

S 882

Tax Administration Good Government Act

Congress: 108 (2003–2005, Ended)

Chamber: Senate

Policy Area: Taxation

Introduced: Apr 10, 2003

Current Status: See also H.R.1528.

Latest Action: See also H.R.1528. (May 19, 2004)

Official Text: https://www.congress.gov/bill/108th-congress/senate-bill/882

Sponsor

Name: Sen. Baucus, Max [D-MT]

Party: Democratic • State: MT • Chamber: Senate

Cosponsors (6 total)

Cosponsor	Party / State	Role	Date Joined
Sen. Grassley, Chuck [R-IA]	R · IA		Apr 10, 2003
Sen. Hatch, Orrin G. [R-UT]	R · UT		Jun 18, 2003
Sen. Feinstein, Dianne [D-CA]	D · CA		Jun 19, 2003
Sen. Rockefeller, John D., IV [D-WV]	D · WV		Jun 20, 2003
Sen. Smith, Gordon H. [R-OR]	R · OR		Jul 28, 2003
Sen. Breaux, John B. [D-LA]	D · LA		Oct 14, 2003

Committee Activity

Committee	Chamber	Activity	Date
Finance Committee	Senate	Reported By	May 4, 2004

Subjects & Policy Tags

Policy Area:

Taxation

Related Bills

Bill	Relationship	Last Action
108 HR 1528	Related document	May 20, 2004: Message on Senate action sent to the House.

Tax Administration Good Government Act - Title I: Improvements in Tax Administration and Taxpayer Safeguards - Subtitle A: Improvements in Efficiency and Safeguards in Internal Revenue Service Collection - (Sec. 101)

Amends the Internal Revenue Code to: (1) waive Internal Revenue Service (IRS) user fees for installment agreements that provide for automated payments; (2) allow installment agreements that provide for partial payment of tax liabilities (currently, full payment is required) with a review of such agreements every two years; (3) expand the grounds for termination of installment agreements to include failure to make timely tax deposits or file timely tax returns; (4) repeal the requirement that offers-in-compromise of \$50,000 or more be supported by a written opinion of the General Counsel of the Department of the Treasury and grant the Secretary of the Treasury discretion to determine whether any written opinion should be placed on file in the Office of the Secretary; (5) expand the types of tax returns for which the IRS may require electronic filing and require taxpayers filing at least five (currently 250) returns to file electronically; (6) allow a suspension of the limitation period for collecting taxes during a hardship review by the National Taxpayer Advocate only if the Advocate's decision is issued more than seven days after the taxpayer applies for a review; (7) increase the penalty for bad checks or money orders; (8) extend from nine months to two years the limitation period for return by the IRS of property wrongfully levied and for contesting certain tax levies; and (9) allow taxpayers to reimburse their individual retirement plans for plan amounts wrongfully levied by the IRS.

(Sec. 110) Authorizes the Financial Management Service to deduct its fees for administering continuous taxpayer levies directly from amounts collected from a taxpayer.

(Sec. 111) Eliminates the residency restriction on offsetting Federal tax refunds for State income tax obligations.

Subtitle B: Processing and Personnel - (Sec. 121) Requires the Secretary to revise certain IRS publications to provide an explanation of the time limitations for filing claims for credits or refunds of an overpayment of tax.

(Sec. 122) Amends the Internal Revenue Code to: (1) require an annual report on IRS performance measures; (2) make permanent the combined Federal and State employment tax reporting program; (3) extend eligibility for declaratory judgment relief to certain noncharitable tax-exempt organizations seeking approval of tax-exempt status; (4) revise and codify the grounds for termination of the employment of an IRS employee for misconduct; (5) grant the IRS Oversight Board authority to approve the selection, evaluation, and compensation of IRS senior executives and to review and approve IRS use of critical pay authority; (6) authorize the Secretary to make matching grants for return preparation clinics for low-income taxpayers; (7) authorize the Secretary to regulate the conduct of enrolled agents before the IRS; (8) establish a permanent disaster response team in the IRS national office to assist taxpayers with tax matters during a presidentially declared disaster; (9) revise or repeal certain reporting requirements for the National Taxpayer Advocate and the Treasury Inspector General for Tax Administration; and (10) require the registration and regulation of tax return preparers and refund anticipation loan providers.

