To require the Internal Revenue Service to issue a report on the tax gap, to establish a fellowship program within the Internal Revenue Service to recruit mid-career tax professionals to create and participate in an audit task force, and for other purposes.

IN THE SENATE OF THE UNITED STATES

Mr. CRAPAO (for himself, Mr. TILLIS, Mr. BARRASSO, Mr. CASSIDY, Mr. CRAMER, Mr. BRAUN, Mr. RUBIO, Mr. ROUND, Mr. LANKFORD, Ms. MURKOWSKI, and Mr. YOUNG) introduced the following bill; which was read twice and referred to the Committee on

A BILL

To require the Internal Revenue Service to issue a report on the tax gap, to establish a fellowship program within the Internal Revenue Service to recruit mid-career tax professionals to create and participate in an audit task force, and for other purposes.

1 Be it enacted by the Senate and House of Representa-
2 tives of the United States of America in Congress assembled,
3 SECTION 1. TAX GAP PROJECTION.
4 (a) IN GENERAL.—Not later than 180 days after the
date of the enactment of this section, and no later than
7 July 31 annually thereafter, the Commissioner of Internal
Revenue shall submit to Congress a projection detailing the tax gap estimate for the most recent taxable year as is practicable using the most recently available data, and including identification and detailed descriptions of the data used for such projection and clear identification of the amount of the projected tax gap associated with non-filing, underreporting, and underpayment (including identifying the amount subject to collection actions).

(b) Use of Artificial Intelligence.—To the extent practicable, for purposes of reducing the burden on taxpayers subject to National Research Program audits, the Commissioner shall use artificial intelligence, including neural machine learning, and other available data analysis tools, including commercial analytic data providers, to calculate a projection described in subsection (a).

(c) National Research Program Audits.—In calculating a projection described in subsection (a), the Commissioner of Internal Revenue shall not undertake more National Research Program audits in any one fiscal year than are undertaken in fiscal year 2021.

(d) Tax Gap.—For purposes of this section, the term “tax gap” means the difference between tax liabilities owed to the United States under the Internal Revenue Code of 1986 and those liabilities actually collected by the Internal Revenue Service.
SEC. 2. JCT REPORT.

(a) IN GENERAL.—Not later than 180 days after the submission of the first tax gap projection to Congress under section 1, and not later than 90 days after the submission of each successive submission, the Chief of Staff of the Joint Committee on Taxation shall submit to the Committee on Ways and Means of the House of Representatives and the Committee on Finance of the Senate a report analyzing such projection, including—

(1) identification of methodologies used,

(2) any statistical or methodological uncertainties,

(3) the effect of outdated data, if any, on the accuracy of such projection,

(4) such additional information as the Joint Committee on Taxation determines is useful for Congress to use to assess and analyze the tax gap projections provided by the Commissioner of Internal Revenue.

(b) RELEASE OF INFORMATION.—For purposes of facilitating the report described in subsection (a), the Secretary of the Treasury shall, in a timely manner, provide to the Joint Committee on Taxation such information as such committee requests.
SEC. 3. RESTRICTION ON INCREASED ENFORCEMENT FUNDS.

(a) IN GENERAL.—Notwithstanding any other provision of law, no funds appropriated to the Department of the Treasury for audit and enforcement purposes in excess of the levels appropriated for such purposes in fiscal year 2021 may be expended for such purposes, including for salaries, expenses, and enforcement activities, until 180 days after the Internal Revenue Service publishes an updated tax gap projection pursuant to, and compliant with, section 1.

(b) SUNSET.—The provisions of subsection (a) shall not apply after the date which is one year after the date of the enactment of this section.

SEC. 4. RESTRICTION ON INCREASED FUNDING FOR OTHER SPECIFIED PURPOSES.

(a) IN GENERAL.—Notwithstanding any other provision of law, no funds appropriated to the Department of the Treasury in excess of the levels appropriated for specified purposes in fiscal year 2021 may be expended for specified purposes.

(b) SPECIFIED PURPOSES.—For purposes of subsection (a), the term “specified purposes” means—

(1) the implementation of new information reporting requirements on flows of deposits and with-
drawals in individual and small–business banking ac-
counts and other financial accounts,

(2) the targeting of United States citizens in re-
response to the exercise by such citizens of any legally
protected or recognized right guaranteed under the
First Amendment to the United States Constitution,

(3) the targeting of a group for regulatory scru-
tiny based on the ideological beliefs of such group,

(4) the auditing of individual taxpayers with an
adjusted gross income of less than $400,000, and

(5) the hiring under an agreement pursuant to
the Intragovernmental Personnel Act of 1970 (sec-
tions 3371 et seq. of title 5, United States Code) or
any other authority of an authorized researcher who
is not a full time Federal employee to access data
subject to privacy protections afforded by section

SEC. 5. EFFICIENT USE OF EXISTING IRS RESOURCES.

