

**SUMMARY OF THE CONFERENCE AGREEMENT
ON H.R. 2676, THE INTERNAL REVENUE SERVICE
RESTRUCTURING AND REFORM ACT OF 1998**

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of the

JOINT COMMITTEE ON TAXATION

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CONTENTS

	<u>Page</u>
INTRODUCTION	1
SUMMARY OF PROVISIONS OF THE CONFERENCE AGREEMENT ON H.R. 2676	2
TITLE I. REORGANIZATION OF STRUCTURE AND MANAGEMENT OF THE IRS	2
A. IRS Restructuring and Creation of IRS Oversight Board	2
1. IRS restructuring and mission	2
2. Establishment and duties of IRS Oversight Board	2
B. Appointment and Duties of IRS Commissioner and Chief Counsel and Other Personnel	4
1. IRS Commissioner and other personnel	4
2. IRS Chief Counsel	4
C. Structure and Funding of the Employee Plans and Exempt Organizations Division (“EP/EO”)	4
D. Taxpayer Advocate and Taxpayer Assistance Orders	4
E. Treasury Office of Inspector General; IRS Office of the Chief Inspector	5
F. Prohibition on Executive Branch Influence Over Taxpayer Audits	5
G. IRS Personnel Flexibilities	5
TITLE II. ELECTRONIC FILING	7
A. Electronic Filing of Tax and Information Returns	7
B. Due Date for Certain Information Returns	7
C. Paperless Electronic Filing	7
D. Return-Free Tax System	7

	<u>Page</u>
E. Access to Account Information	7
TITLE III. TAXPAYER PROTECTION AND RIGHTS	8
A. Burden of Proof	8
B. Proceedings by Taxpayers	8
1. Expansion of authority to award costs and certain fees	8
2. Civil damages for collection actions	8
3. Increase in size of cases permitted on small case calendar	8
4. Actions for refund with respect to certain estates which have elected the installment method of payment	9
5. Review of an adverse IRS determination of a bond issue's tax-exempt status	9
6. Civil action for release of erroneous lien	9
C. Relief for Innocent Spouses and for Taxpayers Unable to Manage Their Financial Affairs Due to Disabilities	9
1. Relief for innocent spouses	9
2. Suspension of statute of limitations on filing refund claims during periods of disability	10
D. Provisions Relating to Interest and Penalties	10
1. Elimination of interest differential on overlapping periods of interest on income tax overpayments and underpayments	10
2. Increase in overpayment rate payable to taxpayers other than corporations	11
3. Mitigation of penalty for individual's failure to pay during period of installment agreement	11
4. Mitigation of failure to deposit penalty	11
5. Suspension of interest and certain penalties if Secretary fails to contact individual taxpayer	11
6. Procedural requirements for imposition of penalties and additions to tax	12
7. Personal delivery of notice of penalty under section 6672	12
8. Notice of interest charges	12
9. Abatement of interest on underpayments by taxpayers in Presidentially declared disaster areas	12

	<u>Page</u>
E. Protections for Taxpayers Subject to Audit or Collection Activities	12
1. Due process in IRS collection actions	12
2. Examination activities	13
a. Uniform application of confidentiality privilege to taxpayer communications with federally authorized practitioners	13
b. Limitation on financial status audit techniques	14
c. Software trade secrets protection	14
d. Threat of audit prohibited to coerce tip reporting alternative commitment agreements	14
e. Taxpayers allowed motion to quash all third-party summonses	15
f. Service of summonses to third-party recordkeepers permitted by mail	15
g. Notice of IRS contact of third parties	15
3. Collection activities	15
a. Approval process for liens, levies, and seizures	15
b. Modifications to certain levy exemption amounts	15
c. Release of levy upon agreement that amount is uncollectible	15
d. Levy prohibited during pendency of refund proceedings	16
e. Approval required for jeopardy and termination assessments and jeopardy levies	16
f. Increase in amount of certain property on which lien not valid	16
g. Waiver of early withdrawal tax for IRS levies on employer- sponsored retirement plans or IRAs	16
h. Prohibition of sales of seized property at less than minimum bid	16
i. Accounting of sales of seized property	16
j. Uniform asset disposal mechanism	17
k. Codification of IRS administrative procedures for seizure of taxpayer's property	17
l. Procedures for seizure of residences and businesses	17
4. Provisions relating to examination and collection activities	17
a. Procedures relating to extensions of statute of limitations by agreement	17
b. Offers-in-compromise	18
c. Notice of deficiency to specify deadlines for filing Tax Court petition	18
d. Refund or credit of overpayments before final determination	18
e. IRS procedures relating to appeal of examinations and collections	19
f. Application of certain fair debt collection practices	19

	<u>Page</u>
g. Guaranteed availability of installment agreements	19
h. Prohibition on requests to taxpayers to waive rights to bring actions	19
F. Disclosures to Taxpayers	19
1. Explanation of joint and several liability	19
2. Explanation of taxpayers' rights in interviews with the IRS	20
3. Disclosure of criteria for examination selection	20
4. Explanation of the appeals and collection process	20
5. Explanation of reason for refund disallowance	20
6. Statements to taxpayers with installment agreements	20
7. Notification of change in tax matters partner	21
8. Conditions under which taxpayers' returns may be disclosed	21
9. Disclosure of Chief Counsel advice	21
G. Low-Income Taxpayer Clinics	21
H. Other Provisions	21
1. Cataloging complaints	21
2. Archive of records of Internal Revenue Service	22
3. Payment of taxes	22
4. Clarification of authority of Secretary relating to the making of elections	22
5. IRS employee contacts	22
6. Use of pseudonyms by IRS employees	22
7. Illegal tax protestor designations	23
8. Provision of confidential information to Congress by whistleblowers	23
9. Listing of local IRS telephone numbers and addresses	23
10. Identification of return preparers	23
11. Offset of past-due, legally enforceable State income tax obligations against overpayments	23
12. Reporting requirements relating to education tax credits	24
I. Studies	24
1. Administration of penalties and interest	24
2. Confidentiality of tax return information	24
3. Noncompliance with internal revenue laws by taxpayers	25
4. Payments for informants	25

	<u>Page</u>
TITLE IV. CONGRESSIONAL ACCOUNTABILITY FOR THE IRS	26
A. Review of Requests for GAO Investigations of the IRS	26
B. Joint Congressional Review and Coordinated Oversight Reports	26
C. Budget Matters	26
D. Tax Law Complexity Analysis	27
TITLE V. ADDITIONAL PROVISIONS	28
A. Elimination of 18-Month Holding Period for Capital Gains	28
B. Deductibility of Meals Provided for the Convenience of the Employer	28
C. Normal Trade Relations	28
TITLE VI. TAX TECHNICAL CORRECTIONS	29
TITLE VII. REVENUE OFFSETS	30
A. Employer Deductions for Vacation and Severance Pay	30
B. Freeze Grandfathered Status of Stapled REITs	30
C. Make Certain Trade Receivables Ineligible for Mark-to-Market Treatment ...	30
D. Exclusion of Minimum Required Distributions from AGI for Roth IRA Conversions	30
TITLE VIII. LIMITED TAX BENEFITS UNDER THE LINE ITEM VETO ACT	31
TITLE IX. CORRECTIONS TO THE TRANSPORTATION EQUITY ACT FOR THE 21 ST CENTURY	32

INTRODUCTION

This document,¹ prepared by the staff of the Joint Committee on Taxation, provides a summary of the provisions of the conference agreement on H.R. 2676, the "Internal Revenue Service Restructuring and Reform Act of 1998." This summary is prepared for the convenience of the Members and the public. The official legislative history of the conference agreement is the conference report on H.R. 2676.