(Sec. 125) Amends the Government Securities Act Amendments of 1993 to allow certain advance disclosures by the Treasury Borrowing Advisory Committee relating to securities auctions.

(Sec. 130) Authorizes the Secretary to award demonstration grant projects for providing individuals without bank accounts access to bank account services.

Directs the Secretary to study: (1) the implementation of an accelerated refund program for certain taxpayers; (2) current taxpayer recordkeeping responsibilities; (3) IRS collection procedures and accounts receivable inventories; and (4)

certain modifications to tax schedules L and M-1 to include additional information.

(Sec. 136) Requires the IRS to obtain consent from taxpayers participating in the Free File Program before such taxpayers may receive solicitations for products or services from Program providers.

(Sec. 139) Amend the Internal Revenue Service Restructuring and Reform Act of 1998 to require the Electronic Commerce Advisory Group established by the IRS to include at least two representatives from the consumer advocate community.

Subtitle C: Other Provisions - (Sec. 151) Imposes a new penalty for failure to report interests in foreign financial accounts.

(Sec. 152) Repeals the application of below-market loan tax rules to certain continuing care facilities.

Title II: Reform of Penalty and Interest - (Sec. 201) Amends the Internal Revenue Code to: (1) revise rules for the computation of the addition to tax for failure of individuals to pay estimated tax and to increase the small tax exemption for failure of individuals to pay estimated tax from \$1,000 to \$2,000; (2) increase the small tax exemption for failure of corporations to pay estimated tax from \$500 to \$1,000; (3) increase, in yearly increments, the threshold amount for corporate liability for estimated tax payments; (4) revise rules for the abatement of interest on tax deficiencies due to unreasonable IRS error or delay or erroneous advice provided by the IRS; (5) allow cash deposits with the IRS to suspend running of interest on potential underpayments of tax; (6) make permanent the 18-month period for IRS notification of tax liabilities before interest and penalties can be assessed; and (7) increase penalties for the filing of a frivolous tax return and expand the penalty to include certain frivolous submissions to the IRS (e.g., requests for hearings, installment agreements, or offers in compromise).

(Sec. 207) Applies the ten percent penalty for failure to make a timely tax deposit only to cases in which the failure has continued for more than 15 days.

(Sec. 209) Amends the Internal Revenue Service Restructuring and Reform Act of 1998 to extend until July 1, 2006, the requirement that IRS include in notices sent to taxpayers a telephone number for information on interest and penalty calculations.

Title III: United States Tax Court Modernization - Subtitle A: Tax Court Procedure - (Sec. 301) Amends the Internal Revenue Code to: (1) grant exclusive jurisdiction over collection due process case appeals to the U.S. Tax Court; (2) permit the assignment of cases involving small employment tax disputes (\$50,000 or less) to U.S. Tax Court special trial judges; (3) confirm that the Tax Court may apply the doctrine of equitable recoupment to the same extent that it is available in civil tax cases before the U.S. District Courts and the U.S. Court of Federal Claims; (4) apply the filing fee for U.S. Tax Court petitions to all petitions filed in such court; (5) permit the U.S. Tax Court to establish its own personnel management system, including merit system and nondiscrimination requirements; and (6) require a portion of Tax Court practitioner fees to be used for services to pro se taxpayers.

