE.—In the case of
16 any expenses for food or beverages consumed while
17 away from home (within the meaning of section
18 162(a)(2)) by an individual during, or incident to,
19 the period of duty subject to the hours of service
20 limitations of the Department of Transportation,
21 paragraph (2)(B) shall apply to such expenses.”.

22 (d) CONFORMING AMENDMENT.—The heading for
23 subsection (n) of section 274 is amended by striking “50
24 PERCENT” and inserting “LIMITED PERCENTAGES”.

1 (e) EFFECTIVE DATE.—The amendments made by
2 this section shall apply to taxable years beginning after
3 December 31, 2000.

4 **TITLE II—TAX SIMPLIFICATION**

5 **SEC. 201. CLARIFICATION OF CASH ACCOUNTING RULES** 6 **FOR SMALL BUSINESS.**

7 (a) CASH ACCOUNTING PERMITTED.—Section 446
8 (relating to general rule for methods of accounting) is
9 amended by adding at the end the following new sub-
10 section:

11 “(g) SMALL BUSINESS TAXPAYERS PERMITTED TO
12 USE CASH ACCOUNTING METHOD WITHOUT LIMITA-
13 TION.—

14 “(1) IN GENERAL.—Notwithstanding any other
15 provision of this title, an eligible taxpayer shall not
16 be required to use an accrual method of accounting
17 for any taxable year.

18 “(2) ELIGIBLE TAXPAYER.—For purposes of
19 this subsection—

20 “(A) IN GENERAL.—A taxpayer is an eligi-
21 ble taxpayer with respect to any taxable year
22 if—

23 “(i) for all prior taxable years begin-
24 ning after December 31, 1999, the tax-

1 payer (or any predecessor) met the gross
2 receipts test of subparagraph (B), and

3 “(ii) the taxpayer is not a tax shelter
4 (as defined in section 448(d)(3)).

5 “(B) GROSS RECEIPTS TEST.—A taxpayer
6 meets the gross receipts test of this subpara-
7 graph for any prior taxable year if the average
8 annual gross receipts of the taxpayer (or any
9 predecessor) for the 3-taxable-year period end-
10 ing with such prior taxable year does not exceed
11 \$5,000,000. The rules of paragraphs (2) and
12 (3) of section 448(e) shall apply for purposes of
13 the preceding sentence.

14 “(C) INFLATION ADJUSTMENT.—In the
15 case of any taxable year beginning in a calendar
16 year after 2001, the dollar amount contained in
17 subparagraph (B) shall be increased by an
18 amount equal to—

19 “(i) such dollar amount, multiplied by

20 “(ii) the cost-of-living adjustment de-
21 termined under section 1(f)(3) for the cal-
22 endar year in which the taxable year be-
23 gins, by substituting “calendar year 2000”
24 for “calendar year 1992” in subparagraph
25 (B) thereof.

1 If any amount as adjusted under this subpara-
2 graph is not a multiple of \$100,000, such
3 amount shall be rounded to the nearest multiple
4 of \$100,000.”.

5 (b) CLARIFICATION OF INVENTORY RULES FOR
6 SMALL BUSINESS.—Section 471 (relating to general rule
7 for inventories) is amended by redesignating subsection (c)
8 as subsection (d) and by inserting after subsection (b) the
9 following new subsection:

10 “(c) SMALL BUSINESS TAXPAYERS NOT REQUIRED
11 TO USE INVENTORIES.—

12 “(1) IN GENERAL.—An eligible taxpayer shall
13 not be required to use inventories under this section
14 for a taxable year.

15 “(2) TREATMENT OF TAXPAYERS NOT USING
16 INVENTORIES.—If an eligible taxpayer elects not to
17 use inventories with respect to any property for any
18 taxable year beginning after December 31, 2000,
19 such property shall be treated as a material or sup-
20 ply which is not incidental.

21 “(3) ELIGIBLE TAXPAYER.—For purposes of
22 this subsection, the term ‘eligible taxpayer’ has the
23 meaning given such term by section 446(g)(2).”.