H.R. 2676 was passed by the House, as amended, on November 5, 1997,² and was passed by the Senate, as amended, on May 7, 1998.³

¹ This document may be cited as follows: Joint Committee on Taxation, *Summary of the Conference Agreement on H.R. 2676, the Internal Revenue Service Restructuring and Reform Act of 1998* (JCX-50-98R), June 24, 1998.

² For a description of H.R. 2676 as reported by the House Committee on Ways and Means, see H. Rept. 105-364, Part I. H.R. 2676 was amended by the House by adding (as new Title VI) the provisions of H.R. 2645 ("Tax Technical Corrections Act") as reported by the Committee on Ways and Means. (See H. Rept. 105-356, October 29, 1997.)

³ H.R. 2676, as amended, was reported by the Senate Committee on Finance on April 22, 1998 (S. Rept. 105-174).

SUMMARY OF PROVISIONS OF THE CONFERENCE AGREEMENT ON H.R. 2676

TITLE I. REORGANIZATION OF STRUCTURE AND MANAGEMENT OF THE IRS

A. IRS Restructuring and Creation of IRS Oversight Board

1. IRS mission and restructuring

The bill directs the Internal Revenue Service ("IRS") to revise its mission statement to provide greater emphasis on serving the public and meeting the needs of taxpayers. The bill directs the Commissioner of Internal Revenue ("Commissioner") to restructure the IRS by eliminating or substantially modifying the present-law three-tier geographic structure and replacing it with an organizational structure that features operating units serving particular groups of taxpayers with similar needs.

2. Establishment and duties of IRS Oversight Board

The bill provides for the establishment within the Treasury Department of the Internal Revenue Service Oversight Board (the "Board"). The general responsibilities of the Board are to oversee the IRS in its administration, management, conduct, direction, and supervision of the execution and application of the internal revenue laws. The Board also has the authority to recommend candidates for Commissioner to the President, and to recommend removal of the Commissioner. The Board has no authority to intervene in (1) specific taxpayer cases, including compliance activities involving specific taxpayers such as criminal investigations, examinations, and collection activities, (2) specific individual personnel matters, or (3) specific procurement matters. The Board has authority to oversee general law enforcement matters, and it has the responsibility to ensure that the organization and operation of the IRS allows the IRS to carry out its mission.

The Oversight Board is composed of 9 members. Six of the members are so-called "private-life" members who are not otherwise Federal officers or employees. The other members are: (1) the Secretary of the Treasury (or, if the Secretary so designates, the Deputy Secretary); (2) the Commissioner; and (3) an individual who is a full-time Federal employee or a representative of employees ("employee representative"). The private-life members of the Board and the employee representative are appointed by the President, with the advice and consent of the Senate. Under the bill, the private-life members of the Board will be appointed without regard to political affiliation, based solely on their expertise in the following areas: management of large service organizations; customer service; the Federal tax laws, including tax administration and compliance; information technology; organization development; the needs and concerns of taxpayers; and the needs and concerns of small business.

Under the bill, Board members would have limited access to confidential tax return and return information under section 6103. This limited access would permit the Board to receive section 6103 information from the newly established Treasury Inspector General for Tax Administration or the Commissioner in connection with reports to the Board. This access to section 6103 information does not include the taxpayer's name, address, or taxpayer or employer identification number. Board members are subject to the anti-browsing rules applicable to IRS employees under present law.⁴ In addition, the private-life members and the employee representative will be subject to a number of ethics rules pertaining to representational activities and compensation matters, post-employment restrictions, and financial disclosure requirements. The President is granted the authority to waive the ethics rules for the employee representative under certain circumstances.

The six private-life Board members will be appointed for five-year terms. The private-life members (including the employee representative) may serve no more than two five-year terms. Board member terms will be staggered, as a result of a special rule providing that some private-life members first appointed to the Board would serve initial terms of less than five years. Under this rule, the staggered term of the initial Board shall be as follows: two members first appointed will have a term of three years; two members shall have a term of four years; and two members shall have a term of five years. The terms of the initial Board members will run from the date of appointment. Subsequent terms will run from expiration of the previous term. A Board member appointed to fill a vacancy before the expiration of a term will be appointed to the remainder of the term. Such a member could be appointed to a subsequent five-year term.

The members of the Board are to elect a Chair from the private-life members for a two-year term. Except as otherwise provided by a majority of the Board, the authority of the Chair includes the authority to hire appropriate staff, call meetings, establish committees, establish the agenda for meetings, and develop rules for the conduct of business.

The Board is required to meet on a regular basis (as determined necessary by the Chair), but no less frequently than quarterly. The Board can meet privately, and is not subject to public disclosure laws. A quorum of five members is required in order for the Board to conduct business. Actions of the Board can be taken by a majority vote of those members present and voting.

The provisions relating to the Board are effective on the date of enactment. The President is directed to submit nominations for Board members to the Senate within six months of the date of enactment. The bill provides that the provisions relating to the Board are not to be construed

⁴ The provision does not affect the Secretary's (or Deputy Secretary's) or the Commissioner's access to section 6103 information or the application of the anti-browsing rules to the Secretary (or Deputy Secretary) or the Commissioner.

to invalidate the actions and authority of the IRS prior to the appointment of members of the Board.

B. Appointment and Duties of IRS Commissioner and Chief Counsel and Other Personnel

1. IRS Commissioner and other personnel

As under present law, the bill provides that the Commissioner is appointed by the President, with the advice and consent of the Senate, and may be removed at will by the President. Under the bill, one of the qualifications of the Commissioner is demonstrated ability in management. The Commissioner is appointed to a five-year term, beginning with the date of appointment. The Commissioner may be reappointed for more than one five-year term. The Board recommends candidates to the President for the position of Commissioner; however, the President is not required to nominate for Commissioner a candidate recommended by the Board. The Board has the authority to recommend the removal of the Commissioner.

2. IRS Chief Counsel

Under the bill, the IRS Chief Counsel would no longer be an Assistant General Counsel of the Treasury and would generally report to the IRS Commissioner, with two exceptions. First, the Chief Counsel would report to both the Commissioner and the Treasury General Counsel with respect to (1) legal advice or interpretation of the tax law not relating solely to tax policy and (2) tax litigation. Second, the Chief Counsel would report only to the Treasury General Counsel with respect to legal advice or interpretation of the tax law relating solely to tax policy.

C. Structure and Funding of the Employee Plans and Exempt Organizations Division ("EP/EO")

To facilitate the reorganization of the IRS into operational units, the bill eliminates the present-law statutory requirement contained in section 7802(b) of the Code that there be an "Office of Employee Plans and Exempt Organizations" under the supervision and direction of an Assistant Commissioner. In addition, the bill repeals the funding mechanism for EP/EO set forth in section 7802(b). These provisions are effective on the date of enactment of the bill.

D. Taxpayer Advocate and Taxpayer Assistance Orders

The bill renames the IRS Taxpayer Advocate as the "National Taxpayer Advocate." The National Taxpayer Advocate is appointed by the Secretary of the Treasury after consultation with the Commissioner and the IRS Oversight Board. The individual appointed to be the National Taxpayer Advocate cannot have been an officer or employee of the IRS (other than in the Office of the Taxpayer Advocate) during the two-year period ending with such individual's appointment, and must agree not to accept employment with the IRS (other than in the Office of

the Taxpayer Advocate) for at least five years after ceasing to be the National Taxpayer Advocate.

