

ESTIMATED REVENUE EFFECTS OF REFORM AND RESTRUCTURING OF THE INTERNAL REVENUE SERVICE
 AS ORDERED TO BE REPORTED BY THE SENATE COMMITTEE ON FINANCE ON MARCH 31, 1998

Fiscal Years 1998 - 2007

[Millions of Dollars]

Provision	Effective	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	1998-02	2003-07
I. Executive Branch Governance		----- <i>No Revenue Effect</i> -----											
II. Electronic Filing		----- <i>No Revenue Effect</i> -----											
III. Taxpayer Bill of Rights 3													
A. Burden of Proof.....	eca DOE	[1]	-221	-232	-243	-256	-269	-282	-295	-311	-326	-953	-1,483
B. Proceedings by Taxpayers													
1. Expansion of authority to award costs and certain fees at prevailing rate and CFR rule 68 provision with net worth limitation (includes outlay effects).....	180da DOE	---	-14	-15	-16	-17	-20	-21	-22	-23	-25	-62	-111
2. Civil damages with respect to unauthorized collection actions (includes outlay effects).....	DOE	-2	-15	-25	-50	-30	-25	-25	-25	-25	-25	-122	-125
3. Increase in size of cases permitted on small case calendar to \$50,000.....	pca DOE	----- <i>No Revenue Effect</i> -----											
4. Expand Tax Court jurisdiction to include responsible person penalties.....	pia DOE	-11	-15	-13	-7	-7	-7	-7	-8	-8	-8	-53	-38
5. Actions for refund with respect to certain estates which have elected the installment method of payment.....	rfa DOE	----- <i>Negligible Revenue Effect</i> -----											
6. Provide Tax Court jurisdiction to review adverse IRS determination of a bond issuer's tax-exempt status.....	pfa DOE	[1]	-5	-2	-2	-2	-2	-2	-2	-2	-2	-11	-10
C. Relief for Innocent Spouses and Persons with Disabilities													
1. Innocent spouse relief - innocent spouses would be able to elect to be liable only for tax attributable to their income (assumes no interaction with any other proposal; includes anti-abuse rule; not innocent if have actual knowledge of understatement of tax).....	laa & ulb DOE	-58	-350	-288	-273	-346	-480	-608	-773	-910	-1,071	-1,315	-3,842
2. Reports on collection activity against spouses.....	bi 1999	----- <i>No Revenue Effect</i> -----											
3. Suspension of statute of limitations on filing refund claims during periods of disability.....	[2]	-10	-70	-35	-15	-16	-17	-18	-19	-20	-21	-146	-95
4. Require the IRS to send separate notification to both spouses by certified mail.....	nma DOE	----- <i>No Revenue Effect</i> -----											
D. Provisions Relating to Interest and Penalties													
1. Elimination of interest rate differential on overlapping periods of interest on income tax overpayments and underpayments (includes outlay effects).....	cqba DOE	[1]	-9	-28	-42	-54	-57	-60	-63	-66	-69	-134	-315
2. Increase refund interest rate to Applicable Federal Rate ("AFR") + 3 for individual taxpayers (includes outlay effects) [3].....	cqba DOE	-5	-51	-54	-56	-59	-62	-65	-69	-72	-76	-225	-344

