

AGENDA

For

ORGANIZATIONAL MEETING

JOINT COMMITTEE ON TAXATION

February 21, 1985

1. Election of Chairman and Vice Chairman  
for 1st Session, 99th Congress
2. Review of large refunds
  - A. Proposed revision to procedures
  - B. Report to Congress
3. Legislative projects
  - A. Technical corrections
  - B. Expiring provisions
  - C. Auto logs
  - D. Comprehensive reform
4. Oversight



JOINT COMMITTEE ON TAXATION  
99th Congress, 1st Session

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MEMBERS

HOUSE

Dan Rostenkowski, Ill.  
Chairman  
Sam Gibbons, Fla.  
J.J. Pickle, Tex.  
John J. Duncan, Tenn.  
Bill Archer, Tex.

SENATE

Bob Packwood, Oreg.  
Vice Chairman  
Robert Dole, Kans.  
William V. Roth, Jr., Del.  
Russell B. Long, La.  
Lloyd Bentsen, Tex.



## JOINT COMMITTEE REVIEW OF LARGE REFUNDS

Under the Code (sec. 6405), all refunds in excess of \$200,000 are reviewed by the Joint Committee.

### A. Procedures

#### Procedures Prior to 1983

Prior to 1983, the procedures followed in implementing this requirement were for the Internal Revenue Service (IRS) to prepare a brief report for each refund over the statutory amount summarizing the facts in the case and the reasons supporting the proposed refund. As a general rule, the refunds would not be made to the taxpayers until after the Joint Committee completed its review of the case and approved the refund. In those cases where the proposed refund was criticized, the refund was deferred until the criticism was resolved. An exception to this general rule was provided for tentative refund cases (sec. 6411) where the taxpayer is allowed a tentative refund on account of a net operating loss or credit carryback without a complete and final review by the IRS of the facts of the case. In these cases, the IRS reported to the Joint Committee and the Joint Committee review would follow the payment of the tentative refund.



## 1983 Revised Procedures

Because of the rapidly increasing number of refund cases exceeding the statutory amount and the resulting increase in the work load for both the IRS and the Joint Committee refund office and, unfortunately, increased delays in the processing of the refunds, the refund review process was streamlined somewhat in 1983. Under these revised procedures, cases involving refunds of less than \$1 million are submitted to the Joint Committee in an abbreviated format. More detailed information is required for these cases only upon request by the Joint Committee staff. In addition, more reliance in the review process is placed on documents prepared by the IRS for its own internal use, and the amount of material the IRS is required to prepare specifically for the Joint Committee review was cut back significantly.

### **Proposed Tentative Refund Procedures**

1. Under the new procedures a tentative refund would be made to taxpayers in most cases prior to the submission by the IRS of its report justifying its proposed refund and prior to the completion of a complete Joint Committee review. The new procedures will not apply to a small minority of cases -- those where the amount not already tentatively





refunded is less than \$25,000 or those incidental cases where for other reasons IRS does not want to make a tentative refund.

2. The cases covered by the new procedures will initially be submitted by the IRS in a list format. The information contained in this initial list will essentially be limited to:

- a. the identity of the taxpayer,
- b. the amounts and years involved, and
- c. a one sentence summary of the reasons for the refund.

3. Except in the infrequent cases where the Joint Committee requests a hold on the refund pending the submission of further information, a tentative refund will be made to the taxpayer after the 30 day period following our receipt of the list.

4. The IRS will continue to submit its regular, more detailed report justifying the proposed refund for many of the cases submitted in the list format. However, the regular reports will also be cut back in certain respects, in particular:



- a. no further documents will be required for Examination Division cases involving less than \$500,000, and
- b. in Appellate Division cases no description will be required of items that were approved at the Examination Division level.

5. The statute of limitations will be held open pending completion of the Joint Committee review.

6. The IRS has also agreed to certain other procedural changes cutting down its internal layers of review.

#### B. Report to Congress

The Code (sec. 6405(b)) requires the Joint Committee to make an annual report to Congress setting forth the proposed refunds and credits submitted to the Joint Committee for its review and the names of the taxpayers and the amounts involved. It is not clear whether this requirement was overridden by the restrictions on tax return disclosure (sec. 6103) enacted in 1976. Because of this apparent conflict, these reports have not been submitted in recent years. It may be appropriate to amend the Code to delete the requirement to submit this report.



