

JOINT COMMITTEE ON TAXATION

March 27, 1998

JCX-19-98

ESTIMATED REVENUE EFFECTS OF THE SENATE FINANCE COMMITTEE CHAIRMAN'S MARK
RELATING TO REFORM AND RESTRUCTURING OF THE INTERNAL REVENUE SERVICE

Fiscal Years 1998 - 2002

[Millions of Dollars]

| Provision | Effective | 1998 | 1999 | 2000 | 2001 | 2002 | 1998-02 |
|---|-----------|--|------|------|------|------|---------|
| 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 | -953 |
| 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 | -62 |
| 2. Civil damages with respect to unauthorized collection actions (includes outlay effects)..... | DOE | -2 | -15 | -25 | -50 | -30 | -122 |
| 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 | -53 |
| 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 | -11 |

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|--|---------------|---------------------------------------|------|------|------|------|---------|
| 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)..... | laa & ulb DOE | -58 | -350 | -288 | -273 | -346 | -1,315 |
| 2. Reports on collection activity against spouses..... | bi 1999 | ----- No Revenue Effect ----- | | | | | |
| 3. Suspension of statute of limitations on filing refund claims during periods of disability..... | [2] | -10 | -70 | -35 | -15 | -16 | -146 |
| 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 | -134 |
| 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 | -225 |
| 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 | -1,207 |
| 4. Mitigations of failure to deposit penalty cascading (all taxpayers)..... | dma 180da DOE | --- | -47 | -64 | -64 | -65 | -240 |
| 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 | -1,563 |
| 6. Notices of 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 | -48 |
| 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] | [5] |
| 3. Expand the Taxpayer Advocate's authority to issue taxpayer assistance orders..... | DOE | [1] | [1] | [1] | [1] | [1] | [4] |
| 4. Limitation on financial status audit techniques..... | DOE | ----- No Revenue Effect ----- | | | | | |

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|---|---------------------|--|------|------|------|------|---------|
| 5. IRS summons of computer source code..... | sia DOE & pfsib DOE | --- | -26 | -32 | -39 | -45 | -142 |
| 6. Prohibition on extension of statute of limitations for collection beyond 10 years with estate tax exception..... | [6] | -6 | -44 | -38 | -31 | -25 | -144 |
| 7. Notice of deficiency to specify deadlines for filing Tax Court petition..... | nma 12/31/98 | ----- <i>Negligible Revenue Effect</i> ----- | | | | | |
| 8. Refund or credit of overpayments before final determination..... | DOE | ----- <i>Negligible Revenue Effect</i> ----- | | | | | |
| 9. Prohibition on improper threat of audit activity for tip reporting..... | DOE | ----- <i>No Revenue Effect</i> ----- | | | | | |
| 10. Codify existing IRS procedures relating to appeal of examinations and collections and increase independence of appeals function..... | DOE | ----- <i>No Revenue Effect</i> ----- | | | | | |
| 11. Appeals videoconferencing alternative for rural areas..... | DOE | ----- <i>No Revenue Effect</i> ----- | | | | | |
| 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] | [5] |
| F. Disclosures to Taxpayers | | | | | | | |
| 1. Explanation of joint and several liability..... | 180da DOE | ----- <i>No Revenue Effect</i> ----- | | | | | |
| 2. Explanation of taxpayers' rights in interviews with IRS..... | 180da DOE | --- | -13 | [1] | [1] | [1] | [5] |
| 3. Disclosure of criteria for examination selection..... | 180da DOE | ----- <i>No Revenue Effect</i> ----- | | | | | |
| 4. Explanations of appeals and collection process..... | 180da DOE | ----- <i>No Revenue Effect</i> ----- | | | | | |
| 5. Require IRS to explain reason for denial for refund..... | 180da DOE | ----- <i>No Revenue Effect</i> ----- | | | | | |
| G. Low-Income Taxpayer Clinics..... | DOE | ----- <i>No Revenue Effect</i> ----- | | | | | |
| H. Other Taxpayer Rights Provisions | | | | | | | |
| 1. Cataloging complaints of IRS employee misconduct..... | DOE | ----- <i>No Revenue Effect</i> ----- | | | | | |
| 2. Archive of records of IRS..... | DOE | ----- <i>No Revenue Effect</i> ----- | | | | | |
| 3. Payment of taxes to the U.S. Treasury [3]..... | DOE | ----- <i>No Revenue Effect</i> ----- | | | | | |
| 4. Clarification of authority of Secretary relating to the making of elections..... | DOE | ----- <i>No Revenue Effect</i> ----- | | | | | |
| I. Studies | | | | | | | |
| 1. Study of penalty administration and implementation..... | 9ma DOE | ----- <i>No Revenue Effect</i> ----- | | | | | |
| 2. Study of confidentiality of tax return information..... | 1ya DOE | ----- <i>No Revenue Effect</i> ----- | | | | | |
| J. Limits on Seizure Authority | | | | | | | |
| 1. IRS to implement approval process for liens, levies, or seizures..... | caca DOE | ----- <i>No Revenue Effect</i> ----- | | | | | |

