Amendments to Taxpayer Assistance and Service Act

Thune/Smith/Grassley Amendment #1

Thune + Smith + Grassley Amendment #1 to amend the Internal Revenue Code of 1986 to modify the special rule for estimated taxes of farmers and fishermen.

Short Title: To amend the Internal Revenue Code of 1986 to modify the special rule for estimated taxes of farmers and fishermen.

Description of Amendment:

The amendment would move an optional filing rule deadline for farmers and fishers from March 1 to April 15.

Under present law, if two-thirds of an individual's gross income in a taxable year or the preceding year is from farming or fishing, the individual is not liable for any estimated tax underpayment penalties if the individual files a return and pays in full the amount computed on the return as payable by March 1 of the following taxable year. This proposal replaces this March 1 deadline with April 15, effective for taxable years beginning after the date of enactment.

SECTION 1. MODIFICATION OF ESTIMATED TAXRULES FOR FARMERS AND FISHERMEN.

(a) IN GENERAL.—Section 6654(i)(1)(D)(i) of the Internal Revenue Code of 1986 is amended by striking ''March 1'' and inserting ''April 15''.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to taxable years beginning after the date of the enactment of this Act.

Lankford/Warnock Amendment #1 to Taxpayer Assistance and Service Act-

Short Title: To amend the Internal Revenue Code of 1986 to clarify the right to appeal determinations regarding Federal tax controversies, and for other purposes

Description of Amendment: Amend the TAS Act to modify the list of Federal tax controversies for which there is generally a right of appeal to include "any determination to deny or revoke the tax-exempt status of an organization" and to provide the Secretary of the Treasury must provide written notice to a tax-exempt organization that is subject to a determination to deny or revoke its tax-exempt status of the availability of the resolution process.

Daines/Cortez Masto Amendment #1 to the Chairman's Mark of the "Taxpayer Assistance and Service Act"

Short Title: Increase criminal and civil penalties for unauthorized disclosure of taxpayer information and extend criminal liability to IRS contractors who fail to implement section 6103 safeguards.

Description of Amendment: Increases the specified maximum fine and term of imprisonment under §7213(a)(1)-(5) for the unauthorized disclosure of taxpayer returns and return information from $5,000 to $250,000 and from five years to seven years, respectively. It would also increase the minimum amount recoverable in civil damages under §7431(c)(1)(A) from $1,000 to $5,000 per unauthorized disclosure or inspection.

Establishes a criminal violation for any IRS contractor with access to confidential taxpayer returns and return information whose willful failure to implement or enforce any applicable requirements under section 6103 (or regulations prescribed thereunder) to protect the confidentiality of returns/return information results in an unauthorized disclosure of taxpayer return/return information. Conviction would result in a felony and a fine/civil penalty equal to the greater of $500k or 25% of the specific contract under which such contractor was provided access to the returns or return information that was disclosed.

Wyden Amendment #1 to the Chairman's Mark of the Tax Administration and Service Act

Cosponsors: Cantwell, Bennet, Warner, Whitehouse, Hassan, Cortez Masto, Warren, Sanders, Smith, Luján, Warnock, Welch

Short Title: Presidential Tax Accountability and Audit Integrity Act

Description of Amendment:
This conceptual amendment prohibits the IRS and the Treasury from entering into, granting, making, or giving effect to any "covered instrument," which is defined as any agreement, order, waiver, release, addendum, or instruction that purports to affect any Federal tax matter involving the President, the President's family members, or related entities.

Additionally, the amendment:

- Establishes that the prohibition applies to covered instruments issued or entered into after January 20, 2025. It also clarifies that the legislation creates no inference that any covered instrument was otherwise valid or enforceable.
- Requires the Secretary to submit to Congress and make publicly available reports disclosing the identity of the taxpayers to whom a covered instrument applies, as well as any actions taken to administer or enforce tax laws regarding those taxpayers.
- Mandates that initial reports be issued no later than 7 days after a covered instrument is issued or entered into (or within 7 days of enactment for prior covered instruments), followed by reports every 30 days thereafter until the earlier of 3 years after the conclusion of the President's term in office or the date the instrument is rescinded.
- Amends tax privacy rules (i.e., IRC § 6103) to permit disclosure of return information to members of the general public to the extent necessary to carry out these reporting requirements.
- Extends the statute of limitations period for the assessment of additional tax with respect to any person whose Federal taxes are affected by a covered instrument issued or entered into after January 20, 2025. The assessment period for these applicable persons will not expire until at least 3 years after the conclusion of the President's term in office.

