

ESTIMATED BUDGET EFFECTS OF TITLES I - VIII OF THE CONFERENCE AGREEMENT RELATING TO H.R. 2676,
 THE "INTERNAL REVENUE SERVICE RESTRUCTURING AND REFORM ACT OF 1998"

Fiscal Years 1998 - 2007

[Millions of Dollars]

Provision	Effective	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	1998-02	2003-07	1998-07
Title I. Reorganization of Structure and Management of the Internal Revenue Service.....		<i>No Revenue Effect</i>												
Title II. Electronic Filing.....		<i>No Revenue Effect</i>												
Title III. Taxpayer Protections and Rights														
A. Burden of Proof - apply to only income, estate and gift taxes (permanent).....	eca DOE	[1]	-231	-256	-269	-278	-297	-311	-327	-344	-360	-1,035	-1,639	-2,674
B. Proceedings by Taxpayers														
1. Expansion of authority to award costs and certain fees at prevailing rate and rule 68 provision with net worth limitation (includes outlay effects); with modified hourly cap.....	180da DOE	---	-11	-12	-13	-14	-16	-18	-19	-20	-22	-51	-95	-145
2. Civil damages with respect to unauthorized collection actions (includes outlay effects).....	aoa DOE	-2	-15	-25	-50	-30	-25	-25	-25	-25	-25	-122	-125	-247
3. Increase size of cases permitted on small case calendar to \$50,000.....	pca DOE	<i>No Revenue Effect</i>												
4. Actions for refund with respect to certain estates which have elected the installment method of payment.....	rfa DOE	<i>Negligible Revenue Effect</i>												
5. Extend IRS administrative appeals right to issuers of tax-exempt bonds.....	DOE	[1]	-5	-2	-2	-2	-2	-2	-2	-2	-2	-11	-10	-21
6. Civil action for release of erroneous lien.....	DOE	<i>Negligible Revenue Effect</i>												
C. Relief for Innocent Spouses and for Taxpayers Unable to Manage Their Financial Affairs Due to Disabilities														
1. Relief for innocent spouses who are no longer married, legally separated, or living apart for 12 consecutive months; House relief for other cases; Secretary of Treasury has authority to reach equitable result.....	laa & ulb DOE	-10	-131	-92	-74	-86	-121	-157	-204	-243	-288	-393	-1,013	-1,406
2. Suspension of statute of limitations on filing refund claims during periods of disability.....	tyoo/a DOE	-10	-70	-35	-15	-16	-17	-18	-19	-20	-21	-146	-95	-241
D. Provisions Relating to Interest and Penalties														
1. Elimination of interest rate differential on overlapping periods of interest on income tax overpayments and underpayments.....	tyoo/a DOE	-26	-68	-58	-61	-56	-59	-62	-65	-68	-72	-267	-326	-593
2. Increase refund interest rate to Applicable Federal Rate ("AFR") + 3 for individual taxpayers [2].....	2nd & scqa DOE	---	-36	-54	-56	-59	-62	-65	-69	-72	-76	-205	-344	-549
3. Reduced penalty on individual's failure to pay during installment agreements.....	iapma 12/31/99	---	---	-108	-136	-143	-152	-159	-167	-175	-185	-387	-838	-1,225
4. Mitigation of failure to deposit penalty.....	drma 180da DOE	---	-47	-64	-64	-65	-66	-66	-67	-68	-68	-240	-335	-575

