

Tax Administration Discussion Draft

**Chairman Max Baucus
U.S. Senate Committee on Finance**

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As part of his work towards tax reform, Chairman Max Baucus is releasing a staff discussion draft today of proposed reforms to the administration of the tax laws. Each year Americans spend more than 6 billion hours filing over 150 million federal income tax returns. The tax code is so complex and difficult to comply with that nearly 90 percent of taxpayers now rely on paid tax return preparers or software to complete and file their returns. Moreover, tax refund fraud through identity theft has grown to alarming levels. And non-compliance with the tax laws continues to be a significant problem.

This staff discussion draft proposes a package of reforms to address these issues by making the process for filing returns easier and more efficient; combatting tax-related identity theft and fraud; and reducing the tax gap through some targeted reforms. The staff discussion draft extensively draws from proposals of a number of Senators, including Committee members Nelson, Enzi, Carper, Casey and Portman. Some of the significant proposals in this discussion draft include:

Tax Filing Reforms

- Improve the information return filing process by (1) not requiring taxpayers to file corrected information returns if the error is less than \$25; and (2) requiring returns generated by a computer but filed on paper to contain a scannable code, which will enable the IRS to more efficiently upload the return information.
- Expand electronic filing by gradually reducing the number of returns that trigger an electronic filing requirement over a three year period from 250 returns per year to 25.
- Repeal 129 deadwood provisions and address a number of tax code provisions that need technical corrections.

Tax-Related Identity Theft and Other Tax Fraud Prevention

- Discontinue use of a taxpayer's full Social Security Number (SSN) on Form W-2, delay access to databases containing SSNs of recently deceased individuals, and apply new criminal penalties to tax-related identity theft.
- Impose penalties for failure to follow child tax credit due diligence requirements.

Reducing the Tax Gap

- Require banks to report the existence of certain bank accounts and require life insurance companies to report the sale of life insurance contracts.