Budgetary Impact: None

Offset: N/A

Bennet Amendment #1 to Taxpayer Assistance and Service Act

Short Title: Prepopulation Program for Tax Returns

Description of Amendment:
Background: Over 25 countries belonging to the Organisation for Economic Cooperation and Development (OECD) -- nearly three-quarters of OECD members -- prefilled tax returns with some types of income. The OECD has described prepopulation as "one of the significant innovations in tax return process design over the last two decades." Prepopulating tax returns would enable the Internal Revenue Service (IRS) to preemptively fill out returns for millions of people who otherwise would not file tax returns but either owe taxes or appear to be eligible for refunds and tax credits. One study from the National Bureau of Economic Research found that 42 to 48 percent of U.S. federal income tax returns could be accurately prepopulated at the time the research was conducted.

Amendment: This amendment would require the Internal Revenue Service to conduct a one-year study on the feasibility of prepopulating tax returns for the Form W-2, as well as additional income from interest, retirement benefits, or other sources. The study shall include a review of technical or infrastructure limitations faced by the agency, a review of prepopulation systems developed by other OECD revenue agencies, and a review of specific legal barriers that would prevent the Internal Revenue Service from transitioning to prepopulated tax returns. The Internal Revenue Service shall report its findings to Congress after the completion of the study. Following the study, the Internal Revenue Service shall conduct a pilot program of prepopulation for income sources determined by the Secretary of the Treasury, ensuring a broad geographic representation

Warner Amendment #1 to TAS Act

Short Title: National Taxpayer Advocate Publication of Performance Statistics

Description of Amendment:

Beginning 12 months after the date of enactment:

- The National Taxpayer Advocate shall publish monthly on their website the following information for each local taxpayer advocate office:

  - For all cases opened during the 12-month period ending on the month preceding the month of publication:
    - Average amount of time elapsing between the local office receiving the case and assigning a case number;
    - Average amount of time elapsing between the local office receiving the case and assigning a case worker to the case; and
    - The top three taxpayer issues the office encountered during such period.
  - For any cases opened during the 24-month period ending on the month preceding the month of publication, the average amount of time elapsing between the local office receiving the case and closure of the case.
  - The number of open cases, with information disaggregated as to whether the taxpayer is an individual, a business, an estate or trust, or other.

- The National Taxpayer Advocate will create a tool on their website to provide taxpayers with the estimated amount of time for resolution of a case based on the date the case was opened and the issue the taxpayer is encountering. The National Taxpayer Advocate will update the estimates monthly.

- The National Taxpayer Advocate will provide in their annual report to the House Committee on Ways and Means and Senate Committee on Finance the above information summarized on a nationwide basis, except for the top three taxpayer issues local offices encounter each month.

Whitehouse Amendment #1 to the Chairman's Mark of the Taxpayer Assistance and Service Act

Cosponsor(s): Cassidy

Short title: Fairness in foreign filing

Description of the Amendment:

This amendment would:

1) Provide pre-assessment administrative review of certain penalties. It would create a standardized pre-assessment process for certain international information-return penalties to give taxpayers a clear path to get administrative review before assessment. It would apply to penalties for failing to file certain forms relating to foreign businesses, trusts, and gifts.
2) Align filing dates of international reporting forms with tax filing deadlines. It would repeal off-code statutory deadlines for forms relating to foreign trusts and gifts that often come before the tax filing deadline, leading to inadvertently delinquent forms. The provision would restore the IRS's authority to set these deadlines.
3) Provide certainty to taxpayers by establishing a default rule on the assessability of penalties. It would provide a default rule of assessability of any penalty or addition to tax in the Code where the time and manner of assessment is not otherwise prescribed. Any penalties and additions to tax traditionally subject to deficiency procedures or civil or criminal assessment procedures would remain so.