Subtitle B: Tax Court Pension and Compensation - (Sec. 311) Amends the Internal Revenue Code to: (1) revise provisions on annuities for survivors of Tax Court judges, adding indexed payments for survivors of assassinated judges with less than five years of service; (2) include active and retired Tax Court judges in the Federal employees group life insurance program (FEGLI); (3) authorize the Tax Court to pay increases in the cost of FEGLI coverage for judges age 65 or over; (4) entitle an executive branch judge appointed to the Tax Court to a lump-sum payment of accrued annual leave upon appointment to the Court; (5) permit Tax Court judges to participate in the Thrift Savings Plan (but prohibits

agency contributions); (6) exempt from limitations on the outside earned income of retired judges compensation for certain teaching activities approved under the Ethics in Government Act of 1978; (7) revise provisions relating to appointment, removal, salary, and leave of magistrate judges (currently named special trial judges) and authorizes the Chief Judge of the U.S. Tax Court to appoint and reappoint magistrate judges for eight year terms; (8) permit magistrate judges to elect to participate in the Tax Court survivor annuity plan; (9) establish a retirement and annuity program for magistrate judges; (10) provide for special annuity provisions for incumbent magistrate judges; and (11) establish rules for the recall of retired magistrate judges.

Title IV: Confidentiality and Disclosure - (Sec. 401) Amends the Internal Revenue Code to: (1) exempt from restrictions on church tax inquiries and examinations IRS efforts to provide information to churches on standards for tax-exempt status and on unrelated business taxable income; (2) permit a former spouse to make an oral, rather than written, request for collection information relating to a joint tax return and to repeal the reporting requirement of the Treasury Inspector General for Tax Administration with respect to Treasury Department compliance with disclosure requirements to requesting spouses; (3) prohibit the examination of a taxpayer representative's tax return solely on the basis of the representative's relationship to the taxpayer; (4) prohibit the disclosure of a taxpayer identification number in publicly available summaries of accepted offers-in-compromise; (5) require State, local, or Federal agencies to review periodically the efforts of their contractors to safeguard tax return information; (6) revise rules for disclosure of tax return information to third parties; (7) revise the civil penalties for unauthorized disclosure or inspection of tax return information by IRS employees; (8) permit disclosure of tax return information to local law enforcement authorities (currently restricted to Federal and State agencies) to inform them of cases involving imminent danger of death or physical injury; (9) permit disclosure of taxpayer identity to any means of mass communication for tax refund purposes; (10) permit the Secretary to disclose to State agencies proposed actions with respect to certain tax-exempt organizations; (11) provide that tax return information is not considered confidential if it has been disclosed in any judicial or administrative proceeding or has been properly made part of the public record; (12) allow Treasury Department Agents to identify themselves, their affiliation, and the nature of an investigation when contacting third parties in writing or in person; (13) permit the IRS to verify that a taxpayer identification number matches a number provided by a party requesting verification; (14) repeal certain duplicative requirements for reporting cash transactions over \$10,000; and (15) confirm that a taxpayer's identity is not treated as taxpayer return information for purposes of disclosures to law enforcement agencies investigating terrorist activities.

Title V: Simplification - Subtitle A: Uniform Definition of Child - (Sec. 501) Revises the definition of "dependent" to mean a "qualifying child" or "qualifying relative." Establishes a uniform definition of "qualifying child" for purposes of the dependency exemption, the child credit, the earned income credit, the dependent care credit, and head of household filing status. Bases the definition of qualifying child on: (1) residence; (2) age; and (3) relationship to the taxpayer.

Subtitle B: Simplification Through Elimination of Inoperative Provisions - (Sec. 511) Eliminates certain inoperative provisions of the Internal Revenue Code.