The present-law problem resolution system is replaced with a system of local Taxpayer Advocates who report directly to the National Taxpayer Advocate and who are independent from the IRS examination, collection, and appeals functions.

The bill expands the circumstances under which a Taxpayer Assistance Order may be issued if a taxpayer is suffering from or about to suffer from a significant hardship.

These provisions generally are effective on the date of enactment.

E. Treasury Office of Inspector General; IRS Office of the Chief Inspector

Under the bill, a new, independent Treasury Inspector General for Tax Administration ("Treasury IG for Tax Administration") is established within the Department of Treasury. The IRS Office of the Chief Inspector is eliminated, and all of its powers and responsibilities are transferred to the Treasury IG for Tax Administration, except for employee background checks and protection of employees against physical threats. The Treasury IG for Tax Administration has the powers and responsibilities generally granted to Inspectors General under the IG Act of 1978, without the limitations that currently apply to the Treasury IG under section D of that Act. The role of the existing Treasury IG is redefined to exclude responsibility for the IRS. The Treasury IG for Tax Administration is under the supervision of the Secretary of Treasury, with certain additional reporting to the IRS Oversight Board and the Congress.

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

F. Prohibition on Executive Branch Influence Over Taxpayer Audits

The bill makes it unlawful for the President, the Vice President, employees of the executive offices of the President or Vice President, as well as any individual (other than the Attorney General) serving in a Cabinet-level position to request that any officer or employee of the IRS conduct or terminate an audit or otherwise investigate or terminate the investigation of any particular taxpayer with respect to the tax liability of that taxpayer. This prohibition applies to both direct and indirect requests. Anyone convicted of violating this provision will be punished by imprisonment of not more than 5 years or a fine not exceeding \$5,000 (or both). This provision is effective for violations after the date of enactment.

G. IRS Personnel Flexibilities

The bill requires the IRS to exercise the personnel flexibilities consistently with existing rules relating to merit system principles, prohibited personnel practices, and preference eligibles. In those cases where the exercise of personnel flexibilities would affect members of the

employees' union, such employees would not be subject to the exercise of any flexibility unless there is a written agreement between the IRS and the employees' union.

The bill addresses issues relating to senior management and technical positions, the establishment of a performance management system, the granting of awards to IRS employees, staffing flexibilities, and mandatory terminations of employees for certain proven violations.

TITLE II. ELECTRONIC FILING

A. Electronic Filing of Tax and Information Returns

Under the bill, the policy of the Congress is to promote paperless filing, with a long-range goal of providing for the filing of at least 80 percent of all tax returns in electronic form by the year 2007.

B. Due Date for Certain Information Returns

The bill provides an incentive to filers of information returns to use electronic filing by extending the due date for filing such returns with the IRS from February 28 (under present law) to March 31 of the year following the calendar year to which the return relates. The bill also requires the Treasury to issue a study evaluating the merits and disadvantages, if any, of extending the deadline for providing taxpayers with copies of information returns (other than Forms W-2) from January 31 to February 15, which is due by June 30, 1999.

C. Paperless Electronic Filing

To facilitate the filing of electronic returns, the Secretary is required to develop procedures that would eliminate the need to file a paper form relating to signature information. In addition, the Secretary is to establish procedures, to the extent practicable, to receive all forms electronically for taxable periods beginning after December 31, 1999. The bill also provides rules for determining when electronic returns are deemed filed and for authorization for return preparers to communicate with the IRS on matters included on electronically filed returns.

D. Return-Free Tax System

The bill requires the Secretary or his delegate to study the feasibility of, and develop procedures for, the implementation of a return-free tax system for appropriate individuals for taxable years beginning after 2007.

E. Access to Account Information

Under the bill, the Secretary is required to develop procedures not later than December 31, 2006, under which a taxpayer filing returns electronically could review the taxpayer's own account electronically, but only if all necessary privacy safeguards are in place by that date.

TITLE III. TAXPAYER PROTECTION AND RIGHTS

A. Burden of Proof

The bill provides that the Secretary shall have the burden of proof in any court proceeding with respect to a factual issue if the taxpayer introduces credible evidence with respect to the factual issue relevant to ascertaining the taxpayer's tax liability. Four conditions apply. First, the taxpayer must comply with the requirements of the Internal Revenue Code and the regulations issued thereunder to substantiate any item (as under present law). Second, the taxpayer must maintain records required by the Code and regulations (as under present law). Third, the taxpayer must cooperate with reasonable requests by the Secretary for meetings, interviews, witnesses, information, and documents. Fourth, taxpayers other than individuals must meet the net worth limitations that apply for awarding attorney's fees. The provision applies to income, estate, gift, and generation-skipping transfer taxes.

The provision applies to court proceedings arising in connection with examinations commencing (or taxable periods or events beginning or occurring) after the date of enactment.

B. Proceedings by Taxpayers

1. Expansion of authority to award costs and certain fees

The bill increases the hourly fee cap on attorneys fees and expands the circumstances under which attorneys fees and administrative costs may be awarded to taxpayers, effective for costs incurred and services performed more than 180 days after the date of enactment.

2. Civil damages for collection actions

The bill permits up to \$100,000 in civil damages caused by an officer or employee of the IRS who negligently disregards provisions of the Code or Treasury regulations in connection with the collection of Federal tax with respect to the taxpayer. The bill also permits up to \$1 million in civil damages caused by an officer or employee of the IRS who willfully violates provisions of the Bankruptcy Code relating to automatic stays or discharges. These provisions are effective for actions of officers or employees of the IRS occurring after the date of enactment.

3. Increase in size of cases permitted on small case calendar

The bill increases the cap for small case treatment in the Tax Court from \$10,000 to \$50,000, effective for proceedings commenced after the date of enactment.

4. Actions for refund with respect to certain estates which have elected the installment method of payment

The bill grants the U.S. Court of Federal Claims and the U.S. district courts jurisdiction to determine the correct amount of estate tax liability (or refund) in actions brought by taxpayers deferring estate tax payments under section 6166, as long as certain conditions are met. The bill further provides that once a final judgment has been entered by a district court or the U.S. Court of Federal Claims, the IRS is not permitted to collect any amount disallowed by the court, and any amounts paid by the taxpayer in excess of the amount the court finds to be currently due and payable are refunded to the taxpayer, with interest. The provision is effective for claims for refunds filed after the date of enactment.

5. Review of an adverse IRS determination of a bond issue's tax-exempt status

The bill directs the Internal Revenue Service to modify its administrative procedures to allow tax-exempt bond issuers examined by the IRS to appeal adverse examination determinations to the Appeals Division of the IRS as a matter of right. Such an appeal is to be considered by senior personnel with experience in tax-exempt bonds issues. The direction to the IRS is effective on the date of enactment.

6. Civil action for release of erroneous lien

The bill establishes an administrative procedure permitting a record owner of property against which a Federal tax lien has been filed to obtain a certificate of discharge of property from the lien as a matter of right if such record owner is not the person whose unsatisfied liability gave rise to the lien. The record owner is required to apply to the Secretary of the Treasury for such a certificate and either to deposit cash or to furnish a bond sufficient to protect the lien interest of the United States. The provision is effective on the date of enactment.

