

UNITED STATES SENATE  
**COMMITTEE ON FINANCE**

**TAXPAYER FIRST ACT OF 2019**

**TITLE I—PUTTING TAXPAYERS FIRST**

**SUBTITLE A—INDEPENDENT APPEALS PROCESS**

- **Sec. 1001. Establishment of Internal Revenue Service Independent Office of Appeals.** The provision codifies the requirement of an independent administrative appeals function at the Internal Revenue Service (IRS). The provision seeks to ensure that generally all taxpayers are able to access the administrative review process, allowing for their cases to be heard by an independent decision maker. The provision also provides for notice and protest procedures as well as additional Congressional oversight for taxpayers precluded from using the administrative-review process. The provision codifies the official responsible for overseeing the Independent Office of Appeals as the Chief of Appeals. The appointed official is required to have experience in a broad range of Federal tax law controversies and management of large service organizations. The provision also ensures that staff working in the Independent Office of Appeals generally do not receive advice from the Office of Chief Counsel employees working on the case prior to its referral for administrative review. Further, the provision provides taxpayers access to “the case against them.” This provision would require the IRS to provide certain individual and business taxpayers with their case files, if requested, prior to the start of any dispute resolution process. *This provision is estimated to have negligible revenue effect over the 10-year budget window.*

**SUBTITLE B—IMPROVED SERVICE**

- **Sec. 1101. Comprehensive customer service strategy.** Under this provision, within one year of enactment, the IRS is required to develop and submit to Congress a comprehensive customer service strategy. The strategy must address how the IRS intends to provide assistance to taxpayers, in part by ensuring adequate customer service training for its own employees and taking into account best practices from the private sector. The strategy must also establish metrics and benchmarks for measuring the IRS’ success in implementing this strategy. *This provision is estimated to have no revenue impact over the 10-year budget window.*
- **Sec. 1102. IRS Free File Program.** The IRS currently works with electronic tax preparation services to provide free tax preparation software and electronically fillable forms. This program is known as the IRS Free File program. Generally, there is no fee for taxpayers using the Free File program provided they meet certain income thresholds. This provision codifies the existing Free File program and requires the IRS to continue to work with private stakeholders to maintain, improve, and expand the program. The provision also requires Free File program members to continue to provide basic fillable

forms to all taxpayers. *This provision is estimated to have no revenue impact over the 10-year budget window.*

- **Sec. 1103. Low-income exception for payments otherwise required in connection with a submission of an offer-in-compromise.** The IRS is authorized to enter into an offer-in-compromise (OIC) agreement with a taxpayer to settle a tax debt at a lower amount than what the taxpayer generally owes. Generally, when proposing an OIC to the IRS, the taxpayer must pay an application fee and provide an initial non-refundable lump sum payment. The IRS has the authority to waive these payments. Typically, the IRS does not require taxpayers certified as low-income, defined as those with incomes below 250 percent of the Federal poverty level, to include the application fee and initial payment. This provision codifies the existing low-income exception with respect to any user fee or upfront partial payment imposed with respect to any OIC. *This provision is estimated to have no revenue impact over the 10-year budget window.*

## SUBTITLE C—SENSIBLE ENFORCEMENT

- **Sec. 1201. Internal Revenue Service seizure requirements with respect to structuring transactions.** The Bank Secrecy Act (BSA) mandates reporting and record-keeping requirements, including the reporting of currency transactions exceeding \$10,000, to assist Federal law enforcement and regulatory agencies in the detection, monitoring, and tracing of certain monetary transactions. To circumvent these reporting requirements, individuals may structure cash transactions to fall below the \$10,000 reporting threshold (also known as “structuring”). Structuring can be used to conceal illegal cash-generating activities, such as the selling of narcotics, or income earned legally in order to evade the payment of taxes. Structuring (or attempts to structure) for the purpose of evading the reporting and record-keeping requirements is subject to both civil and criminal penalties. Under this provision, the IRS must now show probable cause that funds believed to have been structured to avoid BSA reporting requirements are derived from an illegal source or are connected to another criminal activity. This provision also provides important procedural protections for individuals, including a post-seizure hearing within 30 days of the seizure. *This provision is estimated to have negligible revenue effect over the 10-year budget window.*
- **Sec. 1202. Exclusion of interest received in action to recover property seized by the Internal Revenue Service based on structuring transaction.** Related to Section 1201, under this provision, if a court determines the Federal government should return funds and interest to an individual whose funds were seized by the IRS based on allegations of structuring, any interest paid by the Federal government with respect to such funds will be exempt from income tax. *This provision is estimated to cost \$1 million over the 10-year budget window.*
- **Sec. 1203. Clarification of equitable relief from joint liability.** In general, married couples who file tax returns jointly are both responsible for the entire tax liability that should be reported on the return. However, under certain circumstances, the tax code provides relief for certain innocent spouses from joint liability. This provision clarifies

