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MILITARY SPOUSE JOB CONTINUITY ACT OF 2015

APRIL 14, 2015.—Ordered to be printed

Mr. HATCH, from the Committee on Finance,  
submitted the following

**R E P O R T**

[To accompany S. 920]

The Committee on Finance, having considered an original bill, S. 920, to amend the Internal Revenue Code of 1986 to allow a credit against income tax for amounts paid by a spouse of a member of the Armed Forces for a new State license or certification required by reason of a permanent change in the duty station of such member to another State, having considered the same, reports favorably thereon without amendment and recommends that the bill do pass.

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**I. LEGISLATIVE BACKGROUND**

The Committee on Finance, having considered S. 920, the “Military Spouse Job Continuity Act of 2015,” to amend the Internal Revenue Code of 1986 to allow a credit against income tax for amounts paid by a spouse of a member of the Armed Forces for a new State license or certification required by reason of a perma-

ment change in the duty station of such member to another State, reports favorably thereon without amendment and recommends that the bill do pass.

*Background and need for legislative action*

*Background.*—Based on a proposal recommended by Senators Casey and Roberts, the Committee on Finance marked up original legislation (the Military Spouse Job Continuity Act of 2015) on February 11, 2015, and, with a majority present, ordered the bill favorably reported.

*Need for legislative action.*—Spouses of members of the Armed Forces often relocate to a different State when their husband or wife receives a change of station order. This relocation can be particularly disruptive and costly where the service member’s spouse has a profession that requires a State license or certification. Supporting military spouses and families helps the morale and combat readiness of the Armed Forces. Tax incentives may therefore be necessary to defray the State relicensing and recertification costs borne by military spouses, where such costs result from a service member’s permanent changes of station order.

In addition, it has been reported that many thousands of Medicare providers and suppliers have outstanding Federal employment and income tax liability, which contribute to the tax gap. The permissible percentage of payments to a Medicare provider subject to levy should be increased.

## II. EXPLANATION OF THE BILL

### A. CREDIT FOR STATE LICENSURE AND CERTIFICATION COSTS OF MILITARY SPOUSES ARISING BY REASON OF A PERMANENT CHANGE IN THE DUTY STATION OF THE MEMBER OF THE ARMED FORCES TO ANOTHER STATE (SEC. 2 OF THE BILL AND SEC. 25(e) OF THE CODE)

#### PRESENT LAW

Under the Code, currently, there are no credits or special benefits for costs incurred by military spouses for transferring professional licenses or certifications arising by reason of a permanent change of duty station of a military service member.<sup>1</sup>

#### REASONS FOR CHANGE

A spouse of a member of the Armed Forces often relocates to a different State when the military spouse receives a change of station order. This relocation can be particularly disruptive and costly where the service member’s spouse has a profession that requires a State license or certification. The Committee believes that supporting military spouses and families helps the morale and combat readiness of the Armed Forces. The Committee therefore believes that it is appropriate to offer a tax credit to help defray the State relicensing and recertification costs borne by military spouses, where such costs result from a service member’s permanent changes of station order.

<sup>1</sup>Sec. 7508. Unless otherwise stated, all section references are to the Internal Revenue Code of 1986, as amended (the “Code”).

## EXPLANATION OF PROVISION

The provision allows a credit to military spouses of up to \$500 for each change of duty station for qualified relicensing costs. Eligible individuals are those who are married to and move with a member of the Armed Forces of the United States at the time the member moves to another State under a permanent change of station order. Qualified relicensing costs are costs required by the new State for a license or certification to engage in the same profession as in the previous State. Costs must be paid or incurred beginning after the change order has been issued and within one year from the reporting date.

## EFFECTIVE DATE

The provision applies to taxable years beginning after December 31, 2014.

**B. INCREASE CONTINUOUS LEVY AUTHORITY ON PAYMENTS TO MEDICARE PROVIDERS AND SUPPLIERS (SEC. 3 OF THE BILL AND SEC. 6331 OF THE CODE)**

## PRESENT LAW

*In general*

Levy is the administrative authority of the IRS to seize a taxpayer's property, or rights to property, to pay the taxpayer's tax liability.<sup>2</sup> Generally, the IRS is entitled to seize a taxpayer's property by levy if a Federal tax lien has attached to such property,<sup>3</sup> the property is not exempt from levy,<sup>4</sup> and the IRS has provided both notice of intention to levy<sup>5</sup> and notice of the right to an administrative hearing (the notice is referred to as a "collections due process notice" or "CDP notice" and the hearing is referred to as the "CDP hearing")<sup>6</sup> at least 30 days before the levy is made. A levy on salary or wages generally is continuously in effect until released.<sup>7</sup> A Federal tax lien arises automatically when: (1) a tax assessment has been made; (2) the taxpayer has been given notice of the assessment stating the amount and demanding payment; and (3) the taxpayer has failed to pay the amount assessed within 10 days after the notice and demand.<sup>8</sup>