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5. Suspend accrual of interest and penalties if IRS fails to contact taxpayer within 12 months after a timely-filed return (except for fraud and criminal penalties); (1) for first 5 years, time period is 18 months (instead of 12 months); and (2) provide that termination with respect to specific additional tax liability occurs on earliest notice of such liability.....	tyea DOE	---	---	-146	-174	-196	-209	-248	-431	-435	-439	-516	-1,762	-2,278
6. Procedural requirements for imposition of penalties and additions to tax.....	nia & paa 12/31/00	----- Negligible Revenue Effect -----												
7. Permit personal delivery of section 6672 notices.....	DOE	----- No Revenue Effect -----												
8. Notice of interest charges.....	nia 12/31/00	----- No Revenue Effect -----												
E. Protections for Taxpayers Subject to Audit or Collection Activities														
1. Due process for IRS collection actions.....	caia 180da DOE	---	-11	-7	-7	-7	-7	-7	-8	-8	-8	-32	-38	-70
2. Examination activities														
a. Extend the attorney client privilege to accountants and other tax practitioners; with exception from both attorney/client privilege and tax practitioner/client privilege for communications relating to corporate tax shelters.....	cmo/a DOE	[3]	[3]	[3]	[3]	[3]	[3]	[3]	[3]	[3]	[3]	[4]	[4]	[5]
b. Limitation on financial status audits.....	DOE	----- No Revenue Effect -----												
c. Limitation on IRS authority to require production of computer source code and protections against improper disclosure.....	sia & saa DOE	---	-13	-16	-20	-22	-26	-30	-33	-36	-37	-71	-162	-233
d. Prohibition on improper threat of audit activity for tip reporting.....	DOE	----- No Revenue Effect -----												
e. Allow taxpayers to quash all third-party summonses.	ssa DOE	----- Negligible Revenue Effect -----												
f. Permit service of summonses by mail or in person.....	ssa DOE	----- No Revenue Effect -----												
g. IRS must provide general notice and periodic reports to taxpayers before contacting third parties regarding IRS examination or collection activities with respect to the taxpayer.....	180da DOE	---	[3]	[3]	[3]	[3]	[3]	[3]	[3]	[3]	[3]	[4]	[4]	[5]
3. Collection activities														
a. Approval process - IRS to implement approval process for liens, levies, or seizures; clarification of "appropriate".....	[6]	----- Negligible Revenue Effect -----												
b. Increase the amount exempt from levy to \$6,250 for personal property and \$3,125 for books and tools of trade, indexed for inflation.....	Lia DOE	[1]	-1	-1	-1	-1	-2	-2	-2	-2	-2	-6	-8	-13
c. Require the IRS to release a levy upon agreement that the amount is not collectible.....	lia 12/31/99	----- Negligible Revenue Effect -----												
d. Suspend collection by levy during refund suit.....	tyba 12/31/98	----- Negligible Revenue Effect -----												
e. Require District Counsel review of jeopardy and termination assessments and jeopardy levies.....	taa & lma DOE	----- Negligible Revenue Effect -----												
f. Increase in amount of certain property on which lien not valid.....	DOE	----- Negligible Revenue Effect -----												
g. Waive the 10% early withdrawal tax when IRA or qualified plan is levied.....	wa 12/31/99	---	---	-1	-3	-4	-4	-5	-5	-5	-5	-9	-24	-33
h. Prohibit the IRS from selling taxpayer's property for less than the minimum bid.....	Soa DOE	----- No Revenue Effect -----												