Title VI: Revenue Provisions - Subtitle A: Provisions Designed to Curtail Tax Shelters - (Sec. 601) Amends the Internal Revenue Code to: (1) impose a new penalty for failure to report a transaction that has a potential for tax avoidance or evasion (reportable transaction) or has been specifically identified as a tax avoidance transaction (listed transaction) and to double the penalty for noncompliance by a large entity (gross receipts in excess of \$10 million) or a high net worth individual; (2) impose a 20 percent penalty for understatements of tax resulting from certain tax shelter transactions and an increased penalty (30 percent) for failure to adequately disclose such transactions; (3) revise the definition of substantial understatement of tax for corporations to mean the lesser of ten percent of the tax required to be

shown or \$10 million; (4) expand the denial of privilege for communications between a tax practitioner and a corporate client to include any individual involved in tax shelter activity; (5) revise disclosure requirements for tax shelter material advisors to require disclosure of certain reportable transactions and the potential tax benefits expected from the transactions; (6) increase penalties for failure to register tax shelters or maintain lists of tax shelter investors; (7) expand the scope of injunctive relief available to the Secretary to combat tax shelter activities; (8) revise the standards for determining tax return preparer liability for understatements of tax and increase the penalties for such understatements; (9) authorize the Secretary to censure and fine an incompetent or disreputable tax advisor who practices before the Department of the Treasury; (10) impose an additional penalty on promoters of tax shelters for knowingly false statements; (11) extend the limitation period for assessing tax on underpayments due to undisclosed tax shelter transactions; and (12) deny a tax deduction for interest on underpayments of tax attributable to an undisclosed tax shelter transaction.

(Sec. 614) Authorizes appropriations for tax law enforcement activities.

Part II: Other Corporate Governance Provisions - (Sec. 621) Amends the Internal Revenue Code to: (1) authorize the Secretary to issue consolidated return regulations that treat corporations filing consolidated returns differently than corporations filing separate returns; (2) revise rules for determining the tax deductibility (or nondeductibility) of certain fines or penalties (confirms that restitution payments, court-ordered payments to nongovernmental entities, and tax payments are not treated as nondeductible fines or penalties); (3) deny a tax deduction for punitive damages and include in the gross income of a taxpayer payment of punitive damages by an insurer or other source; and (4) increase the criminal penalties for attempts to evade or defeat tax, willful failure to file tax returns or pay tax, and for fraud and making false statements on tax returns;

(Sec. 622) Requires that the Federal annual tax return of a corporation contain a sworn statement by its Chief Executive Officer (CEO) that the corporation has in place processes and procedures to ensure that its tax returns comply with Federal tax law and that the CEO has been provided with reasonable assurances of their accuracy.

(Sec. 626) Doubles civil penalties and interest for taxpayers who were eligible for either the Department of the Treasury's Offshore Voluntary Compliance Initiative (OVCI) or the voluntary disclosure program for reporting underpayment of tax from certain offshore financial arrangements, but who did not participate in either program.

Part III: Extension of IRS User Fees - Extends the authorization for certain IRS user fees until September 30, 2013.

Actions Timeline

- **May 19, 2004:** Measure laid before Senate by unanimous consent. (consideration: CR S5891)
- **May 19, 2004:** Senate incorporated this measure in H.R.1528 as an amendment.
- **May 19, 2004:** Senate passed companion measure H.R.1528 in lieu of this measure by Unanimous Consent.
- **May 19, 2004:** Returned to the Calendar. Calendar No. 498.
- **May 19, 2004:** See also H.R.1528.
- **May 4, 2004:** Committee on Finance. Reported by Senator Grassley with an amendment in the nature of a substitute. With written report No. 108-257.
- **May 4, 2004:** Committee on Finance. Reported by Senator Grassley with an amendment in the nature of a substitute. With written report No. 108-257.
- **May 4, 2004:** Placed on Senate Legislative Calendar under General Orders. Calendar No. 498.
- **Feb 2, 2004:** Committee on Finance. Ordered to be reported with an amendment in the nature of a substitute favorably.
- **Apr 10, 2003:** Introduced in Senate
- **Apr 10, 2003:** Sponsor introductory remarks on measure. (CR S5210-5211)
- **Apr 10, 2003:** Read twice and referred to the Committee on Finance. (text of measure as introduced: CR S5211-5228)