that the Tax Court has jurisdiction to redetermine equitable claims for relief from joint liability. It also clarifies that the standard of review for such relief by the Tax Court shall be conducted on a de novo basis, meaning that the Tax Court would take a fresh look at the case without taking previous decisions into account. The review would be based on the administrative record and any newly discovered or previously unavailable evidence. The provision also clarifies the time frame in which claims for equitable relief can be brought. *This provision is estimated to have negligible revenue effect over the 10-year budget window.*

- **Sec. 1204. Modification of procedures for issuance of third-party summons.** A John Doe summons is one that does not identify the person with respect to whose liability the summons is issued. Under current law, the IRS is authorized to issue a John Doe summons as part of an investigation of a specific, unidentified person or group or class of persons whose identity is not ascertainable. This provision seeks to clarify the IRS' authority to issue John Doe summonses by emphasizing that the IRS must narrowly tailor such a summons to seek only information that pertains to the failure (or potential failure) of the person or group of persons to comply with Federal tax law. This provision is consistent with the current IRS manual, which states that a John Doe summons may not be used for the purposes of a "fishing expedition." *This provision is estimated to have negligible revenue effect over the 10-year budget window.*
- **Sec. 1205. Private debt collection and special compliance personnel program.** Congress directed the IRS to establish a program that refers certain inactive tax receivable accounts to private collection agencies. The statute also specifies certain types of cases that are not eligible for referral to private collection agencies; however, the IRS does not currently exclude low-income individuals from being referred for private collection. This provision creates two additional categories of cases not eligible for referral to private collection agencies: (1) taxpayers whose income is substantially derived from supplemental security income benefits or disability insurance benefit payments or (2) taxpayers with an adjusted gross income of 200 percent of the applicable poverty level and below. The provision also alters the definition of inactive tax receivables that can be assigned to private debt collection agencies to those in which more than two years has passed since assessment of the tax debt and limits installment agreements between the taxpayer and private debt collection agencies to seven years. *This provision is estimated to cost \$215 million over the 10-year budget window.*
- **Sec. 1206. Reform of notice of contact of third parties.** During the course of an audit, the IRS is required to notify a taxpayer prior to initiating third-party contacts. Testimony before the Ways and Means Oversight Subcommittee revealed that this notice has become routine at the beginning of any given audit and no longer serves to provide actual notice of impending contact with third parties. This provision requires that the IRS provide notice to taxpayers before contacting third parties, including friends, neighbors, and clients, closer in time to such contacts being made. Specifically, the provision requires that the taxpayer be notified at least 45 days prior to the period of contact, which may not be greater than one year. Notice is required only if there is a present intent to

contact third parties at the time such notice is given. *This provision is estimated to have negligible revenue effect over the 10-year budget window.*

- **Sec. 1207. Modification of authority to issue designated summons.** The IRS may issue designated or related summonses to examine the tax liability of certain corporations. A designated summons is an administrative summons that is issued to a large corporation (or person to whom the corporation has transferred the requested books and records) with respect to one or more taxable periods currently under examination. This has the effect of extending a limitations period on the IRS making an assessment against the corporation. This provision requires that prior to issuing a designated summons, the Commissioner of the relevant operating division of the IRS and the Chief Counsel must review and provide written approval of the summons. The written approval must state facts establishing that the IRS had previously made reasonable requests for the information and must be attached to the summons. The provision also requires that the IRS certify in any subsequent judicial proceedings that reasonable request for the information were made. *This provision is estimated to have negligible revenue effect over the 10-year budget window.*
- **Sec. 1208. Limitation on access of non-Internal Revenue Service employees to returns and return information.** Generally, returns and return information are confidential and cannot be disclosed unless authorized by the Internal Revenue Code. This provision prohibits a person, other than an officer or employee of the IRS, from examining books and records as part of an examination other than for the sole purpose of serving as an expert. This provision also ensures that only IRS employees or the Office of Chief Counsel are able to question a witness under oath. *This provision is estimated to have negligible revenue effect over the 10-year budget window.*