24 (c) INDEXING OF GROSS RECEIPTS TEST.—Section
25 448(c) (relating to \$5,000,000 gross receipts test) is

1 amended by adding at the end the following new para-
2 graph:

3 “(4) INFLATION ADJUSTMENT.—In the case of
4 any taxable year beginning in a calendar year after
5 2001, the dollar amount contained in paragraph (1)
6 shall be increased by an amount equal to—

7 “(A) such dollar amount, multiplied by

8 “(B) the cost-of-living adjustment deter-
9 mined under section 1(f)(3) for the calendar
10 year in which the taxable year begins, by sub-
11 stituting “calendar year 2000” for “calendar
12 year 1992” in subparagraph (B) thereof.

13 If any amount as adjusted under this paragraph is
14 not a multiple of \$100,000, such amount shall be
15 rounded to the nearest multiple of \$100,000.”.

16 (d) EFFECTIVE DATE AND SPECIAL RULES.—

17 (1) IN GENERAL.—The amendments made by
18 this section shall apply to taxable years beginning
19 after December 31, 2000.

20 (2) CHANGE IN METHOD OF ACCOUNTING.—In
21 the case of any taxpayer changing the taxpayer’s
22 method of accounting for any taxable year under the
23 amendments made by this section—

24 (A) such change shall be treated as initi-
25 ated by the taxpayer;

1 (B) such change shall be treated as made
 2 with the consent of the Secretary of the Treas-
 3 ury; and

4 (C) the net amount of the adjustments re-
 5 quired to be taken into account by the taxpayer
 6 under section 481 of the Internal Revenue Code
 7 of 1986 shall be taken into account over a pe-
 8 riod (not greater than 4 taxable years) begin-
 9 ning with such taxable year.

10 **SEC. 202. INCREASE IN EXPENSE TREATMENT FOR SMALL**
 11 **BUSINESSES.**

12 (a) IN GENERAL.—Section 179(b)(1) (relating to dol-
 13 lar limitation) is amended to read as follows:

14 “(1) DOLLAR LIMITATION.—

15 “(A) IN GENERAL.—The aggregate cost
 16 which may be taken into account under sub-
 17 section (a) for any taxable year shall not exceed
 18 \$50,000.

19 “(B) INFLATION ADJUSTMENT.—In the
 20 case of any taxable year beginning in a calendar
 21 year after 2001, the dollar amount contained in
 22 subparagraph (A) shall be increased by an
 23 amount equal to—

24 “(i) such dollar amount, multiplied by

1 “(ii) the cost-of-living adjustment de-
2 termined under section 1(f)(3) for the cal-
3 endar year in which the taxable year be-
4 gins, by substituting “calendar year 2000”
5 for “calendar year 1992” in subparagraph
6 (B) thereof.

7 If any amount as adjusted under this subpara-
8 graph is not a multiple of \$1,000, such amount
9 shall be rounded to the nearest multiple of
10 \$1,000.”.

11 (b) EXPANSION OF PHASE-OUT OF LIMITATION.—
12 Section 179(b)(2) is amended to read as follows:

13 “(2) REDUCTION IN LIMITATION.—

14 “(A) IN GENERAL.—The limitation under
15 paragraph (1) for any taxable year shall be re-
16 duced (but not below zero) by the amount by
17 which the cost of section 179 property for
18 which a deduction is allowable (without regard
19 to this subsection) under subsection (a) for
20 such taxable year exceeds \$400,000.”

21 “(B) INFLATION ADJUSTMENT.—In the
22 case of any taxable year beginning in a calendar
23 year after 2001, the dollar amount contained in
24 subparagraph (A) shall be increased by an
25 amount equal to—

1 “(i) such dollar amount, multiplied by
2 “(ii) the cost-of-living adjustment de-
3 termined under section 1(f)(3) for the cal-
4 endar year in which the taxable year be-
5 gins, by substituting “calendar year 2000”
6 for “calendar year 1992” in subparagraph
7 (B) thereof.

8 If any amount as adjusted under this subpara-
9 graph is not a multiple of \$10,000, such
10 amount shall be rounded to the nearest multiple
11 of \$10,000.”.

12 (c) **TIME OF DEDUCTION.**—The second sentence of
13 section 179(a) (relating to election to expense certain de-
14 preciable business assets) is amended by inserting “(or,
15 if the taxpayer elects, the preceding taxable year if the
16 property was purchased in such preceding year)” after
17 “service”.

18 (d) **EFFECTIVE DATE.**—The amendments made by
19 this section shall apply to taxable years beginning after
20 December 31, 2000.

