

115TH CONGRESS
2D SESSION

S. 3246

To provide enhanced protections for taxpayers from fraud and other illegal activities, and for other purposes.

IN THE SENATE OF THE UNITED STATES

JULY 19, 2018

Mr. HATCH (for himself, Mr. WYDEN, Mr. GRASSLEY, Ms. CANTWELL, Mr. ROBERTS, Mr. CARDIN, Mr. THUNE, Mr. BENNET, Mr. ISAKSON, Mr. WARNER, Mr. SCOTT, Mr. CASSIDY, and Mrs. MCCASKILL) introduced the following bill; which was read twice and referred to the Committee on Finance

A BILL

To provide enhanced protections for taxpayers from fraud and other illegal activities, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE; ETC.**

4 (a) SHORT TITLE.—This Act may be cited as the
5 “Taxpayer First Act of 2018”.

6 (b) AMENDMENT OF 1986 CODE.—Except as other-
7 wise expressly provided, whenever in this Act an amend-
8 ment or repeal is expressed in terms of an amendment
9 to, or repeal of, a section or other provision, the reference

1 shall be considered to be made to a section or other provi-
 2 sion of the Internal Revenue Code of 1986.

3 (c) SECRETARY.—In this Act, the term “Secretary”
 4 means the Secretary of the Treasury or the Secretary’s
 5 delegate.

6 (d) TABLE OF CONTENTS.—The table of contents of
 7 this Act is as follows:

Sec. 1. Short title; etc.

TITLE I—TAXPAYER PROTECTION

Subtitle A—Protection of Taxpayer Rights

PART I—ASSISTANCE TO INDIVIDUAL TAXPAYERS IN FILING RETURNS

- Sec. 1001. Return preparation programs for applicable taxpayers.
- Sec. 1002. Limit redisclosures and uses of consent-based disclosures of tax re-
 turn information.
- Sec. 1003. Clarification of equitable relief from joint liability.
- Sec. 1004. Notice from IRS regarding closure of Taxpayer Assistance Centers.

PART II—WHISTLEBLOWER PROTECTIONS

- Sec. 1011. Whistleblower reforms.

PART III—REFORM OF LAWS GOVERNING INTERNAL REVENUE SERVICE EMPLOYEES

- Sec. 1021. Electronic record retention.
- Sec. 1022. Prohibition on rehiring former IRS employees who were involun-
 tarily separated for misconduct.
- Sec. 1023. Authority to remove or transfer senior IRS executives who fail in
 their performance or engage in serious misconduct.
- Sec. 1024. Limitation on access of non-Internal Revenue Service employees to
 returns and return information.
- Sec. 1025. Notification of unauthorized inspection or disclosure of returns and
 return information.

PART IV—EXEMPT ORGANIZATIONS

- Sec. 1031. Mandatory e-filing by exempt organizations.
- Sec. 1032. Prohibit the use of IRS funds for political targeting.
- Sec. 1033. Notice required before revocation of tax exempt status for failure to
 file return.

PART V—IRS AUDIT CRITERIA

- Sec. 1041. Report on IRS audit criteria.

Subtitle B—Protection of Taxpayers From Identity Theft and Tax Fraud

- Sec. 1101. Single point of contact for tax-related identity theft victims.
 Sec. 1102. Information on identity theft and tax scams.
 Sec. 1103. Notification of suspected identity theft.

TITLE II—STOLEN IDENTITY FRAUD PREVENTION

Subtitle A—Identity Theft and Tax Refund Fraud Prevention

PART I—GENERAL PROVISIONS

- Sec. 2001. Guidelines for stolen identity refund fraud cases.
 Sec. 2002. Increased penalty for improper disclosure or use of information by preparers of returns.

PART II—ADMINISTRATIVE AUTHORITY TO PREVENT IDENTITY THEFT AND TAX REFUND FRAUD

- Sec. 2011. Authority to transfer Internal Revenue Service appropriations to combat tax fraud.
 Sec. 2012. Streamlined critical pay authority for information technology positions.
 Sec. 2013. Access to the National Directory of New Hires to identify and prevent fraudulent tax return filings and claims for refund.
 Sec. 2014. Repeal of provision regarding certain tax compliance procedures and reports.

Subtitle B—Improvements to Electronic Filing of Tax Returns

- Sec. 2101. Identity protection personal identification numbers.
 Sec. 2102. Electronic filing of returns.
 Sec. 2103. Internet platform for Form 1099 filings.
 Sec. 2104. Requirement that electronically prepared paper returns include scannable code.
 Sec. 2105. Authentication of users of electronic services accounts.