#### **SUBTITLE D—ORGANIZATIONAL MODERNIZATION**

- **Sec. 1301. Office of the National Taxpayer Advocate.** The Office of the Taxpayer Advocate is expected to represent taxpayer interests independently in disputes with the IRS. The National Taxpayer Advocate (NTA) reports directly to the IRS Commissioner. Taxpayer Advocate Directives (TADs) allows the NTA to identify systemic problems and issue directives mandating changes to IRS tax administration or other processes unless the IRS Commissioner or Deputy Commissioner modifies or rescinds the order. The NTA's authority to issue TADs is pursuant to a delegation of authority from the IRS Commissioner. The NTA is required to submit reports directly to the House Committee on Ways and Means and the Senate Committee on Finance. This provision strengthens TADs by requiring a response from the IRS Commissioner or Deputy Commissioner and clarifying the time period required for such a response. This provision also makes other changes to the NTA's responsibilities. It requires the NTA to report to Congress any TADs not addressed by the IRS, reduces the number of "most serious problems" included in the NTA Annual Report to Congress from "more than 20" to ten, requires the IRS to provide statistical support to the NTA upon request to the extent practicable, and requires the NTA to coordinate research efforts with the Treasury Inspector General for Tax

Administration (TIGTA). The provision also clarifies the salary for the NTA. *This provision is estimated to have no revenue impact over the 10-year budget window.*

- **Sec. 1302. Modernization of Internal Revenue Service organizational structure.** The Internal Revenue Service Restructuring and Reform Act of 1998 (RRA 98) directed the IRS Commissioner to restructure the IRS by eliminating or substantially modifying the three-tier geographic structure (national, regional, and district) and replacing it with an organizational structure that features operating units serving particular groups of taxpayers with similar needs. This provision allows the IRS to thoughtfully consider what a modern structure for the agency might look like, to develop a plan for its implementation, and to submit such a plan to Congress prior to making any organizational changes. The plan must consider how the IRS will prioritize taxpayer services, streamline and simplify its structure, better position itself to combat ongoing cyber threats, and take into account the Congressional priorities laid out in this package. The timely submission of the proposal to Congress would then remove the requirement of an organizational structure that features operating units serving particular groups of taxpayers with similar needs one year after the submission of the plan. *This provision is estimated to have no revenue impact over the 10-year budget window.*

#### **SUBTITLE E—OTHER PROVISIONS**

- **Sec. 1401. Return preparation programs for applicable taxpayers.** The IRS, through its Volunteer Income Tax Assistance (VITA) Program, currently partners with IRS-certified volunteer organizations to provide free tax return filing assistance to low-income populations, persons with disabilities, taxpayers with limited English proficiency, and other underserved communities. This provision provides certainty for VITA organizations and taxpayers by permanently authorizing the VITA matching grant program to support the maintenance and expansion of VITA programs. The Secretary of the Treasury, unless otherwise provided by specific appropriation, may allocate from otherwise appropriated funds up to \$30 million per year in matching grants to qualified entities for the development, expansion, or continuation of qualified tax return preparation programs assisting low-income taxpayers and members of underserved populations. Additionally, the provision allows the IRS to use mass communications and other means to promote the benefits and encourage the use of the program. *This provision is estimated to have no revenue impact over the 10-year budget window.*
- **Sec. 1402. Provision of information regarding low-income taxpayer clinics.** Low Income Taxpayer Clinics (LITC) assist low-income taxpayers with representation in controversies with the IRS. This provision clarifies that IRS employees are able to provide taxpayers in need of such assistance with information about the availability of and eligibility requirements for LITCs. IRS employees also may provide LITC location and contact information to taxpayers. *This provision is estimated to have no revenue impact over the 10-year budget window.*
- **Sec. 1403. Notice from IRS regarding closure of taxpayer assistance centers.** Some taxpayers may require or want in-person assistance, which is provided at IRS facilities

known as Taxpayer Assistance Centers (TAC). This provision requires the IRS to provide public notice, including by non-electronic means, to affected taxpayers 90 days prior to the closure of a TAC. The notice must include information on alternative forms of assistance available for affected taxpayers and the date of the proposed closure. The IRS also must notify Congress and provide the reasons for the closure. *This provision is estimated to have no revenue impact over the 10-year budget window.*