21 **SEC. 203. DEPRECIATION MODIFICATIONS.**

22 (a) **COMPUTER SOFTWARE ELIGIBLE FOR EXPENS-**
23 **ING.**—

1 (1) IN GENERAL.—The heading and first sen-
 2 tence of section 179(d)(1) (relating to section 179
 3 property) are amended to read as follows:

4 “(1) SECTION 179 PROPERTY.—For purposes of
 5 this section, the term ‘section 179 property’ means
 6 property—

7 “(A) which is—

8 “(i) tangible property to which section
 9 168 applies, or

10 “(ii) computer software (as defined in
 11 section 197(e)(3)(B)) to which section 167
 12 applies,

13 “(B) which is section 1245 property (as
 14 defined in section 1245(a)(3)), and

15 “(C) which is acquired by purchase for use
 16 in the active conduct of a trade or business.”.

17 (2) NO COMPUTER SOFTWARE INCLUDED AS
 18 SECTION 197 INTANGIBLE.—

19 (A) IN GENERAL.—Section 197(e)(3)(A) is
 20 amended to read as follows:

21 “(A) IN GENERAL.—Any computer soft-
 22 ware.”.

23 (B) CONFORMING AMENDMENT.—Section
 24 167(f)(1)(B) is amended by striking “; except
 25 that such term shall not include any such soft-

1 ware which is an amortizable section 197 intan-
2 gible”.

3 (b) 2-YEAR APPLICABLE RECOVERY PERIOD FOR
4 DEPRECIATION OF COMPUTERS AND PERIPHERAL EQUIP-
5 MENT.—

6 (1) IN GENERAL.—Section 168(c) (relating to
7 applicable recovery period) is amended by adding at
8 the end the following flush sentence:

9 “In the case of 5-year property which is a computer or
10 peripheral equipment, the applicable recovery period shall
11 be 2 years.”.

12 (2) CONFORMING AMENDMENTS.—

13 (A) Section 168(g)(3)(C) (relating to alter-
14 native depreciation system for certain property)
15 is amended to read as follows:

16 “(C) QUALIFIED TECHNOLOGICAL EQUIP-
17 MENT.—

18 “(i) IN GENERAL.—Except as pro-
19 vided in clause (ii), in the case of any
20 qualified technological equipment, the re-
21 covery period used for purposes of para-
22 graph (2) shall be 5 years.

23 “(ii) COMPUTERS OR PERIPHERAL
24 EQUIPMENT.—In the case of any computer
25 or peripheral equipment, the recovery pe-

1 riod used for purposes of paragraph (2)
2 shall be 2 years.”.

3 (B) Section 168(j)(2) (relating to deprecia-
4 tion of property on Indian reservations) is
5 amended by adding at the end the following
6 flush sentence:

7 “In the case of 5-year property which is a computer or
8 peripheral equipment, the applicable recovery period shall
9 be 1 year.”.

10 (C) Section 467(e)(3)(A) (relating to cer-
11 tain payments for the use of property or serv-
12 ices) is amended by adding at the end the fol-
13 lowing flush sentence:

14 “In the case of 5-year property which is a computer or
15 peripheral equipment, the applicable recovery period shall
16 be 2 years.”.

17 (c) 2-YEAR DEPRECIATION PERIOD FOR COMPUTER
18 SOFTWARE.—Section 167(f)(1)(A) of the Internal Rev-
19 enue Code of 1986 is amended by striking “36 months”
20 and inserting “24 months”.

21 (d) ADJUSTMENTS ON DEPRECIATION LIMITS FOR
22 LUXURY AUTOMOBILES.—

23 (1) IN GENERAL.—Section 280F(a)(1)(A) (re-
24 lating to limitation on amount of depreciation for
25 luxury automobiles) is amended—

1 (A) by striking “\$2,560” in clause (i) and
2 inserting “\$5,400”;

3 (B) by striking “\$4,100” in clause (ii) and
4 inserting “\$8,500”;

5 (C) by striking “\$2,450” in clause (iii) and
6 inserting “\$5,100”; and

7 (D) by striking “\$1,475” in clause (iv) and
8 inserting “\$3,000”.

9 (2) CONFORMING AMENDMENT.—Section
10 280F(a)(1)(B)(ii) (relating to disallowed deductions
11 allowed for years after recovery period) is amended
12 by striking “\$1,475” each place that it appears and
13 inserting “\$3,000”.