C. Relief for Innocent Spouses and for Taxpayers Unable to Manage Their Financial Affairs Due to Disabilities

1. Relief for innocent spouses

The bill generally makes innocent spouse relief easier to obtain. The bill eliminates all of the understatement thresholds and requires only that the understatement of tax be attributable to an erroneous (and not just a grossly erroneous) item of the other spouse.

The bill also provides a separate liability election for a taxpayer who, at the time of the election, is no longer married to, is legally separated from, or has been living apart for at least 12 months from the person with whom the taxpayer originally filed a joint return. Such taxpayers may elect to have the liability for any deficiency limited to the portion of the deficiency that is attributable to items allocable to the taxpayer. The election is not available if the Secretary

demonstrates that assets were transferred between individuals filing a joint return as part of a fraudulent scheme of the individuals or if both individuals had actual knowledge of the understatement of tax.

Expanded innocent spouse relief and the separate liability election must be elected no later than two years after the date on which the Secretary has begun collection activities with respect to the individual seeking the relief. The bill provides that the Tax Court has jurisdiction with respect to disputes about innocent spouse relief.

The bill further authorizes the Secretary to relieve an individual of liability if relief is not available under the expanded innocent spouse rule or the separate liability election, but it would be inequitable to hold the individual liable for any unpaid tax or any deficiency.

The expanded innocent spouse relief, separate liability election, and authority to provide equitable relief apply to liabilities for tax arising after the date of enactment, as well as any liability for tax arising on or before the date of enactment that remains unpaid on the date of enactment.

2. Suspension of statute of limitations on filing refund claims during periods of disability

The bill permits equitable tolling of the statute of limitations for refund claims of an individual taxpayer during any period of the individual's life in which he or she is unable to manage his or her financial affairs by reason of a medically determinable physical or mental impairment that can be expected to result in death or to last for a continuous period of not less than 12 months. Tolling does not apply during periods in which the taxpayer's spouse or another person is authorized to act on the taxpayer's behalf in financial matters. The provision applies to periods of disability before, on, or after the date of enactment but does not apply to any claim for refund or credit which (without regard to the provision) is barred by the statute of limitations as of the date of enactment.

D. Provisions Relating to Interest and Penalties

1. Elimination of interest differential on overlapping periods of interest on income tax overpayments and underpayments

The bill establishes a net interest rate of zero when interest is payable and allowable on equivalent amounts of overpayment and underpayment of any taxes imposed by Title 26 (the Internal Revenue Code) that exist for any period. Each overpayment and underpayment is considered only once in determining whether equivalent amounts of overpayment and underpayment exist. The special rules that increase the interest rate paid on large corporate underpayments and decrease the interest rate received on corporate underpayments in excess of \$10,000 do not prevent the application of the net zero rate. The provision applies to income taxes and self-employment taxes. The provision applies to interest for periods beginning before

the date of enactment if: (1) the statute of limitations has not expired with respect to either the underpayment or overpayment; (2) the taxpayer identifies the periods of underpayment and overpayment for which the zero rate applies; and (3) on or before December 31, 1999, the taxpayer asks the Secretary to apply the zero rate.

2. Increase in overpayment rate payable to taxpayers other than corporations

The bill provides that the overpayment interest rate will be AFR plus three percentage points, except that for corporations, the rate remains at AFR plus two percentage points. The provision is effective for interest for the second and succeeding calendar quarters beginning after the date of enactment.

3. Mitigation of penalty for individual's failure to pay during period of installment agreement

The bill provides that the penalty for failure to pay taxes is one half of the usual rate (.25 percent instead of .50 percent) imposed with respect to the tax liability of an individual for any month in which an installment payment agreement with the IRS is in effect, provided that the individual filed the tax return in a timely manner (including extensions). The provision is effective for installment agreement payments made after December 31, 1999.

4. Mitigation of failure to deposit penalty for payroll taxes

The bill allows the taxpayer to designate the period to which each deposit is applied. The designation must be made no later than 90 days of the related IRS penalty notice. The provision extends the authorization to waive the failure to deposit penalty to the first deposit a taxpayer is required to make after the taxpayer is required to change the frequency of the taxpayer's deposits. The provision is effective for deposits required to be made more than 180 days after the date of enactment. The bill also provides that, for deposits required to be made after December 31, 2001, any deposit is to be applied to the most recent period to which the deposit relates, unless the taxpayer explicitly designates otherwise.

5. Suspension of interest and certain penalties if Secretary fails to contact individual taxpayer

The bill suspends the accrual of certain penalties and interest after one year if the IRS has not sent the taxpayer a notice specifically stating the taxpayer's liability for additional taxes (and the basis for the liability) within one year following the date which is the later of (1) the original due date of the return or (2) the date on which the individual taxpayer timely filed the return. The suspension only applies to individuals who file a timely tax return and does not apply to the failure to pay penalty, in the case of fraud, or with respect to criminal penalties. The provision is effective for taxable years ending after the date of enactment. With respect to taxable years beginning before January 1, 2004, the one-year period is increased to 18 months. Interest and

penalties resume 21 days after the IRS sends a notice to the taxpayer specifically stating the taxpayer's liability and the basis for the liability. The provision is applied separately with respect to each item or adjustment.

6. Procedural requirements for imposition of penalties and additions to tax

The bill requires that each notice imposing a penalty include the name of the penalty, the Code section imposing the penalty, and a computation of the penalty. The bill also requires the specific approval of IRS management to assess all non-computer generated penalties unless excepted. This provision does not apply to failure to file penalties, failure to pay penalties, or to penalties for failure to pay estimated tax. The provision is effective with respect to notices issued, and penalties assessed, after December 31, 2000.

7. Personal delivery of notice of penalty under section 6672

The bill permits in-person delivery, as an alternative to delivery by mail, of a preliminary notice that the IRS intends to assess a 100-percent penalty, effective on the date of enactment.

8. Notice of interest charges

The bill requires every IRS notice that includes an amount of interest required to be paid by the taxpayer that is sent to an individual taxpayer to include a detailed computation of the interest charged and a citation to the Code section under which such interest is imposed, effective for notices issued after December 31, 2000.

9. Abatement of interest on underpayments by taxpayers in Presidentially declared disaster areas

The bill provides that taxpayers located in a Presidentially declared disaster area do not have to pay interest on taxes due for the length of any extension for filing their tax returns granted by the Secretary of the Treasury, effective for disasters declared after December 31, 1997, with respect to taxable years beginning after December 31, 1997. The provision is designated as emergency legislation under section 252(e) of the Balanced Budget and Emergency Deficit Control Act.

E. Protections for Taxpayers Subject to Audit or Collection Activities

1. Due process in IRS collection actions

The bill establishes formal procedures designed to insure due process where the IRS seeks to collect taxes by levy (including by seizure). The due process procedures also apply after notice of a Federal tax lien has been filed.

The IRS would be required to notify the taxpayer that a Notice of Lien had been filed. During the 30-day period beginning with the mailing or delivery of such notification, the taxpayer may demand a hearing before an appeals officer who has had no prior involvement with the taxpayer's case.

Before the IRS can levy against a taxpayer's property, it would be required to provide the taxpayer with a "Notice of Intent to Levy," similar to that currently required under section 6331(d). The notice would not be required to itemize the property the Secretary seeks to levy on. Service by registered or certified mail, return receipt requested, would be required.

Subject to the exceptions noted below, no levy could occur within the 30-day period beginning with the mailing of the "Notice of Intent to Levy." During that 30-day period, the taxpayer may demand a pre-levy hearing before an appeals officer who generally has had no prior involvement with the taxpayer's case.