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| 2. Prohibit the IRS from selling taxpayer's property for less than the minimum bid..... | Soa DOE | ----- No Revenue Effect ----- | | | | | |
| 3. 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 ----- | | | | | |
| 4. 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 ----- | | | | | |
| 5. Increase the amount exempt from levy to \$10,000 for personal property and \$5,000 for books and tools of trade, indexed for inflation..... | cata DOE | [1] | -5 | -5 | -5 | -5 | -21 |
| 6. Require the IRS to immediately release a levy upon agreement that the amount is not collectible..... | lia DOE | ----- Negligible Revenue Effect ----- | | | | | |
| 7. Codify IRS administrative procedures for seizure of taxpayer's property..... | DOE | ----- No Revenue Effect ----- | | | | | |
| 8. Suspend collection by levy during refund suit..... | tyba 12/31/98 | ----- Negligible Revenue Effect ----- | | | | | |
| 9. Require District Counsel review of jeopardy and termination assessments and jeopardy levies..... | taa DOE | ----- Negligible Revenue Effect ----- | | | | | |
| 10. Codify certain fair debt collection procedures..... | DOE | ----- No Revenue Effect ----- | | | | | |
| 11. Ensure availability of installment agreements..... | DOE | ----- No Revenue Effect ----- | | | | | |
| 12. Increase superpriority dollar limits..... | DOE | ----- Negligible Revenue Effect ----- | | | | | |
| 13. Permit personal delivery of section 6672(b) notices..... | DOE | ----- No Revenue Effect ----- | | | | | |
| 14. Allow taxpayers to quash all third-party summonses..... | ssa DOE | ----- Negligible Revenue Effect ----- | | | | | |
| 15. Permit service of summonses by mail or in person..... | ssa DOE | ----- No Revenue Effect ----- | | | | | |
| 16. Provide new remedy for third parties who claim that the IRS has filed an erroneous lien..... | DOE | ----- Negligible Revenue Effect ----- | | | | | |
| 17. Waive the 10% early withdrawal penalty when IRA or qualified plan is levied..... | la DOE | -1 | -3 | -4 | -4 | -4 | -17 |
| 18. Prohibit seizure of residences in small deficiency cases..... | DOE | ----- Negligible Revenue Effect ----- | | | | | |
| K. Offers-in-Compromise | | | | | | | |
| 1. Rights of taxpayers entering into offers-in-compromise..... | DOE | [1] | [4] | [1] | [1] | [1] | [5] |
| 2. Prohibit IRS rejection of low-income taxpayer's offer-in-compromise based on amount of offer..... | osa DOE | ----- No Revenue Effect ----- | | | | | |
| 3. Prohibit IRS rejection of an offer-in-compromise solely based on a dispute as to liability because the taxpayer's file cannot be located by the IRS..... | osa DOE | ----- No Revenue Effect ----- | | | | | |