14 (e) EFFECTIVE DATE.—The amendments made by
15 this section shall apply to property placed in service after
16 December 31, 2000.

17 **SEC. 204. SIMPLIFICATION OF ESTIMATED TAX RULES.**

18 (a) IN GENERAL.—Section 6654(d)(1) (relating to
19 failure by an individual to pay estimated income tax) is
20 amended by striking subparagraph (C).

21 (b) EFFECTIVE DATE.—The amendment made by
22 this section shall apply to taxable years beginning after
23 the date of the enactment of this Act.

1 **SEC. 205. EXCLUSION FROM PARTNERSHIP FILING RE-**
 2 **QUIREMENTS FOR MARRIED COUPLES AS**
 3 **BUSINESS CO-OWNERS.**

4 (a) IN GENERAL.—Section 6031 (relating to return
 5 of partnership income) is amended by adding the following
 6 the new subsection:

7 “(f) EXCEPTION FOR A MARRIED INDIVIDUALS AS
 8 PARTNERSHIP CO-OWNERS.—This section shall not apply
 9 to a partnership for any taxable year if—

10 “(1) all of the capital or profits interests in the
 11 partnership are owned by 2 individuals who are a
 12 married couple (as determined under section 7703),

13 “(2) such individuals elect the application of
 14 this subsection for such taxable year, and

15 “(3) such individuals file a joint return for all
 16 taxable years of such individuals which include items
 17 from such taxable year of the partnership.

18 The Secretary shall prescribe regulations for the retention
 19 of such records as may be necessary for the administration
 20 of this chapter in any case where an election is made
 21 under this subchapter.”.

22 (b) MARRIED COUPLES AS BUSINESS CO-OWNERS
 23 PERMITTED TO FILE SEPARATE SELF-EMPLOYMENT
 24 TAX SCHEDULES.—Section 6017 (relating to self-employ-
 25 ment tax returns) is amended by adding the following new
 26 sentence: “The preceding sentence shall apply even if the

1 husband and wife elect, under section 6031(f), to be ex-
 2 cluded from the filing requirements of section 6031.”.

3 (c) EFFECTIVE DATE.—The amendments made by
 4 this section shall apply to taxable years beginning after
 5 the date of the enactment of this Act.

6 **TITLE III—TAXPAYER** 7 **PROTECTIONS**

8 **SEC. 301. TAXPAYER’S RIGHT TO HAVE AN IRS EXAMINA-** 9 **TION TAKE PLACE AT ANOTHER SITE.**

10 (a) IN GENERAL.—Section 7605(a) (relating to time
 11 and place of examination) is amended to read as follows:

12 “(a) TIME AND PLACE.—

13 “(1) IN GENERAL.—The time and place of ex-
 14 amination pursuant to the provisions of section
 15 6420(e)(2), 6421(g)(2), 6427(j)(2), or 7602 shall be
 16 such time and place as may be fixed by the Sec-
 17 retary and as are reasonable under the cir-
 18 cumstances. In the case of a summons under author-
 19 ity of paragraph (2) of section 7602, or under the
 20 corresponding authority of section 6420(e)(2),
 21 6421(g)(2), or 6427(j)(2), the date fixed for appear-
 22 ance before the Secretary shall not be less than 10
 23 days from the date of the summons.

24 “(2) LIMITATION.—Upon request of a taxpayer,
 25 the Secretary shall conduct any examination de-

1 scribed in paragraph (1) at a location other than the
2 taxpayer’s residence or place of business, if such lo-
3 cation is reasonably accessible to the Secretary and
4 the taxpayer’s original books and records pertinent
5 to the examination are available at such location.”.

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

9 **SEC. 302. CLARIFICATION OF ELECTRONIC FILING.**

10 (a) IN GENERAL.—Section 2001(a) of the Internal
11 Revenue Service Restructuring and Reform Act of 1998
12 (relating to electronic filing of tax and information re-
13 turns) is amended by—

14 (1) striking “and” at the end of paragraph (2);

15 (2) redesignating paragraph (3) as paragraph
16 (4); and

17 (3) inserting after paragraph (2) the following
18 new paragraph:

19 “(3) electronic filing shall be a voluntary option
20 for taxpayers; and”.