If a return receipt is not returned, the Secretary may proceed to levy against the taxpayer 30 days after the Notice of Intent to Levy was mailed. The Secretary must provide a hearing equivalent to the pre-levy hearing if later requested by the taxpayer. However, the Secretary is not required to suspend the levy process pending the completion of a hearing that is not requested within 30 days of the mailing of the Notice.

An exception to the general rule prohibiting levies during the 30-day period would apply in the case of State tax offset procedures, and in the case of jeopardy or termination assessments.

No seizure of a dwelling that is the principal residence of the taxpayer or the taxpayer's spouse, former spouse, or minor child would be allowed without prior judicial approval. Notice of the judicial hearing must be provided to the taxpayer and relevant family member. At the judicial hearing, the Secretary would be required to demonstrate (1) that the requirements of any applicable law or administrative procedure relevant to the levy have been met, (2) that the liability is owed, and (3) that no reasonable alternative for the collection of the taxpayer's debt exists.

The provision is effective for collection actions initiated more than 180 days after the date of enactment.

2. Examination activities

a. Uniform application of confidentiality privilege to taxpayer communications with federally authorized practitioners

The bill extends the present law attorney-client privilege of confidentiality to communications between taxpayers and individuals who are authorized under Federal law to practice before the IRS. The privilege of confidentiality created by this provision does not apply

to a written communication between a federally authorized tax practitioner and any director, shareholder, officer, employee, agent, or representative of a corporation in connection with the promotion of any tax shelter (as defined in section 6662(d)(2)(C)(iii)) with respect to which such corporation is a direct or indirect participant.

The provision is effective with regard to communications made on or after the date of enactment.

b. Limitation on financial status audit techniques

The bill prohibits the IRS from using financial status or economic reality examination techniques to determine the existence of unreported income of any taxpayer unless the IRS has a reasonable indication that there is a likelihood of unreported income, effective on the date of enactment.

c. Software trade secrets protection

The bill prohibits the Secretary from issuing (or beginning an action to enforce) a summons in a civil action for any portion of any third-party tax-related computer source code unless certain requirements are satisfied. The bill also establishes a number of protections against the disclosure and improper use of software and source code obtained by the IRS in the course of an examination. The bill specifically provides that computer software or source code that is obtained by the IRS in the course of the examination of a taxpayer's return is included in the definition of return information under section 6103.

The provision does not change or eliminate any other requirement of the Code. A summons for third-party tax-related computer source code that meets the standards established by the provision will not be enforced if it would not be enforced under present law.

The provision is effective with respect to summons issued and software acquired after the date of enactment. In addition, 90 days after the date of enactment, the protections against the disclosure and improper use of trade secrets and confidential information added by the provision (except for the requirement that the Secretary provide a written agreement from non-U.S. government officers and employees) apply to software and source code acquired on or before the date of enactment.

d. Threat of audit prohibited to coerce tip reporting alternative commitment agreements

The bill requires the IRS to instruct its employees that they may not threaten to audit any taxpayer in an attempt to coerce the taxpayer to enter into a tip reporting alternative commitment ("TRAC") agreement, effective on the date of enactment.

e. Taxpayers allowed motion to quash all third-party summonses

The bill generally expands the current "third-party recordkeeper" procedures to apply to summonses issued to persons other than the taxpayer. Thus, the taxpayer whose liability is being investigated receives notice of the summons and is entitled to bring an action in the appropriate U.S. District Court to quash the summons. The provision is effective for summonses served after the date of enactment.

f. Service of summonses to third-party recordkeepers permitted by mail

The bill allows the IRS the option of serving any summons either in person or by certified or registered mail, effective for summonses served after the date of enactment.

g. Notice of IRS contact of third parties

The bill provides that the IRS may not contact any person other than the taxpayer with respect to the determination or collection of the tax liability of the taxpayer without providing reasonable notice to the taxpayer that contacts with persons other than the taxpayer may be made. The provision is effective with respect to contacts made after 180 days after the date of enactment.

3. Collection activities

a. Approval process for liens, levies, and seizures

The bill requires the IRS to implement an approval process under which any lien, levy or seizure would, when appropriate, be approved by a supervisor, who would review the taxpayer's information, verify that a balance is due, and affirm that a lien, levy or seizure is appropriate under the circumstances. Circumstances to be considered include the amount due and the value of the asset. The provision is effective for collection actions commenced after date of enactment, except in the case of any action under the automated collection system, the provision applies to actions initiated after December 31, 2000.

b. Modifications to certain levy exemption amounts

The bill increases the value of personal effects exempt from levy to \$6,250 and the value of books and tools exempt from levy to \$3,125. These amounts are indexed for inflation, effective for levies issued after the date of enactment.

c. Release of levy upon agreement that amount is uncollectible

The bill requires the IRS to immediately release a wage levy upon agreement with the taxpayer that the tax is not collectible, effective for levies imposed after December 31, 1999.

d. Levy prohibited during pendency of refund proceedings

The bill requires the IRS to withhold collection by levy of liabilities that are the subject of a refund suit during the pendency of the litigation, effective for refund suits brought with respect to tax years beginning after December 31, 1998. Proceedings related to a proceeding under this provision include, but are not limited to, civil actions or third-party complaints initiated by the United States or another person with respect to the same kinds of tax (or related taxes or penalties) for the same (or overlapping) tax periods.

e. Approval required for jeopardy and termination assessments and jeopardy levies

The bill requires IRS Chief Counsel review and approval before the IRS can make a jeopardy assessment, a termination assessment, or a jeopardy levy. If the Chief Counsel's approval is not obtained, the taxpayer is entitled to obtain abatement of the assessment or release of the levy, and, if the IRS fails to offer such relief, to appeal first to IRS Appeals under the new due process procedure for IRS collections and then to court. The provision is effective for taxes assessed and levies made after the date of enactment.

f. Increase in amount of certain property on which lien not valid

The bill increases the dollar limit for purchasers at a casual sale from \$250 to \$1,000, and further increases the dollar limit from \$1,000 to \$5,000 for mechanics lienors providing home improvement work for owner-occupied personal residences and indexes these dollar amounts for inflation. The provision is effective on the date of enactment.

g. Waiver of early withdrawal tax for IRS levies on employer-sponsored retirement plans or IRAs

The bill provides an exception from the 10-percent early withdrawal tax for amounts withdrawn from an employer-sponsored retirement plan or an IRA that are subject to a levy by the IRS. The exception applies only if the plan or IRA is levied; it does not apply, for example, if the taxpayer withdraws funds to pay taxes in the absence of a levy, in order to release a levy on other interests. The provision is effective for withdrawals after the date of enactment.

h. Prohibition of sales of seized property at less than minimum bid

The bill prohibits the IRS from selling seized property for less than the minimum bid price, effective for sales occurring after the date of enactment.

i. Accounting of sales of seized property

The bill requires the IRS to provide a written accounting of all sales of seized property, whether real or personal, to the taxpayer. The accounting must include a receipt for the amount

credited to the taxpayer's account. The provision is effective for seizures occurring after the date of enactment.

j. Uniform asset disposal mechanism

The bill requires the IRS to implement a uniform asset disposal mechanism for sales of seized property within two years from the date of enactment.

k. Codification of IRS administrative procedures for seizure of taxpayer's property

The bill codifies the IRS administrative procedures which require the IRS to investigate the status of certain property prior to levy, effective on the date of enactment.

l. Procedures for seizure of residences and businesses

The bill prohibits the IRS from seizing any real property used as a residence by the taxpayer or any nonrental real property of the taxpayer used by any other individual as a residence to satisfy an unpaid liability of \$5,000 or less, including penalties and interest. The bill requires the IRS to exhaust all other payment options before seizing the taxpayer's business assets or principal residence. For this purpose, future income that may be derived by a taxpayer from the commercial sale of fish or wildlife under a specified State permit must be considered in evaluating other payment options before seizing the taxpayer's business assets. A levy is permitted on a principal residence only if a judge or magistrate of a United States district court approves (in writing) of the levy. The provision is effective on the date of enactment.