- **Sec. 1404. Rules for seizure and sale of perishable goods restricted to only perishable goods.** Under current law, the IRS may seize and sell a taxpayer's property on the same day if the IRS deems it to be "perishable." Perishable goods are defined as those that (1) are liable to perish, (2) become greatly reduced in price or value by keeping, or (3) cannot be kept without great expense to the IRS. Deeming property as "perishable" also allows the IRS to forgo minimum bid requirements, which can lead to seized property being sold for significantly less than a normal auction would allow. This provision limits the IRS' ability to seize a taxpayer's property and hold a same-day auction to only property that is likely to perish. Property that is greatly reduced in price or value by being held or that cannot be held without great expense would no longer be eligible to be sold on the same day by deeming it "perishable." *This provision is estimated to have negligible revenue effect over the 10-year budget window.*
- **Sec. 1405. Whistleblower reforms.** In order to improve IRS communications with whistleblowers, this provision allows the IRS to exchange information with whistleblowers where doing so would be helpful to an investigation. It also requires the IRS to notify whistleblowers of the status of their claims at certain points in the review process and authorizes, but does not require, the IRS to provide status updates at other times upon written request of the whistleblower. To protect taxpayer privacy, it would prohibit whistleblowers from disclosing publicly information they receive from the IRS under penalty of law. In addition, the provision amends the tax code to extend anti-retaliation provisions to IRS whistleblowers similar to those that are provided to whistleblowers under the False Claims Act and the Sarbanes-Oxley Act. *This provision is estimated to have negligible revenue effect over the 10-year budget window.*
- **Sec. 1406. Customer service information.** The provision instructs the IRS to provide the following information over the telephone, while taxpayers are on hold with an IRS call center: information about common tax scams, direction to the taxpayer on where and how to report such activity, and tips on how to protect against identity theft and tax scams. *This provision is estimated to have no revenue impact over the 10-year budget window.*
- **Sec. 1407. Misdirected tax refund deposits.** This provision directs the IRS to establish procedures for taxpayers to report instances where they did not receive an anticipated electronic fund transfer or a refund was erroneously delivered to the wrong taxpayer, and also to ensure the IRS will recover the erroneous refunds and deliver them to the correct taxpayer. *This provision is estimated to have no revenue impact over the 10-year budget window.*

## TITLE II—21<sup>ST</sup> CENTURY IRS

### SUBTITLE A—CYBERSECURITY AND IDENTITY PROTECTION

- **Sec. 2001. Public-private partnership to address identity theft refund fraud.** This provision codifies recent efforts of the IRS, through the Security Summit, to foster a partnership aimed at combatting identity theft tax refund fraud (IDTTRF) with public and private stakeholders. Congress intends that these proactive efforts to protect taxpayers and combat IDTTRF continue to be a priority of the IRS. *This provision is estimated to have no revenue impact over the 10-year budget window.*
- **Sec. 2002. Recommendations of Electronic Tax Administration Advisory Committee regarding identity theft refund fraud.** RRA 98 established the Electronic Tax Administration Advisory Committee (ETAAC) to provide input to the IRS on improving electronic tax administration. The ETAAC charter has since been amended to address the growing threat of IDTTRF, allowing it to work more closely with the Security Summit to address this issue. ETAAC's more recent annual reports to Congress have also provided meaningful recommendations on how to combat IDTTRF. This provision seeks to codify the changes made to ETAAC's charter by requiring ETAAC to study and make recommendations to the Secretary of the Treasury regarding methods to prevent IDTTRF. *This provision is estimated to have no revenue impact over the 10-year budget window.*
- **Sec. 2003. Information sharing and analysis center.** Under this provision, the IRS is encouraged to participate in an IDTTRF information sharing and analysis center (ISAC) with state and private sector partners. The IRS has participated in the IDTTRF ISAC pilot, which tested the idea of more proactively and efficiently sharing information between ISAC members to quickly identify and prevent IDTTRF schemes. However, there are current statutory requirements that limit the IRS' ability to share tax return information with its partners, which is critical to combating these threats. This provision provides for the limited sharing of specified return information, such as IP address and the speed at which the return was filed, with paid return preparers who are members of the ISAC. The proposal also requires the Secretary of the Treasury to develop metrics for measuring the success of the ISAC in detecting and preventing IDTTRF. *This provision is estimated to have no revenue impact over the 10-year budget window.*
- **Sec. 2004. Compliance by contractors with confidentiality safeguards.** This provision puts in place additional confidentiality safeguards on return information provided to contractors. Under this provision, the IRS will not be able to provide taxpayer information to any contractors or other agents of a Federal, state, or local agency unless the contractor has safeguards in place to protect the confidentiality of return information and agrees to conduct on-site compliance reviews every three years. Under this proposal, the Federal, state, or local agency is required to submit a report of its findings to the IRS and certify annually that such contractors and other agents are in compliance with the requirements to safeguard the confidentiality of Federal returns and