## Estimated Revenue Effects of Extending Expiring Tax Provisions, Fiscal Years 1985-90

[Millions of Dollars]

Provision	1985	1986	1987	1988	1989	1990
<u>January 1, 1985</u>						
1. FUTA exclusion for certain fishermen - - - - -	(2)	(2)	(2)	(2)	(2)	(2)
<u>July 1, 1985</u>						
1. Imputed interest transitional rules* - - - - -	-10	-150	-175	-200	-175	-150
<u>July 18, 1985</u>						
1. Piggyback trailer tax reduction - - - - -	(2)	-6	-7	-7	-8	--
<u>August 1, 1985</u>						
1. Allocation of R&D - - - - -	--	-74	-153	-168	-185	-204
<u>September 30, 1985</u>						
1. Fuels tax exemption for taxicabs - - - - -	--	-3	-3	-4	-4	-4
2. Environmental taxes (net receipts) - - - - -	--	217	226	234	241	248
3. Additional cigarette tax - - - - -	--	1,509	1,687	1,697	1,705	1,712
<u>December 31, 1985</u>						
1. Expensing of architectural barriers for handicapped- - -	--	-9	-17	-18	-19	-20
2. Restrictions on loss trafficking - - - - -	(3)	(3)	(3)	(3)	(3)	(3)
3. Faculty housing moratorium - - - - -	(2)	(2)	(2)	(2)	(2)	(1)
4. Expenses relating to parsonage allowances- - - - -	(3)	(3)	(3)	(3)	(3)	(3)
5. Targeted jobs credit - - - - -	--	-210	-721	-1,257	-1,672	-1,867
6. Residential energy credit* - - - - -	--	-50	-625	-750	-800	-850





Provision	1985	1986	1987	1988	1989	1990
7. Research credit - - - - - <sup>1/</sup> - - - - -	--	-586	-1,196	-1,503	-1,741	-1,917
8. Business energy credits <sup>1/</sup> * - - - - -	-25	-150	-200	-250	-300	-300
9. Employer provided transportation- - - - -	(3)	(3)	(3)	(3)	(3)	(3)
10. Dividend reinvestment* - - - - -	--	-200	-600	-600	-600	-600
11. Attorneys' fees - - - - -	(4)	(4)	(4)	(4)	(4)	(4)
12. Exclusion for employer-educational assistance*- - - - -	--	-90	-130	-150	-170	-190
13. Group legal services* - - - - -	--	-70	-140	-200	-260	-320
14. Foreign earnings and profits- - - - -	--	--	--	-22	-40	-44
<b>Subtotal, revenue increases - - - - -</b>	<b>--</b>	<b>1,726</b>	<b>1,913</b>	<b>1,931</b>	<b>1,946</b>	<b>1,960</b>
<b>Subtotal, revenue reductions - - - - -</b>	<b>-35</b>	<b>-1,598</b>	<b>-3,967</b>	<b>-5,129</b>	<b>-5,974</b>	<b>-6,466</b>
<b>Grand total- - - - -</b>	<b>-35</b>	<b>128</b>	<b>-2,054</b>	<b>-3,198</b>	<b>-4,028</b>	<b>-4,506</b>

\* Estimates for these items are very preliminary at this time. Upon completion of additional analysis more definite estimates will be provided.

- <sup>1/</sup> Specific proposals are needed to determine the exact estimates.
- <sup>2/</sup> Loss of less than \$5 million.
- <sup>3/</sup> Loss of less than \$10 million.
- <sup>4/</sup> Increase outlays by less than \$5 million.





# Congress of the United States

JOINT COMMITTEE ON TAXATION

Washington, D.C. 20515

## GAO TAX ADMINISTRATION REPORTS ISSUED IN 98TH CONGRESS (1983-1984)

### 1983 Reports

1. "Legislation Needed to Improve Administration of Tax Exemption Provisions for Electric Cooperatives" (GGD-83-7; Jan. 5, 1983)
2. "IRS' Administration of Penalties Imposed on Tax Return Preparers" (GGD-83-6; Jan. 6, 1983)
3. "Legislative Change Needed to Enable IRS to Assess Taxes Voluntarily Reported by Taxpayers in Bankruptcy" (GGD-83-47; June 20, 1983)
4. "Self-employed Fiscal Year Taxpayers Can Receive An Advantage Compared to Self-Employed Calendar Year Taxpayers at the Social Security Trust Funds' Expense" (GAO/HRD-83-45; June 30, 1983)
5. "With Better Management Information, IRS Could Further Improve Its Efforts Against Abusive Tax Shelters" (GAO/GGD-83-63; Aug. 25, 1983)
6. "Computer Technology at IRS: Present and Planned" (A Staff Study) (GAO/GGD-83-103; Sept. 1, 1983)
7. "Public Information Reporting by Tax-Exempt Private Foundations Needs Attention by IRS" (GAO/GGD-83-58; Sept. 26, 1983)
8. "Followup of Guam's Administration of its Income Tax Program" (GAO/GGD-84-11; Oct. 26, 1983)
9. "Expediting Tax Deposits Can Increase the Government's Interest Earnings" (GGD-84-14; Nov. 21, 1983)
10. "Further Improvements Needed in Processing Tax Regulations" (GGD-84-12; Dec. 1, 1983)