4. Provisions relating to examination and collection activities

a. Procedures relating to extensions of statute of limitations by agreement

The bill eliminates the provision of present law that allows the statute of limitations on collections to be extended by agreement between the taxpayer and the IRS. Extensions of the statute of limitations on collection may be made as part of an installment agreement; the extension is only for the period for which the installment agreement by its terms extends beyond the end of the otherwise applicable 10-year period, plus 90 days.

The bill also requires that, on each occasion on which the taxpayer is requested by the IRS to extend the statute of limitations on assessment, the IRS must notify the taxpayer of the taxpayer's right to refuse to extend the statute of limitations or to limit the extension to particular issues.

The provision is effective for requests to extend the statute of limitations made after December 31, 1999. If, in any request to extend the period of limitations made on or before December 31, 1999, a taxpayer agreed to extend that period beyond the 10-year statute of

limitations on collection, that extension shall expire on the latest of: the last day of such 10-year period, December 31, 2002, or the 90th day after the end of the term of the installment agreement related to such request.

b. Offers-in-compromise

The bill expands the authority for the IRS to accept offers-in-compromise.

The bill requires the IRS to develop and publish schedules of national and local allowances that will provide taxpayers entering into an offer-in-compromise with adequate means to provide for basic living expenses. The IRS is required to consider the facts and circumstances of a particular taxpayer's case in determining whether the national and local schedules are adequate for that particular taxpayer. The bill prohibits the IRS from rejecting an offer-in-compromise from a low-income taxpayer solely on the basis of the amount of the offer.

The bill prohibits the IRS from collecting a tax liability by levy (1) during any period that a taxpayer's offer-in-compromise for that liability is being processed, (2) during the 30 days following rejection of an offer, (3) during any period in which an appeal of the rejection of an offer is being considered, and (4) while an installment agreement is pending.

The bill requires that the IRS implement procedures to review all proposed IRS rejections of taxpayer offers-in-compromise and requests for installment agreements prior to the rejection being communicated to the taxpayer.

The bill provides that the IRS will adopt a liberal acceptance policy for offers-in-compromise to provide an incentive for taxpayers to continue to file tax returns and continue to pay their taxes.

The provisions are generally effective for offers-in-compromise submitted after the date of enactment. The provision suspending levy is effective with respect to offers-in-compromise pending on or made after December 31, 1999.

c. Notice of deficiency to specify deadlines for filing Tax Court petition

The provision requires the IRS to include on each deficiency notice the date determined by the IRS as the last day on which the taxpayer may file a petition with the Tax Court. The provision provides that a petition filed with the Tax Court by this date is treated as timely filed. The provision is effective for notices mailed after December 31, 1998.

d. Refund or credit of overpayments before final determination

The provision provides that a proper court (including the Tax Court) may order a refund of any amount that was collected within the period during which the Secretary is prohibited from

collecting the deficiency by levy or other proceeding. The provision allows the refund of any overpayment determined by the Tax Court to the extent the overpayment is not contested on appeal. The provision is effective on the date of enactment.

e. IRS procedures relating to appeal of examinations and collections

The bill codifies existing IRS procedures with respect to early referrals to Appeals and the Collections Appeals Process. The bill also codifies the existing Alternative Dispute Resolution ("ADR") procedures, as modified by eliminating the dollar threshold. The provision is effective on the date of enactment.

f. Application of certain fair debt collection practices

The bill applies to the IRS certain restrictions relating to communication with taxpayer/debtors and the prohibitions on harassing or abusing a debtor. The restrictions relating to communication with the taxpayer/debtor are not intended to hinder the ability of the IRS to respond to taxpayer inquiries (such as answering telephone calls from taxpayers). The provision is effective on the date of enactment.

g. Guaranteed availability of installment agreements

The bill requires the Secretary to enter an installment agreement, at the taxpayer's option, if: (1) the liability is \$10,000, or less (excluding penalties and interest); (2) within the previous 5 years, the taxpayer has not failed to file or to pay, nor entered an installment agreement under this provision; (3) if requested by the Secretary, the taxpayer submits financial statements, and the Secretary determines that the taxpayer is unable to pay the tax due in full; (4) the installment agreement provides for full payment of the liability within 3 years; and (5) the taxpayer agrees to continue to comply with the tax laws and the terms of the agreement for the period (up to 3 years) that the agreement is in place. The provision is effective on the date of enactment.

h. Prohibition on requests to taxpayers to waive rights to bring actions

The bill provides that the Government may not request a taxpayer to waive the taxpayer's right to sue the United States or one of its employees for any action taken in connection with the tax laws, unless (1) the taxpayer knowingly and voluntarily waives that right, or (2) the request is made to the taxpayer's attorney or other representative, effective on the date of enactment.

F. Disclosures to Taxpayers

1. Explanation of joint and several liability

The bill requires that the IRS establish procedures to clearly alert married taxpayers of their joint and several liability, the availability of electing separate liability, and an individual's

right to relief under section 6015 of the Code on all appropriate tax publications and instructions. The IRS will make an appropriate cross reference to these statements near the signature line on appropriate tax forms. The bill requires that the procedures be established as soon as practicable, but no later than 180 days after the date of enactment.

2. Explanation of taxpayers' rights in interviews with the IRS

The bill requires that the IRS rewrite Publication 1 ("Your Rights as a Taxpayer") to inform taxpayers more clearly of their rights (1) to be represented by a representative and (2) if the taxpayer is so represented, that interviews with the IRS may not proceed without the presence of the representative unless the taxpayer consents. The revisions are required no later than 180 days after the date of enactment.

3. Disclosure of criteria for examination selection

The provision requires that IRS add to Publication 1 ("Your Rights as a Taxpayer") a statement which sets forth in simple and nontechnical terms the criteria and procedures for selecting taxpayers for examination. The statement is required to be included not later than 180 days after the date of enactment.

4. Explanation of the appeals and collection process

The bill requires that, no later than 180 days after the date of enactment, a description of the entire process from examination through collections, including the assistance available to taxpayers from the Taxpayer Advocate at various points in the process, be provided with the first letter of proposed deficiency that allows the taxpayer an opportunity for administrative review in the IRS Office of Appeals.

5. Explanation of reason for refund disallowance

The bill requires the IRS to notify the taxpayer of the specific reasons for the disallowance (or partial disallowance) of a refund claim, effective for 180 days after the date of enactment.

6. Statements to taxpayers with installment agreements

The bill requires the IRS to send every taxpayer in an installment agreement an annual statement of the initial balance owed, the payments made during the year, and the remaining balance, effective July 1, 2000.

7. Notification of change in tax matters partner

The bill requires the IRS to notify all partners of any resignation of the tax matters partner that is required by the IRS, and to notify the partners of any successor tax matters partner, effective for selections of tax matters partners made by the Secretary after the date of enactment.