The notice of intent to levy is not required if the Secretary finds that collection would be jeopardized by delay. The standard for determining whether jeopardy exists is similar to the standard applicable when determining whether assessment of tax without following the normal deficiency procedures is permitted.<sup>9</sup>

The CDP notice (and pre-levy CDP hearing) is not required if: (1) the Secretary finds that collection would be jeopardized by delay; (2) the Secretary has served a levy on a State to collect a Federal tax liability from a State tax refund; (3) the taxpayer subject to the

<sup>2</sup>Sec. 6331(a). Levy specifically refers to the legal process by which the IRS orders a third party to turn over property in its possession that belongs to the delinquent taxpayer named in a notice of levy.

<sup>3</sup>*Ibid.*

<sup>4</sup>Sec. 6334.

<sup>5</sup>Sec. 6331(d).

<sup>6</sup>Sec. 6330. The notice and the hearing are referred to collectively as the CDP requirements.

<sup>7</sup>Secs. 6331(e) and 6343.

<sup>8</sup>Sec. 6321.

<sup>9</sup>Secs. 6331(d)(3) and 6861.

levy requested a CDP hearing with respect to unpaid employment taxes arising in the two-year period before the beginning of the taxable period with respect to which the employment tax levy is served; or (4) the Secretary has served a Federal contractor levy. In each of these four cases, however, the taxpayer is provided an opportunity for a hearing within a reasonable period of time after the levy.<sup>10</sup>

*Federal payment levy program*

To help the IRS collect taxes more effectively, the Taxpayer Relief Act of 1997<sup>11</sup> authorized the establishment of the Federal Payment Levy Program (“FPLP”), which allows the IRS to continuously levy up to 15 percent of certain “specified payments” by the Federal government if the payees are delinquent on their tax obligations. With respect to payments to vendors of goods, services, or property sold or leased to the Federal government, the continuous levy may be up to 100 percent of each payment.<sup>12</sup> For payments to Medicare providers and suppliers, the levy is up to 15 percent for payments made within 180 days after December 19, 2014. For payments made after that date, the levy is up to 30 percent.<sup>13</sup>

Under FPLP, the IRS matches its accounts receivable records with Federal payment records maintained by the Department of the Treasury’s Bureau of Fiscal Service (“BFS”), such as certain Social Security benefit and Federal wage records. When these records match, the delinquent taxpayer is provided both the notice of intention to levy and the CDP notice. If the taxpayer does not respond after 30 days, the IRS can instruct the BFS to levy the taxpayer’s Federal payments. Subsequent payments are continuously levied until such time that the tax debt is paid or the IRS releases the levy.

REASONS FOR CHANGE

It has also been reported that many thousands of Medicare providers and suppliers have outstanding Federal employment and income tax liability, which contribute to the tax gap. Consequently, the Committee believes that it is appropriate to increase the permissible percentage of payments to a Medicare provider subject to levy.

EXPLANATION OF PROVISION

The provision provides that the present limitation of 30 percent of certain specified payments be increased by an amount sufficient to offset the estimated revenue loss of the provision described in Part A, above.

EFFECTIVE DATE

The provision is effective for payments made after 180 days after the date of enactment.

<sup>10</sup> Sec. 6330(f).

<sup>11</sup> Pub. L. No. 105–34.

<sup>12</sup> Sec. 6331(h)(3).

<sup>13</sup> Pub. L. No. 113–295, Division B.

### **III. BUDGET EFFECTS OF THE BILL**

#### **A. COMMITTEE ESTIMATES**

In compliance with paragraph 11(a) of rule XXVI of the Standing Rules of the Senate and section 308(a)(1) of the Congressional Budget and Impoundment Control Act of 1974, as amended (the “Budget Act”), the following statement is made concerning the estimated budget effects of the revenue provisions of the “Military Spouse Job Continuity Act of 2015” as reported.

The provisions of the bill are estimated to alter Federal fiscal year budget receipts by the following amounts for the period 2015–2025.