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3. Elimination of penalty on individual's failure to pay during installment agreements (for individuals and timely filed returns only).....	iapma DOE	-29	-272	-287	-302	-317	-338	-354	-372	-390	-410	-1,207	-1,864
4. Mitigations of failure to deposit penalty cascading (all taxpayers).....	dma 180da DOE	---	-47	-64	-64	-65	-66	-66	-67	-68	-68	-240	-335
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).....	tyea DOE	---	---	-438	-529	-596	-636	-754	-761	-769	-777	-1,563	-3,697
6. Notices of interest and penalties must show computation.....	na 180da DOE	----- No Revenue Effect -----											
7. Require management to approve non-computer generated penalties (excluding failure to file, pay, or estimated tax payment).....	pa 180da DOE	----- Negligible Revenue Effect -----											
E. Protections for Taxpayers Subject to Audit or Collection													
1. Due process for IRS collection actions.....	caia 6ma DOE	---	-45	-1	-1	-1	-1	-1	-1	-1	-1	-48	-5
2. Extend the attorney client privilege to accountants and other tax practitioners for tax advice of accountant and other tax practitioners.....	DOE	[4]	[4]	[4]	[4]	[4]	[4]	[4]	[4]	[4]	[4]	[5]	[5]
3. Expand the Taxpayer Advocate's authority to issue taxpayer assistance orders.....	DOE	[1]	[1]	[1]	[1]	[1]	[1]	[1]	[1]	[1]	[1]	[4]	[4]
4. Limitation on financial status audit techniques.....	DOE	----- No Revenue Effect -----											
5. IRS summons of computer source code.....	sia DOE & pfsib DOE	---	-26	-32	-39	-45	-53	-61	-66	-72	-74	-142	-326
6. Prohibition on extension of statute of limitations for collection beyond 10 years with estate tax exception.....	[6]	-6	-44	-38	-31	-25	-25	-25	-25	-25	-25	-144	-125
7. Notice of deficiency to specify deadlines for filing Tax Court petition.....	nma 12/31/98	----- Negligible Revenue Effect -----											
8. Refund or credit of overpayments before final determination.....	DOE	----- Negligible Revenue Effect -----											
9. Prohibition on improper threat of audit activity for tip reporting.....	DOE	----- No Revenue Effect -----											
10. Codify existing IRS procedures relating to appeal of examinations and collections and increase independence of appeals function.....	DOE	----- No Revenue Effect -----											
11. Appeals videoconferencing alternative for rural areas.....	DOE	----- No Revenue Effect -----											
12. Require IRS to notify taxpayer before contacting third parties regarding IRS examination or collection activities with respect to the taxpayer (does not apply for criminal cases).....	180da DOE	---	[4]	[4]	[4]	[4]	[4]	[4]	[4]	[4]	[4]	[5]	[5]
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]	[5]	[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.....	180da DOE	----- No Revenue Effect -----											
G. Low-Income Taxpayer Clinics.....	DOE	----- No Revenue Effect -----											
H. Other Taxpayer Rights Provisions													
1. Cataloging complaints of IRS employee misconduct.....	DOE	----- No Revenue Effect -----											
2. Archive of records of IRS.....	DOE	----- No Revenue Effect -----											
3. Payment of taxes to the U.S. Treasury [3].....	DOE	----- No Revenue Effect -----											
4. Clarification of authority of Secretary relating to the making of elections.....	DOE	----- No Revenue Effect -----											