8. Conditions under which taxpayers' returns may be disclosed

The bill requires that general tax forms instruction booklets include a description of conditions under which tax return information may be disclosed outside the IRS (including to States), effective on the date of enactment.

9. Disclosure of Chief Counsel advice

The provision amends section 6110 of the Code, establishing a structured process by which the IRS will make certain work products, designated as "Chief Counsel Advice," open to public inspection on an ongoing basis. It is designed to protect taxpayer privacy while allowing the public inspection of these documents in a manner generally consistent with the mechanism of section 6110 for the public inspection of written determinations. In general, the provision operates by establishing that Chief Counsel Advice are written determinations subject to the public inspection provisions of section 6110. The provision applies to Chief Counsel Advice issued more than 90 days after enactment.

G. Low-Income Taxpayer Clinics

The bill provides that the Secretary is authorized to provide up to \$6,000,000 per year in matching grants to certain low-income taxpayer clinics. No clinic could receive more than \$100,000 per year. Eligible clinics would be those that charge no more than a nominal fee to either represent low-income taxpayers in controversies with the IRS or provide tax information to individuals for whom English is a second language. The provision is effective on the date of enactment.

H. Other Provisions

1. Cataloging complaints

The bill requires that, in collecting data for the annual report to the Congress on allegations of IRS employee misconduct, records of taxpayer complaints of misconduct by IRS employees must be maintained on an individual employee basis, effective January 1, 2000.

2. Archive of records of Internal Revenue Service

The bill provides an exception to the disclosure rules to require IRS to disclose IRS records to officers or employees of National Archives and Records Administration ("NARA"), upon written request from the U.S. Archivist, for purposes of the appraisal of such records for destruction or retention. The present-law prohibitions on and penalties for disclosure of tax information would generally apply to NARA. The provision is effective for requests made by the Archivist after the date of enactment.

3. Payment of taxes

The bill requires the Secretary or his delegate to establish such rules, regulations, and procedures as are necessary to allow payment of taxes by check or money order to be made payable to the United States Treasury, rather than to the IRS, effective on the date of enactment.

4. Clarification of authority of Secretary relating to the making of elections

The bill clarifies that, except as otherwise provided, the Secretary may prescribe the manner of making any election under the Code by any reasonable means, effective on the date of enactment.

5. IRS employee contacts

The bill requires any manually generated correspondence received by a taxpayer from the IRS to include in a prominent manner the name, telephone number, and unique identifying number of an IRS employee the taxpayer may contact with respect to the correspondence. Any other correspondence or notice received by a taxpayer from the IRS must include in a prominent manner a telephone number that the taxpayer may contact. An IRS employee must give a taxpayer during a telephone or personal contact the employee's telephone number and unique identifying number. The requirements for a unique identifying number are effective six months after the date of enactment.

6. Use of pseudonyms by IRS employees

The bill provides that an IRS employee may use a pseudonym only if (1) adequate justification, such as protecting personal safety, for using the pseudonym was provided by the employee as part of the employee's request to use a pseudonym, and (2) IRS management has approved the request to use the pseudonym prior to its use. This provision is effective for requests made after the date of enactment.

7. Illegal tax protester designations

The bill prohibits the use by the IRS of the "illegal tax protester" designation. Any extant designation in the individual master file (the main computer file) must be removed and any other extant designation (such as on paper records that have been archived) must be disregarded. The IRS is, however, permitted to designate appropriate taxpayers as nonfilers. The IRS must remove the nonfiler designation once the taxpayer has filed valid tax returns for two consecutive years and paid all taxes shown on those returns. The provision is effective on the date of enactment, except that the removal of any designation from the master file, is not required to begin before January 1, 1999.

8. Provision of confidential information to Congress by whistleblowers

The bill provides that any person (i.e., a whistleblower) who otherwise has or had access to any return or return information under section 6103 may disclose such return or return information to the House Ways and Means Committee, the Senate Finance Committee, or the Joint Committee on Taxation or to any individual authorized by one of those committees to receive or inspect any return or return information if such person (the whistleblower) believes such return or return information relates to evidence of possible misconduct, maladministration, or taxpayer abuse. The provision is effective on the date of enactment.

9. Listing of local IRS telephone numbers and addresses

The bill requires the IRS, as soon as is practicable, to publish addresses and local telephone numbers of local IRS offices in appropriate local telephone directories.

10. Identification of return preparers

The bill authorizes the IRS to approve alternatives to Social Security numbers to identify tax return preparers, effective on the date of enactment.

11. Offset of past-due, legally enforceable State income tax obligations against overpayments

The bill permits States to participate in the IRS refund offset program for specified past-due, legally enforceable State income tax debts, providing the person making the Federal tax overpayment has shown on the Federal return for the taxable year of the overpayment an address that is within the State seeking the tax offset. The provision is effective for Federal income tax refunds payable after December 31, 1999.

12. Reporting requirements in connection with education tax credits

The bill modifies the information reporting requirements applicable to certain educational institutions in connection with the HOPE Scholarship and Lifetime Learning credits. In addition to reporting the aggregate amount of payments for qualified tuition and related expenses received by the educational institution with respect to a student, the institution must report any grant amount received by the student and processed through the institution during the applicable calendar year. An educational institution also must report only the aggregate amount of reimbursements or refunds paid to a student by the institution (and not by any other party). The bill further clarifies that the definition of term "qualified tuition and related expenses" shall be as set forth in section 25A, determined without regard to section 25A(g)(2) (which requires adjustments for certain scholarships). The provision applies to returns required to be filed with respect to taxable years beginning after December 31, 1998.

I. Studies

1. Administration of penalties and interest

The bill requires the Joint Committee on Taxation and the Treasury to each conduct a separate study reviewing the interest and penalty provisions of the Code, and make any legislative and administrative recommendations deemed appropriate to simplify penalty administration and reduce taxpayer burden. The reports must be provided not later than one year after the date of enactment.

2. Confidentiality of tax return information

The bill requires the Joint Committee on Taxation and Treasury to each conduct a separate study on provisions regarding taxpayer confidentiality. The studies are to examine: (1) present-law protections of taxpayer privacy; (2) the need, if any, for third parties to use tax return information; (3) whether greater levels of voluntary compliance can be achieved by allowing the public to know who is legally required to file tax returns but does not do so; (4) the interrelationship of the taxpayer confidentiality provisions in the Internal Revenue Code with those elsewhere in the United States Code (such as the Freedom of Information Act); (5) the impact on taxpayer privacy of sharing tax information for the purposes of enforcing State and local tax laws (other than income tax laws) and (6) an examination of whether the public interest would be served by greater disclosure of information relating to tax-exempt organizations (described in section 501 of the Code). The findings of the studies, along with any recommendations, are required to be reported to the Congress no later than 18 months after the date of enactment.

3. Noncompliance with internal revenue laws by taxpayers

The bill provides that the Secretary of the Treasury and the Commissioner, in consultation with the Joint Committee on Taxation, must conduct a study of noncompliance with the tax law, including tax law complexity and willful noncompliance or other factors. The study must be reported to the Congress within one year of the date of enactment.

4. Payments for informants

The bill requires a study and report by the Secretary of the Treasury to the Congress of the present-law informant reward program (including results) and any legislative or administrative recommendations regarding the program and its application. The study must be reported to the Congress within one year of the date of enactment.

