

## HR 3991

Taxpayer Protection and IRS Accountability Act of 2002

**Congress:** 107 (2001–2003, Ended)

**Chamber:** House

**Policy Area:** Taxation

**Introduced:** Mar 19, 2002

**Current Status:** On motion to suspend the rules and pass the bill, as amended Failed by the Yeas and Nays: (2/3 requi

**Latest Action:** On motion to suspend the rules and pass the bill, as amended Failed by the Yeas and Nays: (2/3 required): 205 - 219, 1 Present (Roll no. 85). (Apr 10, 2002)

**Official Text:** <https://www.congress.gov/bill/107th-congress/house-bill/3991>

### Sponsor

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**Name:** Rep. Houghton, Amo [R-NY-31]

**Party:** Republican • **State:** NY • **Chamber:** House

### Cosponsors

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*No cosponsors are listed for this bill.*

### Committee Activity

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Committee	Chamber	Activity	Date
Ways and Means Committee	House	Reported By	Apr 9, 2002

### Subjects & Policy Tags

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**Policy Area:**

Taxation

### Related Bills

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*No related bills are listed.*

Taxpayer Protection and IRS Accountability Act of 2002 - **Title I: Penalties And Interest** - Amends the Internal Revenue Code (IRC) to raise the figure of adjusted income below which no penalty is incurred for underpayment of estimated taxes. Includes equally-paid estimated tax in calculus of adjusted income as well as tax withheld, thus including in the "safe harbor" individuals who pay throughout the year only through estimated tax.

Establishes that the underpayment interest rate in effect on the first day of the quarter in which a pertinent estimated payment due date arises is the interest rate that will apply during the entire underpayment period. Determines that a 365-day year will be used for calculation of all individual, estate, and trust estimated tax interest calculations.

(Sec. 102) Excludes from gross income for tax purposes interest paid on overpayments of income tax. Disqualifies a taxpayer from benefitting if the Secretary of the Treasury determines the taxpayer purposely overpaid to earn interest.

(Sec. 103) Eliminates the \$50,000 threshold for abatement of interest on erroneous refunds. Requires the Secretary to abate interest on underpayments in which the reason for the underpayment is erroneous information supplied in written form by the Internal Revenue Service (IRS).

(Sec. 104) Creates a system whereby a taxpayer can deposit sums with the IRS that may subsequently be used to pay an underpayment of income or other specified taxes. Establishes that no underpayment interest will be charged on the portion of an underpayment paid in this manner for the period the funds are on deposit. Allows withdrawals unless the amount has been used to pay tax or the Secretary believes that withdrawal will jeopardize tax payment. Specifies that interest will only be paid on withdrawals from deposits attributable to a disputable tax.

(Sec. 105) Applies, for individual taxpayers, interest netting rules without regard to the 45-day period in which the Secretary may refund an overpayment of tax without the payment of interest.

(Sec. 106) Permits the IRS to waive certain penalties for unintentional minor errors that are committed by a taxpayer with a history of tax compliance and the penalty for which would be grossly disproportionate to the action.

(Sec. 107) Increases from \$500 to \$5,000 the penalty the IRS will impose for filing a frivolous income tax return, unless the Secretary deems it appropriate to lessen the penalty. Applies the penalty to all taxpayers and to all types of Federal taxes.

(Sec. 108) Establishes that the 10 percent penalty on required Federal tax deposits applies only to cases where an individual has failed to deposit for more than 15 days.

**Title II: Improving the Fairness of IRS Collection Procedures** - Stipulates that the IRS may enter into installment agreements with taxpayers that do not provide for full payment of liabilities. Requires the IRS to review partial payment installment agreements at least every two years.

(Sec. 202) Extends from nine months to two years the period in which proceeds errantly acquired by the IRS may be returned.

(Sec. 203) Authorizes a taxpayer to deposit money in an IRA without regard to the normally applicable limits on IRA contributions and rollovers if the IRS has sent back the money being deposited due to a wrongful levy and it originally came from an IRA. Requires the contribution to be to the same type of IRA from which the amounts were withdrawn. Stipulates that in such a scenario any tax on the withdrawal from the IRA is abated. Interest paid by the IRS to the

taxpayer is considered part of the original payment and is not counted as gross income.