return information. *This provision is estimated to have no revenue impact over the 10-year budget window.*

- **Sec. 2005. Report on electronic payments.** This provision requires the Secretary of the Treasury, in coordination with the Bureau of Fiscal Service and the IRS, to submit a report to Congress within two years of enactment, outlining how the government can use new payment platforms to increase the use of electronic funds transfers for tax refunds. The report should also consider the impact on taxpayers who do not have access to financial accounts or institutions. *This provision is estimated to have no revenue impact over the 10-year budget window.*
- **Sec. 2006. Identity protection personal identification numbers.** The IRS issued approximately 1.2 million identity protection personal identification numbers (IP PINs) to identify theft victims for the 2014 filing season. Still, the IP PIN program fails to protect victims whose identities have been stolen but have not yet had their tax account compromised. This provision requires the IRS to set up a program under which any concerned taxpayer—regardless of his or her state of residence—can request an IP PIN to use in filing his or her return. The bill expands voluntary access to IP PINs nationwide over five years. *This provision is estimated to have no revenue impact over the 10-year budget window.*
- **Sec. 2007. Single point of contact for tax-related identity theft victims.** This provision establishes a single point of contact within the IRS for any taxpayer who is a victim of identity theft. The single point of contact will be responsible for tracking the taxpayer's case to completion and coordinating with other units to resolve the taxpayer's issues as quickly as possible. This provision is intended to address concerns over the lack of continuity of assistance when taxpayers are victims of tax related identity theft. *This provision is estimated to have no revenue impact over the 10-year budget window.*
- **Sec. 2008. Notification of suspected identity theft.** Often identity theft and refund fraud victims may be unaware that their identity has been used fraudulently or, when they are aware, may not be fully informed of the outcome of their case. This provision requires the IRS to notify a taxpayer if there has been any suspected unauthorized use of a taxpayer's identity or that of the taxpayer's dependents, if an investigation has been initiated and its status, whether the investigation substantiated any unauthorized use of the taxpayer's identity, and whether any action has been taken (such as a referral for prosecution). Furthermore, when an individual is charged with a crime, the IRS must notify the victim as soon as possible, giving such victims the ability to pursue civil action against the perpetrators. *This provision is estimated to have no revenue impact over the 10-year budget window.*
- **Sec. 2009. Guidelines for stolen identity refund fraud cases.** This provision requires that the IRS, in consultation with the NTA, develop and implement publicly available caseworker guidelines that reduce the burdens for IDTTRF victims as they work with the IRS to sort out their tax affairs. The guidelines may include procedures to reduce the amount of time victims would have to wait to receive their tax refunds, the number of



IRS employees with whom victims would need to interact, and the timeframe within which the issues related to the IDTTRF should be resolved. *This provision is estimated to have no revenue impact over the 10-year budget window.*

- **Sec. 2010. Increased penalty for improper disclosure or use of information by preparers of returns.** The provision would impose an increased monetary penalty for the disclosure of taxpayer identity information by a return preparer in cases where such information is used in an identity theft crime, whether or not related to the filing of a tax return. This provision is intended to provide a strong incentive for tax preparers to secure client records, thereby decreasing the likelihood of those records being stolen by identity theft criminals. *This provision is estimated to raise less than \$500,000 over the 10-year budget window.*