1984 Reports

1. "Statistical Analysis of the Operations and Activities of Private Foundations" (A Staff Study) (GGD-84-38; Jan. 5, 1984)
2. "Information Reporting Requirements for State and Local Income Tax Refunds" (GGD-84-51; Feb. 2, 1984)
3. "Information on Historic Preservation Tax Incentives" (GGD-84-47; Mar. 29, 1984)
4. "Need to Better Assess Consequences Before Reducing Taxpayer Assistance" (GGD-84-13; April 5, 1984)
5. "Tax Court Can Reduce Growing Case Backlog and Expenses Through Administrative Improvements" (GGD-84-25; May 14, 1984)
6. "GAO Observations on the Use of Tax Return Information for Verification in Entitlement Programs" (GAO/HRD-84-72; June 5, 1984)
7. "Importance and Impact of Federal Alcohol Fuel Tax Incentives" (RCED-84-1; June 6, 1984)
8. "IRS' Administration of the Crude Oil Windfall Profit Tax Act of 1980" (GGD-84-15; June 13, 1984)
9. "Response to Questions About the Windfall Profit Tax on Alaskan North Slope Crude Oil" (GGD-85-12; Dec. 10, 1984)





CURRENT GAO TAX ADMINISTRATION STUDIES IN PROCESS

(As of February 1985)

Requested by the Joint Committee on Taxation

1. IRS Corporate Audit Quality
2. IRS Procedures to Protect the Government's Interest when Businesses File for Bankruptcy
3. Administrability and Effectiveness of Business Energy Investment Tax Credits
4. Tax Provisions Involving Soil and Water Conservation Expenditures
5. Effective Tax Rates on and IRS' Enforcement Actions With Respect to U.S.-based Subsidiaries of Foreign Corporations
6. Civil Penalty Provisions of the Internal Revenue Code
7. Farm Income Tax Compliance and Use of Investment Tax Incentives
8. Review of Unrelated Business Income Tax and Competition Between Tax-Exempt Organizations and Taxable Businesses
9. IRS' Efforts to Cope With Abusive Tax Shelters
10. IRS' Enforcement of Intercompany Pricing Rules for U.S. Subsidiaries of Foreign Corporations
11. IRS' Classification Procedures for and Audit Coverage of Income Tax Returns Filed by Foreign-Owned U.S. Corporations
12. IRS Administration of Civil Fraud and Negligence Penalties

Requested by the Senate Finance Committee

Federal Income Taxation of Property/Casualty Insurance Companies



Requested by Ways and Means Oversight Subcommittee

1. Development Information on IRS' Administration of the Tax Laws (Survey to Assist Oversight Subcommittee Review of IRS)
2. How Individual Retirement Accounts (IRAs) are Financed

Requested by Senate Governmental Affairs Government Management Oversight Subcommittee

Interrelationships between IRS-Provided Taxpayer Assistance and That Provided by Commercial Preparers and Volunteers

Requested by House Government Operations Subcommittee on Commerce, Consumer and Monetary Affairs

IRS' Effectiveness in Identifying and Dealing with Overseas Nonfilers and Underreporters

Other Congressional Requests

1. IRS Efforts to Cope with Unreported Tip Income and Problems Associated with New TEFRA Reporting Requirements on the Food and Beverage Industry (Senator Pryor)
2. State Income Tax Withholding from Railroad Employees' Wages (Senators Evans and Gorton)
3. IRS' Work-at-Home Program for Criminal Investigators (Senator Proxmire)

GAO-Initiated Projects<sup>1</sup>

1. IRS' Rewards for Information Program
2. IRS Data Base Accuracy for the Self-Employed
3. Administration of Federal Occupational Excise Taxes

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<sup>1</sup> In addition to these tax administration studies, GAO is reviewing its procedures for accessing tax return information in their non-tax administration audits.





4. IRS' Acquisition of Major Non>Returns Processing System
5. IRS' Payment of Interest on Taxpayer Overpayments
6. Uses of Tax Data Exchanged by IRS and the States
7. IRS' Use of the Examination Process to Administer the Unrelated Business Income Tax
8. IRS Enforcement of Internal Revenue Code Prohibitions Against the Use of Tax-Exempt Organizations for Private Benefit
9. Need for Optional Self-Employment Tax Methods
10. Tax Administration/Policy Issues Related to Oil and Gas Royalty Trusts and Limited Partnerships
11. Whether Requiring Administrative Appeals Could Reduce Tax Court Backlog and Save Processing Costs
12. Survey of Consumption Taxes and Their Effects
13. Taxation of Financial Intermediaries
14. IRS' Service Center Examination Operations
15. IRS' Service Center Replacement System Program Implementation Problems
16. IRS Efforts to Cope with Unreported Business Income
17. Availability of Investment Tax Credit for Off-Shore Drilling Rigs Used in Foreign Waters
18. Treasury's Procedures for Estimating Federal Revenues
19. Administrative Controls to Safeguard Tax Return Information from Unauthorized Disclosure
20. Collection of Federal Excise Taxes on Imported Merchandise
21. IRS Efforts to Reduce Data Transcription Costs Through the Use of Character Recognition Technology
22. IRS' Taxpayer Compliance Measurement Program (TCMP)