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i. Require the IRS to provide an accounting and receipt to the taxpayer (including the amount credited to the taxpayer's account) for property seized and sold.....	soa DOE	----- Negligible Revenue Effect -----												
j. Require the IRS to study and implement a uniform asset disposal mechanism for sales of seized property to prevent revenue officers from conducting sales.....	DOE & 2 years	----- No Revenue Effect -----												
k. Codify IRS administrative procedures for seizure of taxpayer's property.....	DOE	----- No Revenue Effect -----												
l. Procedures for seizure of residences and businesses	DOE	[1]	-3	-3	-3	-3	-3	-3	-3	-3	-3	-12	-15	-27
4. Provisions relating to examination and collection activities														
a. Prohibition on extension of statute of limitations for collection beyond 10 years with installment payment exception.....	[7]	---	---	-9	-13	-16	-18	-19	-19	-21	-24	-38	-101	-139
b. Offers-in-compromise.....	generally DOE	-1	---	9	4	4	4	4	4	4	4	17	21	38
c. Notice of deficiency to specify deadlines for filing Tax Court petition.....	nma 12/31/98	----- Negligible Revenue Effect -----												
d. Refund or credit of overpayments before final determination.....	DOE	----- Negligible Revenue Effect -----												
e. IRS procedures relating to appeal of examinations and collections.....	DOE	----- No Revenue Effect -----												
f. Codify certain fair debt collection procedures.....	DOE	----- No Revenue Effect -----												
g. Ensure availability of installment agreements.....	DOE	----- No Revenue Effect -----												
h. Prohibit Federal Government officers and employees from requesting taxpayers to give up their rights to sue.....	DOE	----- No Revenue Effect -----												
F. Disclosures to Taxpayers														
1. Explanation of joint and several liability.....	180da DOE	----- No Revenue Effect -----												
2. Explanation of taxpayers' rights in interviews with IRS.....	180da DOE	---	-13	[1]	[1]	[1]	[1]	[1]	[1]	[1]	[1]	[4]	[3]	[4]
3. Disclosure of criteria for examination selection.....	180da DOE	----- No Revenue Effect -----												
4. Explanations of appeals and collection process.....	180da DOE	----- No Revenue Effect -----												
5. Require IRS to explain reason for denial for refund.....	180da DOE	----- No Revenue Effect -----												
6. Statement to taxpayers with installment agreements.....	7/1/00	----- No Revenue Effect -----												
7. Require IRS to notify all partners of any resignation of the tax matters partner that is required by the IRS, and of the identity of any successor tax matters partner who was appointed to fill the vacancy created by such resignation.....	sotmpa DOE	[8]	[8]	[8]	[8]	[8]	[8]	[8]	[8]	[8]	[8]	-1	-1	-2
8. Require information to taxpayers concerning disclosure of their income tax return information to parties outside the IRS.....	DOE	----- No Revenue Effect -----												
9. Disclosure of Chief Counsel advice.....	ai 90da DOE	----- No Revenue Effect -----												
G. Low-Income Taxpayer Clinics.....	DOE	----- No Revenue Effect -----												
H. Other Provisions														
1. Cataloging complaints of IRS employee misconduct	1/1/00	----- No Revenue Effect -----												
2. Archive of records of Internal Revenue Service.....	DOE	----- No Revenue Effect -----												
3. Payment of taxes to the U.S. Treasury [2].....	DOE	----- No Revenue Effect -----												

Provision	Effective	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	1998-02	2003-07	1998-07
4. Clarification of authority of Secretary relating to the making of elections.....	DOE													
5. IRS employee contacts.....	6ma DOE													
6. Require approval of use of pseudonyms by IRS employees.....	DOE													
7. Require the IRS to end the use of the illegal tax protestor label.....	DOE & rdnr 1/1/99													
8. Modify section 6103 to allow the tax-writing committees to obtain data from IRS employees regarding employee and taxpayer abuse.....	DOE													
9. Publish telephone numbers for local IRS offices.....	DOE													
10. Alternative to Social Security numbers for tax return preparers.....	DOE													
11. Authorize the Federal government to offset a Federal income tax refund to satisfy a past-due, legally owing State income tax debt.....	rpa 12/31/99	---	---	2	3	3	3	3	4	4	4	8	18	26
12. Modify section 6050S to require educational institutions to report grant amounts processed through and refunds made by the institution; with clarifications regarding the definition of "qualified tuition and related expenses" and certain other educational institution reporting requirements.....	tyba 12/31/98													
1. Studies														
1. Administration of penalties and interest.....	1ya DOE													
2. Confidentiality of tax return information.....	18ma DOE													
3. Noncompliance with internal revenue laws by taxpayers	1ya DOE													
4. Payments for informants.....	1ya DOE													
Subtotal, Taxpayer Protections and Rights.....		-53	-661	-885	-961	-998	-1,085	-1,196	-1,463	-1,545	-1,635	-3,559	-6,925	-10,483
Title IV. Congressional Accountability for the Internal Revenue Service.....														
Title V. Additional Provisions														
A. Change the Holding Period for Long-Term Capital Gains to 12 months.....	aptiao/a 1/1/98	35	611	-312	-335	-335	-337	-341	-347	-354	-362	-336	-1,741	-2,077
B. Deductibility of Meals Provided for the Convenience of Employer on Employer's Premises.....	tybbo/a DOE	---	-20	-33	-34	-35	-36	-38	-39	-40	-41	-122	-194	-316
C. Instead of Most Favored Nation Status Use Normal Trade Relations Terminology [2].....	---													
Subtotal, Additional Provisions.....		35	591	-345	-369	-370	-373	-379	-386	-394	-403	-458	-1,935	-2,393
Title VI. Tax Technical Corrections.....														
Title VII. Revenue Offsets														
A. Overrule <u>Schmidt Baking</u> with Respect to Vacation Pay and Severance and Other Types of Compensation With Spread.....	tyea DOE	593	839	997	456	308	156	163	172	180	189	3,193	860	4,053
B. Freeze Grandfathered Status of Stapled or Paired- Share REITs.....	tyea 3/26/98	[9]	1	3	6	10	14	19	26	35	45	20	139	159
C. Make Certain Trade Receivables Ineligible for Mark-to-Market Treatment.....	tyea DOE	33	317	500	333	117	70	73	77	81	85	1,300	386	1,686