## **SUBTITLE B—DEVELOPMENT OF INFORMATION TECHNOLOGY**

- **Sec. 2101. Management of Internal Revenue Service information technology.** This provision seeks to strengthen IRS accountability for the billions of taxpayer dollars annually spent on developing and maintaining IRS information technology (IT) systems. This provision codifies the position of the IRS' Chief Information Officer (CIO) and establishes clear roles and responsibilities for the CIO. The provision also mandates that the IRS develop and implement an IT strategic plan, in alignment with the overall goals of the IRS, to ensure adequate consideration and planning for the IRS' long-term IT needs. The IRS also must finish its plans for the completion of the Customer Account Data Engine (CADE 2) and have a third party independently verify and validate planning for CADE 2 and Enterprise Case Management system(s) generally within a year of enactment. *This provision is estimated to have no revenue impact over the 10-year budget window.*
- **Sec. 2102. Internet platform for Form 1099 filings.** This provision requires the IRS to develop an internet portal that facilitates taxpayers filing Forms 1099 with the IRS. The internet portal is to be modeled after a Social Security Administration (SSA) system that allows individuals to file Forms W-2 with SSA. The website will provide taxpayers with access to resources and guidance provided by the IRS, and allow taxpayers to prepare, file, and distribute Forms 1099, and create and maintain taxpayer records. *This provision is estimated to have no revenue impact over the 10-year budget window.*
- **Sec. 2103. Streamlined critical pay authority for information technology positions.** RRA 98 provided the IRS with certain personnel flexibilities, one of which was the streamlined critical pay (SCP) authority. The purpose of the SCP authority was to provide the IRS a management tool to quickly recruit and retain employees with high levels of expertise in technical or professional fields critical to the success of the IRS' restructuring efforts. The authority was originally authorized for ten years and extended two times. The provision reauthorizes SCP authority for the IRS but only with respect to IT positions. Such authority is effective on the date of the enactment and ends on September 30, 2023. *This provision is estimated to have no revenue impact over the 10-year budget window.*

## SUBTITLE C—MODERNIZATION OF CONSENT-BASED INCOME VERIFICATION SYSTEM

- **Sec. 2201. Disclosure of taxpayer information for third-party income verification.** The Income Verification Express Service (IVES) is a program run by the IRS, which is used to verify a taxpayer's income. The program is most often used when a taxpayer is applying for a mortgage and the mortgage lender is seeking to verify the taxpayer's income. This provision authorizes the IRS to develop an automated system to receive these forms in lieu of the current system, which relies on the forms to be sent to the IRS via secure fax. Additionally, the provision authorizes the IRS to charge a separate user fee over a two-year period on all IVES requests to fund the development of the new system. *This provision is estimated to have no revenue impact over the 10-year budget window.*
- **Sec. 2202. Limit redisclosures and uses of consent-based disclosures of tax return information.** This provision limits tax return information redisclosures by the taxpayer's designee to only those redisclosures to which the taxpayer has expressly consented. *This provision is estimated to have no revenue impact over the 10-year budget window.*

## SUBTITLE D—EXPANDED USE OF ELECTRONIC SYSTEMS

- **Sec. 2301. Electronic filing of returns.** Currently, the IRS can only require individuals filing more than 250 returns to file them electronically. This provision eventually would lower that threshold to 10 or more returns. This requirement would be phased in between the years 2019 and 2021. In the case of a partnership, the applicable number is 200 in the case of calendar year 2018, 150 in the case of calendar year 2019, and 100 in the case of calendar year 2020. The provision also provides an exception to this requirement for tax preparers located in geographic areas with limited or no internet access. *This provision is estimated to have no revenue impact over the 10-year budget window.*
- **Sec. 2302. Uniform standards for the use of electronic signatures for disclosure authorizations to, and other authorizations of, practitioners.** This provision requires the IRS to publish regulations and other guidelines that would allow for electronic signatures to be used to request taxpayer return information for the purposes of disclosures to a practitioner or to execute a power of attorney. *This provision is estimated to have no revenue impact over the 10-year budget window.*
- **Sec. 2303. Payment of taxes by debit and credit cards.** Under current law, the IRS cannot accept credit and debit card payments for taxes directly due to a restriction on the payment of fees charged by the card issuer. As a result, the IRS must use a third-party processor to accept credit and debit card payments. This provision allows the IRS to directly accept credit and debit card payments for taxes, provided that the fee is paid by the taxpayer. The IRS is directed to seek to minimize these fees when entering into contracts to process credit and debit cards. *This provision is estimated to raise less than \$500,000 over the 10-year budget window.*

