

**DESCRIPTION OF ADDITIONAL MODIFICATIONS TO
SENATE FINANCE COMMITTEE CHAIRMAN'S MARK RELATING TO
REFORM AND RESTRUCTURING OF THE INTERNAL REVENUE SERVICE
AND TAX TECHNICAL CORRECTION PROVISIONS**

I. EXECUTIVE BRANCH GOVERNANCE

A. IRS Restructuring and Creation of IRS Oversight Board

2. Establishment and duties of IRS Oversight Board

The modification would provide that the IRS Oversight Board's limited access to taxpayer return information would not extend to any taxpayer's name, address, social security number, or employer identification number.

III. TAXPAYER BILL OF RIGHTS 3

C. Relief for Innocent Spouses and Persons with Disabilities

1. Innocent spouse relief

The modification would require that, whenever practicable, the IRS send appropriate notifications to both spouses.

The modification also would clarify that innocent spouse relief would not be available for spouses who joined in the filing of a joint return to the extent the spouse had actual knowledge of the understatement of tax.

F. Disclosures to Taxpayers

6. Notification of change in tax matters partner

The modification would require 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.

I. Studies

1. Study of penalty administration

The modification would provide that the separate studies to be conducted by the Joint Committee on Taxation and by the Department of Treasury regarding the administration and implementation of certain penalty reform provisions also would include an analysis of the interest provisions in the Code. Such studies would include legislative and administrative recommendations deemed appropriate to simplify the administration of the interest provisions and to reduce taxpayer burden.

K. Offers-in-Compromise

7. Liberal acceptance policy for offers-in-compromise

The modification would remove the provision of the Chairman's Mark that provides that the IRS should implement liberal acceptance procedures for offers-in-compromise. However, language similar to that contained in the deleted provision would be inserted in the Committee Report.

L. Additional Items

The Chairman's Mark would include the following new item 11:

11. Moratorium and Sense of the Committee

The modification would provide that no temporary or final regulations with respect to Notice 98-11 may be implemented prior to six months after the date of enactment of this provision.

In addition, the modification would provide that it is the Sense of the Senate Committee on Finance that:

(1) The Department of the Treasury and the Internal Revenue Service should withdraw Notice 98-11 and the regulations issued thereunder. Congress, not the Department of the Treasury nor the Internal Revenue Service, should determine the international tax policy issues presented with respect to the treatment of hybrid transactions under the subpart F provisions of the Internal Revenue Code.

(2) The Department of the Treasury and the Internal Revenue Service should limit any regulations issued under Notice 98-5 to the specific transactions described therein. It is expected that (a) such regulations would not affect transactions undertaken in the ordinary course of business; (b) any regulations issued under Notice 98-5 would not have an effective date any earlier than the date of issuance of proposed regulations; and (c) the issuance of such regulations

would follow normal regulatory procedures, including a comment period. Nothing herein shall be construed to limit the ability of the Department of the Treasury and the Internal Revenue Service to address abusive transactions.

IV. CONGRESSIONAL ACCOUNTABILITY FOR THE IRS

B. Tax Law Complexity Analysis

The modification would clarify that the cost of taxpayer compliance would be considered as part of the tax law complexity analysis to be provided by the Joint Committee on Taxation.