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| 4. Prohibit the IRS from requiring a financial statement for offer-in-compromise based solely on doubt as to liability..... | DOE | | | | | | <i>No Revenue Effect</i> |
| 5. Suspend collection by levy while offer-in-compromise is pending..... | tao/a 60da DOE | | | | | | <i>Negligible Revenue Effect</i> |
| 6. Rejected offers-in-compromise and requests for installment agreements to be reviewed..... | oara DOE | | | | | | <i>No Revenue Effect</i> |
| 7. Liberal acceptance policy for offers-in-compromise..... | DOE | | | | | | <i>No Revenue Effect</i> |
| L. Additional Items | | | | | | | |
| 1. Prohibit using tax enforcement results to evaluate IRS employees..... | DOE | | | | | | <i>No Revenue Effect</i> |
| 2. IRS notices must contain name and telephone number of IRS employee to contact..... | 60da DOE | | | | | | <i>No Revenue Effect</i> |
| 3. Require approval of use of pseudonyms by IRS employees..... | DOE | | | | | | <i>No Revenue Effect</i> |
| 4. National Office conferences without field personnel..... | DOE | | | | | | <i>No Revenue Effect</i> |
| 5. Require the IRS to end the use of the illegal tax protestor label..... | DOE | | | | | | <i>No Revenue Effect</i> |
| 6. Modify section 6103 to allow the tax-writing committees to obtain data from IRS employees regarding employee and taxpayer abuse..... | DOE | | | | | | <i>No Revenue Effect</i> |
| Subtotal of Taxpayer Protections..... | | -129 | -1,215 | -1,569 | -1,687 | -1,853 | -6,454 |
| IV. Congressional Accountability for the IRS..... | | | | | | | <i>No Revenue Effect</i> |
| 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 | 3,193 |
| 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 | 1,926 |
| C. Clarify and Expand Math Error Procedures..... | tyea DOE | --- | 12 | 25 | 26 | 27 | 90 |
| D. Freeze Grandfathered Status of Stapled or Paired-Share REITs..... | tyea 3/26/98 | [7] | 1 | 3 | 6 | 10 | 20 |

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|--|-----------|------------------------------|--------------|--------------|-------------|---------------|--------------|
| E. Make Certain Trade Receivables Ineligible for Mark-to-Market Treatment With Spread..... | tyea DOE | 33 | 317 | 500 | 333 | 117 | 1,300 |
| Subtotal of Revenue Offsets..... | | 712 | 1,996 | 2,156 | 947 | 718 | 6,529 |
| VI. Tax Technical Corrections Provisions..... | | - No Revenue Effect - | | | | | |
| NET TOTAL | | 583 | 781 | 587 | -740 | -1,135 | 75 |

Joint Committee on Taxation

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

Legend for "Effective" column:

- bi = beginning in
- caca = collection actions commenced after
- caia = collection actions initiated after
- cata = collection actions taken after
- cqba = calendar quarters beginning after
- dma = deposits made after
- DOE = date of enactment
- eca = examinations commencing after
- ftcai = foreign tax credits arising in
- iapma = installment agreement payments made after
- la = levies after
- laa = liability arising after
- lia = levies imposed after
- na = notices after
- nma = notices mailed after
- oara = offers and requests after
- osa = offers-in-compromise submitted after
- pa = penalties after
- pca = proceedings commencing after

- pfa = petitions filed after
- psib = protection for summonses issued before
- pia = penalties imposed after
- rfa = refunds filed after
- sia = summonses issued after
- soa = seizures occurring after
- Soa = sales occurring after
- ssa = summonses served after
- taa = taxes assessed after
- tao/a = taxes assessed on or after
- tyba = taxable years beginning after
- tyea = taxable years ending after
- ulb = unpaid liability before
- 1ya = 1 year after
- 6ma = 6 months after
- 9ma = 9 months after
- 60da = 60 days after
- 90da = 90 days after
- 180da = 180 days after

Footnotes for JCX-19-98:

- [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] Gain of less than \$500,000.