21 (b) EFFECTIVE DATE.—The amendment made by
22 this section shall apply to taxable years after the date of
23 the enactment of this Act.

1 **SEC. 303. TAXPAYER'S ELECTION WITH RESPECT TO RE-**
2 **COVERY OF COSTS AND CERTAIN FEES.**

3 (a) IN GENERAL.—

4 (1) Section 504(f) of title 5, United States
5 Code, is amended to read as follows:

6 “(f) A party may elect to recover costs, fees, or other
7 expenses under this section or under section 7430 of the
8 Internal Revenue Code of 1986.”.

9 (2) Section 2412(e) of title 28, United States
10 Code, is amended to read as follows:

11 “(e) A party may elect to recover costs, fees, or other
12 expenses under this section or under section 7430 of the
13 Internal Revenue Code of 1986.”.

14 (b) COORDINATION.—Section 7430 (relating to
15 awarding of costs and certain fees) is amended by adding
16 at the end the following new subsection:

17 “(h) COORDINATION WITH EQUAL ACCESS TO JUS-
18 TICE ACT.—This section shall not apply to any adminis-
19 trative or judicial proceeding with respect to which a tax-
20 payer elects to recover costs, fees, or other expenses under
21 section 504 of title 5, United States Code, or section 2412
22 of title 28, United States Code.”.

23 (c) EFFECTIVE DATE.—The amendments made by
24 this section shall apply to proceedings initiated after the
25 date of the enactment of this Act.

1 **SEC. 304. REPEAL OF THE FAILURE-TO-PAY PENALTY.**

2 (a) IN GENERAL.—Section 6651(a) is amended by
3 striking paragraphs (2) and (3).

4 (b) CONFORMING AMENDMENTS.—

5 (1) Section 6651(a) is amended—

6 (A) by striking “In the case of failure—
7 “(1) to” and inserting “In the case of failure
8 to”, and

9 (B) by striking the semicolon at the end of
10 paragraph (1) and inserting a period.

11 (2) Section 6651(b) is amended—

12 (A) by striking “For purposes of—
13 “(1) subsection (a)(1)” and inserting “For pur-
14 poses of subsection (a)”,

15 (B) by striking the comma at the end of
16 paragraph (1) and inserting a period, and

17 (C) by striking paragraphs (2) and (3).

18 (3) Section 6651 is amended by striking sub-
19 sections (c), (d), and (e).

20 (4) Section 6651(f) is amended by striking
21 “paragraph (1) of”.

22 (5) Section 6651(g) is amended to read as fol-
23 lows:

24 “(g) TREATMENT OF RETURNS PREPARED BY SEC-
25 RETARY UNDER SECTION 6020(b).—In the case of any
26 return made by the Secretary under section 6020(b), such

1 return shall be disregarded for purposes of determining
2 the amount of the addition under subsection (a).”.

3 (6) Section 6651, as amended by paragraphs
4 (3) and (4), is amended by redesignating subsections
5 (f) and (g) as subsections (e) and (d), respectively.

6 (7) The heading of section 6651 is amended to
7 read as follows:

8 **“SEC. 6651. FAILURE TO FILE TAX RETURN.”.**

9 (8) The table of sections for subchapter A of
10 chapter 68 is amended by striking the item relating
11 to section 6651 and inserting the following new
12 item:

“Sec. 6651. Failure to file tax return.”.

13 (9) Section 5684(c)(2) is amended by striking
14 “or pay tax”.

15 (10) Section 6601(e)(2)(A) is amended by
16 striking “section 6651(a)(1)” and inserting “section
17 6651(a)”.

18 (c) EFFECTIVE DATE.—The amendments made by
19 this section shall be effective for failures to pay occurring
20 after the date of the enactment of this Act.

21 **SEC. 305. REPEAL OF INTEREST ON PENALTIES.**

22 (a) IN GENERAL.—Section 6601(e)(2), as amended
23 by section 304, is amended by striking subparagraph (A)
24 and inserting the following new subparagraph:

1 “(A) IN GENERAL.—No interest shall be
2 imposed under subsection (1) in respect of any
3 assessable penalty, additional amount, or addi-
4 tion to the tax applied under chapter 68.”.

5 (b) EFFECTIVE DATE.—The amendment made by
6 this section shall be effective for assessable penalties, addi-
7 tional amounts, or additions to tax imposed after the date
8 of the enactment of this Act.

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