Hassan Amendment #1 to Taxpayer Assistance and Service Act

Cosponsors:

Short Title: Child Care Tax Benefit Outreach and Assistance Act

Description of Amendment: Amends Section 7803 of the Internal Revenue Code of 1986 to require the Commissioner of the Internal Revenue Service (IRS) to appoint a Business Child Care Liaison who would:

- Act as a liaison between the IRS, employer-provided child care benefit advocates, businesses considering providing or expanding child care benefits for their employees, state workforce boards, state economic development agencies, and other stakeholders, including child development experts;
- Provide public education and assistance related to the expansion of employer-provided child care benefits;
- Help facilitate communication between businesses and the IRS about the operational challenges and opportunities that exist to improve utilization of federally incentivized child care tax benefits;
- In collaboration with the General Services Administration, post information on SAM.gov to help businesses learn about utilizing federal child care tax benefits;
- Identify and recommend to Congress potential legislative and administrative changes to increase practices that promote employer-provided child care benefits; and,
- Coordinate with other federal agencies, and state and local governments on outreach and education to inform employees and employers about the possibilities and benefits of employer-provided child care.

This amendment also requires an annual, publicly available report to Congress outlining utilization of employer-provided child care benefits and recommendations for incentivizing and promoting employer-provided child care benefits.

This conceptual amendment reflects the text of S. 4071, the Hassan-Sullivan *Child Care Tax Benefit Outreach and Assistance Act*.

Offset: No offset required. JCT estimates this proposal would have no revenue effect.

Hassan Amendment #2 to Taxpayer Assistance and Service Act

Cosponsors: Senator Grassley

Short Title: Preventing Tax Fraud and Identity Theft Act

Description of Amendment: This amendment accelerates the due dates of certain information returns, specifically those reporting dividends, interest, retirement distributions, third party network transactions, gambling winnings, miscellaneous income such as royalties and prizes, and Social Security and Railroad Retirement benefit reporting used by the IRS. The amendment requires these information returns be filed with the IRS by January 31, which is the same date they are furnished to taxpayers. The amendment would first apply to information returns covering calendar year 2028, meaning that the first forms impacted under this legislation would be filed with the IRS by January 31, 2029.

This amendment is not intended to affect the filing deadlines for broker reporting under section 6045, information reporting under chapters 3 or 4, or non-employee compensation reporting under section 6041, which already has a January 31 deadline.

This conceptual amendment reflects the text of S. 5133, the Hassan-Grassley *Preventing Tax Fraud and Identity Theft Act*.

Offset: No offset required. JCT estimates this proposal raises $550 million over 10 years.

Cortez Masto/Blackburn Amendment #1 to the Taxpayer Assistance and Service Act

Short Title: Electronic Filing Identification Number Validation

Description of Amendment: Amends the Internal Revenue Code to require the Secretary of the Treasury to establish and maintain a secure, automated system for validating Electronic Filing Identification Numbers (EFINs). The system would—

1. Provide a timely validation response when a request is made;
2. Determine whether an EFIN is active and otherwise eligible for use and whether the person to whom the EFIN was issued is authorized under the IRS e-file program to perform the electronic filing activity identified in the request;
3. Support secure, automated, and high-volume validation requests, including requests submitted through large-scale tax preparation, transmission, and electronic filing systems;
4. Restrict access to authenticated and authorized requesters and prevent unauthorized discovery, enumeration, testing, or bulk validation of EFINs;
5. Limit validation responses to an affirmative or negative result and standardized reason codes necessary for correction or compliance; and
6. Include performance standards and contingency procedures for periods when the system is unavailable, degraded, or unable to provide a timely response, including appropriate relief when an IRS system failure prevents timely electronic filing.

The amendment would also require the Secretary to submit an implementation plan and post-implementation report to the Senate Committee on Finance and the House Committee on Ways and Means.

Cortez Masto Amendment #2 to the Taxpayer Assistance and Service Act

Short Title: To reinstate the full deduction for wagering losses.

Description of Amendment: Amends Section 165(d) the Internal Revenue Code to allow a deduction for losses from wagering transactions to the extent of the gains from such transactions.

Warren Amendment to Chairman's Mark of the Taxpayer Assistance and Service Act

Cosponsors: Senator Wyden

Short Title: Direct File Act

Description of Amendment: This amendment would direct the IRS to establish and operate a free online tax preparation and filing program that is accessible to at least 50% of taxpayers in participating states by tax year 2028. This amendment would also move up the deadline for certain third-party information returns to be filed with the IRS.