(Sec. 204) Modifies the suspension date of the statute of limitations for taxpayers suffering significant hardship by applying it only if the date of the decision by the National Taxpayer Advocate is at least seven days after the date of the taxpayer's application.

(Sec. 205) Directs the Secretary to study IRS practices concerning liens and levies.

**Title III: Improving the Efficiency of Tax Administration** - Requires the Commissioner of the IRS to issue guidelines for discipline, including for firing employees, and to take action for certain violations. Removes certain acts from the list of violations, and adds others. Declares that a ruling by the Commissioner is final, with no possibility of review.

(Sec. 302) Permits the Tax Court to apply the principle of equitable recoupment to the same extent that it may be applied in Federal civil tax cases by the U.S. District Courts or the U.S. Court of Claims.

(Sec. 303) Consolidates all judicial review of collection due process hearings by the IRS Office of Appeals to the United States Tax Court.

(Sec. 304) Establishes that written opinions by the Office of the Chief Counsel supporting offers-in-compromise are only required if the Secretary of the Treasury calls for them (previously all such offers of \$50,000 or more required written opinions).

(Sec. 305) Extends the filing deadline to April 30 for a taxpayer who files an electronic return and pays the entire balance owed electronically.

**Title IV: Confidentiality and Disclosure** - Eliminates the requirement for former spouses to make a written request for disclosure of collection activities with respect to a joint tax return.

(Sec. 402) Forbids an IRS employee conducting an examination of a taxpayer from conducting an examination of the taxpayer representative's return solely on the basis of the representative's relationship to the taxpayer.

(Sec. 403) Prohibits return or return information of a person not a party to a judicial or administrative proceeding from being disclosed until after the Secretary makes a reasonable effort to inform the person of the intended disclosure and of what parts of the return the person can withhold. Lists exceptions to the new procedure.

(Sec. 404) Prohibits the disclosure of the taxpayer's address and taxpayer identification number as part of the publicly available summaries of accepted offers in compromise.

(Sec. 405) Requires a State or Federal agency to conduct annual on-site reviews of all of its contractors receiving Federal returns and return information to assess their performance in safeguarding such information. Requires the State or Federal agency to certify annually that its contractors are in compliance with requirements to safeguard such information.

(Sec. 406) Invalidates a taxpayer's consent to supply return information to a third party if the form turned in to the IRS does not designate a recipient or is not dated at the time of execution. Requires taxpayers, under penalty of perjury, to verify when submitting a request to the IRS that the form contains the above information.

(Sec. 407) Requires the IRS to notify a taxpayer upon the Treasury Inspector General for Tax Administration's determination that a taxpayer's return or return information has been disclosed or inspected without authorization.

(Sec. 408) Permits the IRS to disclose return information to local law enforcement authorities in response to imminent danger of death or physical injury (previously the IRS was allowed to disclose information only to Federal and State law enforcement).

(Sec. 409) Permits the IRS to disclose taxpayer identity information through any means of mass communication to notify persons entitled to tax refunds.

(Sec. 410) Permits the Secretary to disclose to an appropriate State officer information related to 501(c)(3) organizations, including: (1) a notice of proposed refusal to recognize an applicant as a 501(c)(3) organization; (2) a notice of proposed revocation of 501(c)(3) status; and (3) names and taxpayer identification numbers of organizations applying for 501(c)(3) status. Allows return and return information to be disclosed in certain civil administrative and judicial proceedings pertaining to the enforcement of State laws regulating 501(c)(3) organizations in a manner prescribed by the Secretary.

**Title V: Miscellaneous Provisions** - Specifies that the IRS may provide information to churches related to the standards for tax exemption and the requirements related to unrelated business taxable income.

(Sec. 502) Extends declaratory judgment procedures currently reserved to 501(c)(3) organizations to all organizations that apply for tax-exempt status. Limits jurisdiction over such cases to the United States Tax Court.

(Sec. 503) Modifies the semi-annual reporting requirement for the Treasury Inspector General for Tax Administration (TIGTA) to require that reports of complaints of serious IRS employee misconduct include a summary (by category) of the ten most common complaints made and the number of such common complaints.