For purposes of increasing enforcement actions in
areas of high noncompliance and reducing the corporate
audit no-change rate of the Internal Revenue Service to
below 20 percent by 2023—

(1) the Secretary (or the Secretary’s delegate)
shall, not later than 180 days after the date of the
enactment of this section—
(A) update the methodology that is used for the selection of corporate returns for audit, and
(B) reassign resources of the Internal Revenue Service such that the majority of high-income nonfilers are subject to enforcement actions, and
(2) the Comptroller general of the United States shall, within one year after the date of the enactment of this section, issue a comprehensive report to Congress on information returns and data collected by the Internal Revenue Service that could be deployed for compliance activities but that are not currently used for such activities.

SEC. 6. IRS FELLOWSHIP PROGRAM.

(a) Establishment.—Not later than September 30, 2022, the Commissioner of Internal Revenue (hereinafter known as the “Commissioner”) after consultation with the Chief Counsel of the Internal Revenue Service (hereinafter known as the “Chief Counsel”), shall establish within the Internal Revenue Service a fellowship program (hereinafter known as the “program”) to recruit private sector tax experts to join the Internal Revenue Service to create and participate in the audit task force established under subsection (e).
(b) OBJECTIVE.—The Commissioner, after consultation with the Chief Counsel, shall design the program in a manner such that the program—

(1) addresses such tax cases handled by the Internal Revenue Service as the Commissioner determines—

(A) are the most complex, or

(B) include new and emerging issues, and

(2) recruits and retains outstanding and qualified tax experts.

(c) ADVERTISEMENT OF PROGRAM.—The Commissioner shall advertise the program in such a way as to attract mid-career tax professionals, including certified public accountants, tax attorneys, and such other tax professionals as the Commissioner determines are appropriately qualified to handle the most complex tax cases.

(d) STRUCTURE.—

(1) IN GENERAL.—The program shall be staffed by not fewer than 30 fellows at the discretion of the Commissioner based on needs of the Internal Revenue Service and the availability of qualified candidates.

(2) TERM OF SERVICE.—

(A) IN GENERAL.—Each fellow shall be hired for a 2-, 3-, or 4-year term of service.
(B) Extensions.—

(i) In general.—A fellow may apply for, and the Commissioner may grant, a 1-year extension of the fellowship.

(ii) No limit on number of extensions.—There shall be no limit on the number of extensions under clause (i).

(3) Fellowship vacancies.—The Commissioner, after consultation with the Chief Counsel, shall fill vacant fellowships—

(A) in such a manner as to ensure that the program is staffed with no fewer than 15 fellows, and

(B) as soon as practicable after the vacancy arises.

(4) Hiring authority.—The Commissioner shall have authority to permanently hire a fellow at the end of the term of service for such fellow.

(e) Task force.—Not later than the date on which the first fellowship is awarded under this section, the Commissioner shall establish a task force within the Internal Revenue Service and the office of the Chief Counsel in both national and regional office placements that includes the fellows hired pursuant to subsection (d), the purpose of which is to—
(1) perform audit case selection,
(2) educate Internal Revenue Service employees on emerging issues,
(3) audit selected taxpayers,
(4) address offshore tax evasion and issues implicating the Foreign Account Tax Compliance Act, and
(5) identify, mentor, and train junior employees from the Internal Revenue Service with respect to audits.

(f) COMPOSITION.—The task force established under subsection (e) may be composed of both—

(1) fellows, and
(2) permanent employees of the Internal Revenue Service.

(g) PAY OF FELLOWS.—

(1) IN GENERAL.—The Secretary of the Treasury (or the Secretary’s delegate) shall determine, subject to the provisions of this subsection, the pay of fellows recruited under subsection (a).

(2) PAY SCALE.—For purposes of paragraph (1), the pay of a fellow shall not be less than the minimum rate payable for GS–15 of the General Schedule and shall not exceed the amount of annual
compensation (excluding expenses) specified in section 102 of title 3, United States Code.

(h) ADMINISTRATION OF PROGRAM.—The Secretary may appoint a lead program officer to administer and advertise the program.

(i) ANNUAL REVIEW AND REPORT.—Not later than 1 year after the date on which the first fellowship is awarded under this section, and annually thereafter, the Commissioner shall submit to Congress a report containing—

(1) an analysis of the effects of the program,

(2) an analysis of the return on investment of the program, including calculations of all costs incurred and all tax revenue and penalties collected due to the work of the task force,

(3) a description of the total number of fellows who apply each year, and

(4) recommendations for changes to the program, if any.

(j) RULES AND REGULATIONS.—The Commissioner, with the approval of the Secretary of the Treasury (or the Secretary’s delegate, other than the Commissioner), shall promulgate such rules and regulations as may be necessary for the efficient administration of the program.