- **Sec. 2304. Authentication of users of electronic services accounts.** In the past, unscrupulous tax return preparers have used the IRS' suite of electronic services (e-Services) to perpetrate tax refund fraud. The provision requires the IRS to verify the identity of any individual opening an e-Services account before he or she is able to use such services. *This provision is estimated to have negligible revenue effect over the 10-year budget window.*

## SUBTITLE E—OTHER PROVISIONS

- **Sec. 2401. Repeal of provision regarding certain tax compliance procedures and reports.** RRA 98 included a provision requiring the IRS to develop procedures and produce an annual report for streamlining compliance with the tax code. This provision strikes that provision from the 1998 law so that IRS resources instead can be directed to help prevent IDTTRF. *This provision is estimated to have no revenue impact over the 10-year budget window.*
- **Sec. 2402. Comprehensive training strategy.** This provision directs the IRS to submit to Congress a comprehensive training strategy to streamline current training processes, develop annual training on taxpayer rights, improve technology-based training, and better focus on fair resolution of taxpayer disputes. *This provision is estimated to have no revenue impact over the 10-year budget window.*

## TITLE III—MISCELLANEOUS PROVISIONS

### SUBTITLE A—REFORM OF LAWS GOVERNING INTERNAL REVENUE SERVICE EMPLOYEES

- **Sec. 3001. Prohibition on rehiring any employee of the Internal Revenue Service who was involuntarily separated from service for misconduct.** In 2014, TIGTA found that the IRS had rehired hundreds of employees who had been involuntarily separated for serious, severable offenses under Section 1203 of RRA 98, such as fraud, failure to file a return, falsification of documents, and unauthorized access to taxpayer information. The provision prohibits the IRS Commissioner from rehiring any employee of the IRS who has been involuntarily separated for misconduct. *This provision is estimated to have negligible revenue impact over the 10-year budget window.*
- **Sec. 3002. Notification of unauthorized inspection or disclosure of returns and return information.** A taxpayer shall be notified by the Secretary of the Treasury if any disciplinary or adverse action is taken against an IRS employee or employee of any other federal or state agency for unauthorized inspection or disclosure with respect to the taxpayer's information. *This provision is estimated to have no revenue impact over the 10-year budget window.*

## SUBTITLE B—PROVISIONS RELATING TO EXEMPT ORGANIZATIONS

- **Sec. 3101. Mandatory e-filing by exempt organizations.** In general, only the largest and smallest tax-exempt organizations are required to file their annual information returns electronically. Tax-exempt organizations that have assets of \$10 million or more and that file at least 250 returns during a calendar year must electronically file their Form 990 information returns. Private foundations and charitable trusts, regardless of asset size, that file at least 250 returns during a calendar year are required to file electronically their Form 990-PF information returns. Organizations that file Form 990-N (i.e., the e-postcard) also must electronically file. Information returns filed electronically can be processed more rapidly and at much lower cost than paper return filings. The provision extends the requirement to file electronically to all tax-exempt organizations required to file statements or returns in the Form 990 series or Form 8872 (“Political Organization Report of Contributions and Expenditures”). The provision also requires that the IRS make the information provided on the forms available to the public as soon as practicable in a machine readable format. *This provision is estimated to have no revenue impact over the 10-year budget window.*
- **Sec. 3102. Notice required before revocation of tax-exempt status for failure to file return.** Charities and other nonprofits automatically lose their tax-exempt status if they do not file annual information returns for three consecutive years. Once revoked, the organization must refile for exempt status. This provision requires the IRS to notify an organization after the organization’s second consecutive failure to file an information return in order to give the organization time to file an information return and prevent their tax-exempt status from being revoked. *This provision is estimated to have negligible revenue impact over the 10-year budget window.*

## SUBTITLE C—REVENUE PROVISION

- **Sec. 3201. Increase in penalty for failure to file.** Taxpayers are subject to penalties for failure to file tax returns by the particular due date, subject to extensions and exceptions for reasonable cause. While the penalty is typically based on a percentage of the amount of tax required to be shown on the return, a minimum penalty applies equal to the lesser of \$205 (indexed for inflation) or 100 percent of the amount required to be shown on the return. The bill increases the penalty to \$330 for returns required to be filed after December 31, 2019. *This provision is estimated to raise \$219 million over the 10-year budget window.*