Smith Amendment #1 to the Taxpayer Assistance and Service Act

Short Title: Reporting on Document Management to Avoid Duplicative Requests to Constituents

Description of Amendment: The amendment would require a report within one year of the date of enactment, and each of the five years thereafter, to the Finance Committee describing the IRS's work to track paper and electronic documents submitted by taxpayers, Congressional offices, and other authorized third-party representatives. The report should discuss how the IRS catalogues, tracks, and retains taxpayer documents and submissions and its efforts to avoid lost documents and requiring taxpayers to submit duplicative documents. The report would also address the IRS's current internal procedures for document sharing across the IRS and for saving and retaining communications with taxpayers as well as the status and future plans for handling electronic and paper submissions through online accounts, new document submission systems and tools, and the retention and filing of paper materials. Finally, the report should include a description of any modernization efforts aimed at restructuring duplicative document requests and any barriers the IRS has identified in implementing improvements.

Smith Amendment #2 to the Taxpayer Assistance and Service Act

Short Title: IRS Guidance to Creditors and Employee Training on Coerced Indebtedness

Description of Amendment:

Background / Current Law: "Coerced debt" occurs when an abuser uses fraud, duress, or manipulation to force or incur debt in a survivor's name in such instances, but not limited to, domestic violence, human trafficking, and identity theft. Recent state law changes to protect survivors in Minnesota, Texas, and other states from coerced debt have resulted in questions about the federal tax implications of coerced debt. When a survivor successfully gets this fraudulently incurred debt forgiven or canceled by a creditor, the creditor often issues a Form 1099-C (Cancellation of Debt), though there are questions about whether this is actually required in all instances. Under current tax law (IRC § 61), forgiven debt is generally treated as taxable gross income. Consequently, survivors may face sudden, unexpected federal tax assessments upon escaping an abusive situation – or confusion about whether and how to demonstrate they are not liable.

Proposal: Not later than 24 months after the date of enactment, the Secretary of the Treasury (or the Secretary's delegate) and the Commissioner shall:

1. Issue guidance for creditors regarding the proper filing, processing, and handling of Form 1099-C (Cancellation of Debt) in cases involving coerced indebtedness.
2. Issue guidance for survivors on how to establish that they are not subject to tax on the forgiveness of coerced debt.
3. Provide training for employees on how to process Form 1099-C filings and evaluate court documents and other evidence presented by survivors who believe they should not be subject to tax on forgiven coerced debt.

Rule of Construction: To ensure the provision remains strictly administrative, the amendment includes a rule of construction clarifying that nothing in this section shall be construed to alter, amend, or affect taxpayer liability, gross income determinations under Section 61, or debt discharge exclusions under Section 108 of the Internal Revenue Code.

Smith Amendment #3 to the Taxpayer Assistance and Service Act

Short Title: Report on the IRS's Administrative Handling of Cancellation of Indebtedness Forms and Related Data Regarding Coerced Debt

Description of Amendment:

Background / Current Law: "Coerced debt" occurs when an abuser uses fraud, duress, or manipulation to force or incur debt in a survivor's name in such instances, but not limited to, domestic violence, human trafficking, and identity theft. Recent state law changes to protect survivors in Minnesota, Texas, and other states from coerced debt have resulted in questions about the federal tax implications of coerced debt. When a survivor successfully gets this fraudulently incurred debt forgiven or canceled by a creditor, the creditor often issues a Form 1099-C (Cancellation of Debt), though there are questions about whether this is actually required in all instances. Under current tax law (IRC § 61), forgiven debt is generally treated as taxable gross income. Consequently, survivors may face sudden, unexpected federal tax assessments upon escaping an abusive situation – or confusion about whether and how to demonstrate they are not liable.

Proposal: The amendment would require the Secretary of the Treasury (or the Secretary's delegate), after consulting with the National Taxpayer Advocate, to submit a public report to the Senate Committee on Finance within one year of enactment. The report would:

1. Explain the IRS's current administrative procedures regarding the processing of Form 1099-C (Cancellation of Debt), audit protocols, and taxpayer dispute mechanisms (such as innocent spouse relief or offers in compromise) for individuals claiming they cannot or should not owe tax in relation to the forgiveness of coerced debt.
2. Describe the feasibility and administrative steps required for the IRS to collect statistics and categorize Form 1099-C (Cancellation of Debt) data related to coerced debts, without creating new reporting mandates or compliance burdens for taxpayers.

Rule of Construction: To ensure the provision remains strictly administrative, the amendment includes a rule of construction clarifying that nothing in this section shall be construed to alter, amend, or affect taxpayer liability, gross income determinations under Section 61, or debt discharge exclusions under Section 108 of the Internal Revenue Code.