**ESTIMATED BUDGET EFFECTS OF  
THE "MILITARY SPOUSE JOB CONTINUITY ACT OF 2015,"  
AS REPORTED BY THE COMMITTEE ON FINANCE**

Fiscal Years 2015 - 2025

[Millions of Dollars]

Provision	Effective	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2015-20	2015-25
1. Credit for State Licensure and Certification Costs of Military Spouses Arising by Reason of a Permanent Change in the Duty Station of the Member of the Armed Forces to Another State.....	tyba 12/31/14	[1]	-6	-6	-7	-8	-8	-9	-9	-9	-9	-9	-35	-79
2. Increase Continuous Levy Authority to 40% on Payments to Medicare Providers and Suppliers.....	pma 180da DOE	---	12	12	12	12	13	13	13	13	14	14	61	128
<b>NET TOTAL</b> .....		<b>[1]</b>	<b>6</b>	<b>6</b>	<b>5</b>	<b>4</b>	<b>5</b>	<b>4</b>	<b>4</b>	<b>4</b>	<b>5</b>	<b>5</b>	<b>26</b>	<b>49</b>

Joint Committee on Taxation

NOTE: Details may not add to totals due to rounding. The date of enactment is assumed to be April 1, 2015.

Legend for "Effective" column:

DOE = date of enactment  
pma = payments made after

tyba = taxable years beginning after  
180da = 180 days after

[1] Loss of less than \$500,000.

## B. BUDGET AUTHORITY AND TAX EXPENDITURES

### *Budget authority*

In compliance with section 308(a)(1) of the Budget Act, the Committee states that no provisions of the bill as reported involve new or increased budget authority.

### *Tax expenditures*

In compliance with section 308(a)(1) of the Budget Act, the Committee states that certain provisions affect the levels of tax expenditures (see revenue table in part A., above).

## C. CONSULTATION WITH CONGRESSIONAL BUDGET OFFICE

In accordance with section 402 of the Budget Act, the Committee advises that the Congressional Budget Office has not submitted a statement on the bill. The letter from the Congressional Budget Office will be provided separately.

## IV. VOTES OF THE COMMITTEE

In compliance with paragraph 7(b) of rule XXVI of the Standing Rules of the Senate, the Committee states that, with a majority present, the “Military Spouse Job Continuity Act of 2015,” was ordered favorably reported by voice vote on February 11, 2015.

## V. REGULATORY IMPACT AND OTHER MATTERS

### A. REGULATORY IMPACT

Pursuant to paragraph 11(b) of rule XXVI of the Standing Rules of the Senate, the Committee makes the following statement concerning the regulatory impact that might be incurred in carrying out the provisions of the bill as amended.

#### *Impact on individuals and businesses, personal privacy and paperwork*

The bill allows a credit against income tax for amounts paid by a spouse of a member of the Armed Forces for a new State license or certification required by reason of a permanent change in the duty station of such member to another State. It also increases the IRS’s continuous levy authority on payments to Medicare providers and suppliers. The provisions of the bill are not expected to impose significant additional administrative requirements or regulatory burdens on individuals or businesses.

The provisions of the bill do not impact personal privacy.

### B. UNFUNDED MANDATES STATEMENT

This information is provided in accordance with section 423 of the Unfunded Mandates Reform Act of 1995 (Pub. L. No. 104–4).

The Committee has determined that the tax provisions of the reported bill do not contain Federal private sector mandates or Federal intergovernmental mandates on State, local, or tribal governments within the meaning of Public Law 104–4, the Unfunded Mandates Reform Act of 1995.

### C. TAX COMPLEXITY ANALYSIS

Section 4022(b) of the Internal Revenue Service Reform and Restructuring Act of 1998 (“IRS Reform Act”) requires the staff of the Joint Committee on Taxation (in consultation with the Internal Revenue Service and the Treasury Department) to provide a tax complexity analysis. The complexity analysis is required for all legislation reported by the Senate Committee on Finance, the House Committee on Ways and Means, or any committee of conference if the legislation includes a provision that directly or indirectly amends the Internal Revenue Code and has widespread applicability to individuals or small businesses. The staff of the Joint Committee on Taxation has determined that there are no provisions that are of widespread applicability to individuals or small businesses.

### **VI. CHANGES IN EXISTING LAW MADE BY THE BILL, AS REPORTED**

In the opinion of the Committee, it is necessary in order to expedite the business of the Senate, to dispense with the requirements of paragraph 12 of rule XXVI of the Standing Rules of the Senate (relating to the showing of changes in existing law made by the bill as reported by the Committee).