(Sec. 504) Requires the TIGTA to submit an annual report to Congress on payments made by the IRS related to awarding of costs and certain fees.

(Sec. 505) Requires the TIGTA to submit an annual report to Congress on abatements of penalties.

(Sec. 506) Obligates the TIGTA to submit a report to Congress on technological advances, such as e-mail and faxes, that may allow alternative means for the IRS to communicate with taxpayers.

(Sec. 507) Directs the IRS to add an explanation of the consequences of failing to file a tax return on time to Publication 1 ("Your Rights as a Taxpayer"). Requires the IRS to add a similar warning to all Form 1040 packages.

(Sec. 508) Permits the Treasury Borrowing Advisory Committee to disclose sooner than is currently allowed material relating to the securities to be auctioned.

(Sec. 509) Permits the issuance of regulations as necessary to regulate the conduct of enrolled agents in regards to their practice before the IRS.

(Sec. 510) Permits the Financial Management Service (FMS) to charge the IRS fees and the IRS to pay fees to the FMS to cover the cost of implementing a continuous levy program.

(Sec. 511) Nullifies the provision of the IRC mandating that an owner of a land on which timber is cut only can have the timber count as capital gain if he retains an economic interest in it. Stipulates that the sales of timber by the landowner will qualify for capital gains consideration.

**Title VI: Low-Income Taxpayer Clinics** - Progressively increases the annual allocation for low-income taxpayer clinics up to the figure of \$15 million in 2004 and each year thereafter. Excludes from eligibility for grants clinics providing routine

tax return preparation, unless they are involved in return preparation in connection with a controversy in the IRS.

**Title VII: Revisions to Section 527 Organization Disclosure Provisions** - Exempts political committees of State and local candidates and local committees of political parties from the requirement to provide notice to the Secretary of formation and purpose. Defines "exempt State or local political organization," and exempts such entities from certain reporting requirements related to disclosures of expenditures and contributions.

Exempts political organizations with gross receipts of \$25,000 or more from filing an income tax return if they have taken in no political organization taxable income. Requires every political organization with gross receipts of \$25,000 or more for a taxable year to file an information return except in certain specified cases.

Allows the Secretary to waive all or any portion of penalties assessed to an organization for failure to report certain required information upon showing that the failure was due to reasonable cause, not willful neglect.

(Sec. 702) Directs the Secretary, in consultation with the Federal Election Commission, to publicize the effects of the amendments of this Act and the interaction of the requirements to file a notification or report under the IRC and reports under the Federal Election Campaign Act of 1971.

### **Actions Timeline**

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- **Apr 10, 2002:** Considered as unfinished business. (consideration: CR H1180-1181)
- **Apr 10, 2002:** Failed of passage/not agreed to in House: On motion to suspend the rules and pass the bill, as amended Failed by the Yeas and Nays: (2/3 required): 205 - 219, 1 Present (Roll no. 85).
- **Apr 10, 2002:** On motion to suspend the rules and pass the bill, as amended Failed by the Yeas and Nays: (2/3 required): 205 - 219, 1 Present (Roll no. 85).
- **Apr 9, 2002:** Reported (Amended) by the Committee on Ways and Means. H. Rept. 107-394.
- **Apr 9, 2002:** Placed on the Union Calendar, Calendar No. 234.
- **Apr 9, 2002:** Mr. Thomas moved to suspend the rules and pass the bill, as amended.
- **Apr 9, 2002:** Considered under suspension of the rules. (consideration: CR H1113-1132; text of measure as introduced: CR H1113-1126)
- **Apr 9, 2002:** DEBATE - The House proceeded with forty minutes of debate on H.R. 3991.
- **Apr 9, 2002:** At the conclusion of debate, the chair put the question on the motion to suspend the rules. Mr. Rangel objected to the vote on the grounds that a quorum was not present. Further proceedings on the motion were postponed until April 10. The point of no quorum was withdrawn.
- **Mar 20, 2002:** Committee Consideration and Mark-up Session Held.
- **Mar 20, 2002:** Ordered to be Reported (Amended) by Voice Vote.
- **Mar 19, 2002:** Introduced in House
- **Mar 19, 2002:** Referred to the House Committee on Ways and Means.

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