Provision	Effective	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	1998-02	2003-07	1998-07
D. Disregard Minimum Distributions in Determining AGI for IRA Conversions to a Roth IRA.....	tyba 12/31/04	---	---	---	---	---	---	---	2,362	2,854	2,812	---	8,028	8,028
Subtotal, Revenue Offsets.....		626	1,157	1,500	795	435	240	255	2,637	3,150	3,131	4,513	9,413	13,926
Title VIII. Limited Tax Benefits Under the Line														
Veto Act.....		----- <i>No Revenue Effect</i> -----												

NET TOTAL (Reserved for Future Tax Reductions).....		608	1,087	270	-535	-933	-1,218	-1,320	788	1,211	1,093	496	553	1,050
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Revenue Effect From Emergency Legislation Per Section 252(e) of the Balanced Budget and Emergency Deficit Control Act

1. Abate interest on underpayments by taxpayers in Presidentially declared disaster areas.....	dda 12/31/97	-8	-25	-25	-25	-25	-25	-25	-25	-25	-25	-108	-126	-234
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Joint Committee on Taxation

NOTE: Details may not add to totals due to rounding.

Legend for "Effective" column:

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| <ul style="list-style-type: none"> ai = advice issued aoa = actions occurring after aptiao/a = amounts properly taken into account on or after caia = collection actions initiated after cmo/a = communications made on or after dda = disasters declared after DOE = date of enactment drma = deposits required to be made after eca = examinations commencing after iapma = installment agreement payments made after laa = liability arising after lia = levies imposed after Lia = levies issued after lma = levies made after | <ul style="list-style-type: none"> nia = notices issued after nma = notices mailed after paa = penalties assessed after pca = proceedings commencing after rdnrb = removal designation not required before rfa = refunds filed after rpa = refunds payable after saa = software acquired after scqa = succeeding calendar quarters beginning after sia = summonses issued after soa = seizures occurring after Soa = sales occurring after sotmpa = selections of tax matters partners after ssa = summonses served after | <ul style="list-style-type: none"> taa = taxes assessed after tyba = taxable years beginning after tyea = taxable years ending after tybbo/a = taxable years beginning before, on, or after tyoo/a = taxable years open on or after ulb = unpaid liability before wa = withdrawals after 1ya = 1 year after 6ma = 6 months after 18ma = 18 months after 60da = 60 days after 90da = 90 days after 180da = 180 days after |
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- [1] Loss of less than \$1 million.
- [2] Estimate provided by the Congressional Budget Office.
- [3] Loss of less than \$5 million.
- [4] Loss of less than \$25 million.
- [5] Loss of less than \$50 million.
- [6] Generally effective for collection actions commencing after the date of enactment; collections at ACS sites effective for levies imposed after 12/31/00.
- [7] Effective for requests to extend the statute of limitations made after 12/31/99 and to all extensions of the statute of limitations on collections that are open after 12/31/99.
- [8] Loss of less than \$500,000.
- [9] Gain of less than \$500,000.