TITLE IV. CONGRESSIONAL ACCOUNTABILITY FOR THE IRS

A. Review of Requests for GAO Investigations of the IRS

Under the bill, the Joint Committee on Taxation is to review all requests (other than requests by the chair or ranking member of a Committee or Subcommittee of the Congress) for investigations of the IRS by the General Accounting Office ("GAO") and approve such requests when appropriate. In reviewing such requests, the Joint Committee on Taxation is to eliminate overlapping investigations, ensure that the GAO has the capacity to handle the investigation, and ensure that investigations focus on areas of primary importance to tax administration. The provision is effective with respect to requests for GAO investigations made after the date of enactment.

B. Joint Congressional Review and Coordinated Oversight Reports

Under the bill, there will be one annual joint review which shall include two majority and one minority members of each of the Senate Committees on Finance, Appropriations, and Government Affairs and the House Committees on Ways and Means, Appropriations, and Government Reform and Oversight. The review is to be held before June 1 on the progress of the IRS in meeting its objectives under the strategic and business plans, the progress of the IRS in improving taxpayer service and compliance, the progress of the IRS on technology modernization, and the annual filing season. The annual review will be called by the Chairman of the Joint Committee on Taxation and will take place in each of calendar years 1999-2003.

The bill provides that the Joint Committee on Taxation is to make a report once during each Congress to the Committee on Finance and the Committee on Ways and Means on the overall state of the Federal tax system, together with recommendations with respect to possible simplification proposals and other matters relating to the administration of the Federal tax system as it may deem advisable. This report will be required only if amounts necessary to carry out this requirement are specifically appropriated to the Joint Committee on Taxation. The Joint Committee on Taxation also is to report annually to the Senate Committees on Finance, Appropriations, and Government Affairs and the House Committees on Ways and Means, Appropriations, and Government Reform and Oversight with respect to the matters that are the subject of the annual joint hearings of members of such Committees. This reporting requirement will apply only for calendar years 1999-2003.

C. Budget Matters

The bill provides that it is the sense of the Congress that the IRS efforts to resolve the century date change computing problems should be fully funded to provide for certain resolution of such problems, and it is the sense of the Congress that the IRS should place resolving the century date change computing problems as a high priority.

D. Tax Law Complexity Analysis

The bill provides that it is the sense of the Congress that the IRS should provide the Congress with an independent view of tax administration and that the tax-writing committees should hear from front-line technical experts at the IRS during the legislative process with respect to the administrability of pending amendments to the Internal Revenue Code. In addition, the IRS is required to report by March 1 of each year to the House Committee on Ways and Means and the Senate Committee on Finance regarding sources of complexity in the administration of the Federal tax laws.

The bill requires the Joint Committee on Taxation (in consultation with the IRS and Treasury) to provide an analysis of complexity or administrability concerns raised by tax legislation provisions of widespread applicability to individuals or small businesses. The analysis is to be included in any Committee Report of the House Committee on Ways and Means or Senate Committee on Finance or Conference Report containing tax provisions, or provided to the Members of the relevant Committee or Committees as soon as practicable after the report is filed. A point of order is established with respect to the floor consideration by the House of Representatives of a bill or conference report that does not contain the required tax complexity analysis. The point of order may be waived by a majority vote.

TITLE V. ADDITIONAL PROVISIONS

A. Elimination of 18-Month Holding Period for Capital Gains

The Taxpayer Relief Act of 1997 Act ("the 1997 Act") provided lower capital gains rates for individuals. Generally, the 1997 Act reduced the maximum rate on the adjusted net capital gain of an individual from 28 percent to 20 percent and provided a 10-percent rate for the adjusted net capital gain otherwise taxed at a 15-percent rate. Under the bill, property held more than one year (rather than more than 18 months) will be eligible for the lower capital gain rates provided by the 1997 Act. The provision applies to amounts properly taken into account on or after January 1, 1998.

B. Deductibility of Meals Provided for the Convenience of the Employer

The bill provides that all meals furnished to employees at a place of business for the convenience of the employer are treated as provided for the convenience of the employer under section 119 if more than one half of employees to whom such meals are furnished on the premises are furnished such meals for the convenience of the employer under section 119. If these conditions are satisfied, the value of all such meals would be excludable from the employee's income and fully deductible to the employer.

The provision is effective for taxable years beginning before, on, or after the date of enactment.

C. Normal Trade Relations

The bill changes the terminology used in U.S. trade statutes from "most-favored-nation" (MFN) to "normal trade relations" (NTR) in order more accurately to reflect the nature of the trade relationship in question. The bill does not change the tariff treatment received by any country.

TITLE VI. TAX TECHNICAL CORRECTIONS

The bill contains technical, clerical, and conforming amendments to the Taxpayer Relief Act of 1997 and other recently enacted legislation. The provisions generally are effective as if enacted in the original legislation to which each provision relates.

TITLE VII. REVENUE OFFSETS

A. Employer Deductions for Vacation and Severance Pay

The bill provides that, for purposes of determining whether an item of compensation is deferred compensation, the compensation is not considered to be paid or received until actually received by the employee. The bill is intended to overrule the result in *Schmidt Baking*. The provision is effective for taxable years ending after date of enactment, with a three-year spread under section 481.

B. Freeze Grandfathered Status of Stapled REITs

The bill treats activities and gross income of a stapled REIT group with respect to real property interests acquired after March 26, 1998, by any member of a stapled REIT group as activities and income of the REIT for certain purposes. There is an exception to this treatment for certain grandfathered real property interests. The provision is effective for taxable years ending after March 26, 1998.

C. Make Certain Trade Receivables Ineligible for Mark-to-Market Treatment

The bill provides that certain trade receivables are not eligible for mark-to-market treatment under section 475. The provision generally is effective for taxable years ending after the date of enactment, with a four-year spread under section 481.

D. Exclusion of Minimum Required Distributions from AGI for Roth IRA Conversions

The bill excludes minimum required distributions from IRAs from the definition of AGI solely for purposes of determining eligibility to convert from an IRA to a Roth IRA. The provision is effective for taxable years beginning after December 31, 2004.

TITLE VIII. LIMITED TAX BENEFITS UNDER THE LINE ITEM VETO ACT

The Line Item Veto Act amended the Congressional Budget and Impoundment Act of 1974 to grant the President the limited authority to cancel specific dollar amounts of discretionary budget authority, certain new direct spending, and limited tax benefits. The Line Item Veto Act provides that the Joint Committee on Taxation is required to examine any revenue or reconciliation bill or joint resolution that amends the Internal Revenue Code of 1986 prior to its filing by a conference committee in order to determine whether or not the bill or joint resolution contains any "limited tax benefits," and to provide a statement to the conference committee that either (1) identifies each limited tax benefit contained in the bill or resolution, or (2) states that the bill or resolution contains no limited tax benefits.

Pursuant to section 1027(a) of the Congressional Budget and Impoundment Act of 1974 (as amended by the Line Item Veto Act), the Joint Committee on Taxation has determined that the conference agreement to H.R. 2676, the Internal Revenue Service Restructuring and Reform Act of 1998, contains the following provisions that constitute limited tax benefits within the meaning of the Line Item Veto Act:

1. Section 3105 (relating to administrative appeal of adverse IRS determination of tax-exempt status of bond issue); and
2. Section 3445(c) (relating to State fish and wildlife permits).

**TITLE IX. CORRECTIONS TO THE TRANSPORTATION EQUITY ACT
FOR THE 21ST CENTURY**

The conference agreement includes corrections to the Transportation Equity Act for the 21st Century.