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L. Additional Items													
1. Prohibit using tax enforcement results to evaluate IRS employees.....	DOE	----- No Revenue Effect -----											
2. IRS notices must contain name and telephone number of IRS employee to contact.....	60da DOE	----- No Revenue Effect -----											
3. Require approval of use of pseudonyms by IRS employees.....	DOE	----- No Revenue Effect -----											
4. National Office conferences without field personnel.....	DOE	----- No Revenue Effect -----											
5. Require the IRS to end the use of the illegal tax protestor label.....	DOE	----- No Revenue Effect -----											
6. Modify section 6103 to allow the tax-writing committees to obtain data from IRS employees regarding employee and taxpayer abuse.....	DOE	----- No Revenue Effect -----											
7. Publish telephone numbers for local IRS offices.....	1/1/99	----- No Revenue Effect -----											
8. Alternative to Social Security numbers for tax return preparers.....	DOE	----- No Revenue Effect -----											
9. Expand Alternative Dispute Resolution; binding arbitration pilot program.....	DOE	----- No Revenue Effect -----											
10. Treasury can not implement 98-11 regulations for 6 months, with no inference about transition rules.....	DOE	-8	-36	-10	-6	-3	-3	-2	-1	-1	-1	-63	-8
11. 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.....	tyba 12/31/98	[7]	[7]	[7]	[7]	[7]	[7]	[7]	[7]	[7]	[7]	-1	-1
Subtotal of Taxpayer Protections.....		-137	-1,251	-1,579	-1,693	-1,856	-2,079	-2,370	-2,588	-2,782	-2,998	-6,518	-12,819
IV. Congressional Accountability for the IRS..... ----- No Revenue Effect -----													
V. Revenue Offsets													
A. Repeal <u>Schmidt Baking</u> with Respect to Vacation and Severance Pay.....	tyea DOE	603	1,141	1,160	141	148	156	163	172	180	189	3,193	860
B. Allow Taxpayers to use Foreign Tax Credits to Reduce Income for 1 Year Back and Carryforward 7 Years.....	ftcai tyea DOE	76	525	468	441	416	390	275	271	267	263	1,926	1,466
C. Clarify and Expand Math Error Procedures.....	tyea DOE	---	12	25	26	27	28	29	30	31	32	90	150
D. Freeze Grandfathered Status of Stapled or Paired-Share REITs.....	tyea 3/26/98	[8]	1	3	6	10	14	19	26	35	45	20	139
E. Make Certain Trade Receivables Ineligible for Mark-to-Market Treatment With Spread.....	tyea DOE	33	317	500	333	117	70	73	77	81	85	1,300	386
F. Add Vaccines Against Rotavirus Gastroenteritis to the List of Taxable Vaccines (\$0.75 per dose).....	vpa DOE	---	1	2	3	4	5	6	6	6	7	10	30

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G. Authorize the Federal Government to Offset a Federal Income Tax Refund to Satisfy a Past Due, Legally Owing State Income Tax Debt.....	rda DOE	2	2	3	3	3	3	3	4	4	4	13	18
Subtotal of Revenue Offsets.....		714	1,999	2,161	953	725	666	568	586	604	625	6,552	3,049
NET TOTAL		577	748	582	-740	-1,131	-1,413	-1,802	-2,002	-2,178	-2,373	34	-9,770

Joint Committee on Taxation

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

Legend for "Effective" column:

- | | | |
|---|---|--------------------------------------|
| aa = actions after | na = notices after | Soa = sales occurring after |
| bi = beginning in | nma = notices mailed after | ssa = summonses served after |
| caca = collection actions commenced after | oara = offers and requests after | taa = taxes assessed after |
| cala = collection actions initiated after | osa = offers-in-compromise submitted after | tao/a = taxes assessed on or after |
| cata = collection actions taken after | pa = penalties after | tyba = taxable years beginning after |
| cqba = calendar quarters beginning after | pca = proceedings commencing after | tyea = taxable years ending after |
| dma = deposits made after | pfa = petitions filed after | ulb = unpaid liability before |
| DOE = date of enactment | psib = protection for summonses issued before | vpa = vaccines purchased after |
| eca = examinations commencing after | pia = penalties imposed after | 1ya = 1 year after |
| ftcai = foreign tax credits arising in | rda = refunds due after | 6ma = 6 months after |
| iapma = installment agreement payments made after | rfa = refunds filed after | 9ma = 9 months after |
| la = levies after | sia = summonses issued after | 60da = 60 days after |
| laa = liability arising after | soa = seizures occurring after | 180da = 180 days after |
| lia = levies imposed after | | |

- [1] Loss of less than \$1 million.
- [2] Effective for periods of disability before, on or after the date of enactment but would not apply to any claim for refund or credit which (without regard to the proposed provision) is barred by the statute of limitations as of 1/1/98.
- [3] Estimate provided by the Congressional Budget Office.
- [4] Loss of less than \$5 million.
- [5] Loss of less than \$25 million.
- [6] Effective for requests to extend the statute of limitations made after the date of enactment and to all extensions of the statute of limitations on collections that are open 180 days after the date of enactment.
- [7] Loss of less than \$500,000.
- [8] Gain of less than \$500,000.