1 **TITLE I—TAXPAYER**
 2 **PROTECTION**
 3 **Subtitle A—Protection of Taxpayer**
 4 **Rights**

5 **PART I—ASSISTANCE TO INDIVIDUAL**
 6 **TAXPAYERS IN FILING RETURNS**

7 **SEC. 1001. RETURN PREPARATION PROGRAMS FOR APPLI-**
 8 **CABLE TAXPAYERS.**

9 (a) IN GENERAL.—Chapter 77 is amended by insert-
 10 ing after section 7526 the following new section:

1 **“SEC. 7526A. RETURN PREPARATION PROGRAMS FOR AP-**
2 **PLICABLE TAXPAYERS.**

3 “(a) ESTABLISHMENT OF VOLUNTEER INCOME TAX
4 ASSISTANCE MATCHING GRANT PROGRAM.—The Sec-
5 retary shall establish a Community Volunteer Income Tax
6 Assistance Matching Grant Program under which the Sec-
7 retary may, subject to the availability of appropriated
8 funds, make grants to provide matching funds for the de-
9 velopment, expansion, or continuation of qualified return
10 preparation programs assisting applicable taxpayers and
11 members of underserved populations.

12 “(b) USE OF FUNDS.—

13 “(1) IN GENERAL.—Qualified return prepara-
14 tion programs may use grants received under this
15 section for—

16 “(A) ordinary and necessary costs associ-
17 ated with program operation in accordance with
18 cost principles under the applicable Office of
19 Management and Budget circular, including—

20 “(i) wages or salaries of persons co-
21 ordinating the activities of the program,

22 “(ii) developing training materials,
23 conducting training, and performing qual-
24 ity reviews of the returns prepared under
25 the program,

26 “(iii) equipment purchases, and

1 “(iv) vehicle-related expenses associ-
2 ated with remote or rural tax preparation
3 services,

4 “(B) outreach and educational activities
5 described in subsection (c)(2)(B), and

6 “(C) services related to financial education
7 and capability, asset development, and the es-
8 tablishment of savings accounts in connection
9 with tax return preparation.

10 “(2) REQUIREMENT OF MATCHING FUNDS.—A
11 qualified return preparation program must provide
12 matching funds on a dollar-for-dollar basis for all
13 grants provided under this section. Matching funds
14 may include—

15 “(A) the salary (including fringe benefits)
16 of individuals performing services for the pro-
17 gram,

18 “(B) the cost of equipment used in the
19 program, and

20 “(C) other ordinary and necessary costs
21 associated with the program.

22 Indirect expenses, including general overhead of any
23 entity administering the program, shall not be
24 counted as matching funds.

25 “(c) APPLICATION.—

1 “(1) IN GENERAL.—Each applicant for a grant
2 under this section shall submit an application to the
3 Secretary at such time, in such manner, and con-
4 taining such information as the Secretary may rea-
5 sonably require.

6 “(2) PRIORITY.—In awarding grants under this
7 section, the Secretary shall give priority to applica-
8 tions which demonstrate—

9 “(A) assistance to applicable taxpayers,
10 with emphasis on outreach to, and services for,
11 such taxpayers,

12 “(B) taxpayer outreach and educational
13 activities relating to eligibility and availability
14 of income supports available through this title,
15 including the earned income tax credit, and

16 “(C) specific outreach and focus on one or
17 more underserved populations.

18 “(3) AMOUNTS TAKEN INTO ACCOUNT.—In de-
19 termining matching grants under this section, the
20 Secretary shall only take into account amounts pro-
21 vided by the qualified return preparation program
22 for expenses described in subsection (b).

23 “(d) PROGRAM ADHERENCE.—

24 “(1) IN GENERAL.—The Secretary shall estab-
25 lish procedures for, and shall conduct not less fre-

1 quently than once every 5 calendar years during
2 which a qualified return preparation program is op-
3 erating under a grant under this section, periodic
4 site visits—

5 “(A) to ensure the program is carrying out
6 the purposes of this section, and

7 “(B) to determine whether the program
8 meets such program adherence standards as the
9 Secretary shall by regulation or other guidance
10 prescribe.

11 “(2) ADDITIONAL REQUIREMENTS FOR GRANT
12 RECIPIENTS NOT MEETING PROGRAM ADHERENCE
13 STANDARDS.—In the case of any qualified return
14 preparation program which—

15 “(A) is awarded a grant under this section,
16 and

17 “(B) is subsequently determined—

18 “(i) not to meet the program adher-
19 ence standards described in paragraph
20 (1)(B), or

21 “(ii) not to be otherwise carrying out
22 the purposes of this section,

23 such program shall not be eligible for any additional
24 grants under this section unless such program pro-
25 vides sufficient documentation of corrective meas-

1 ures established to address any such deficiencies de-
2 termined.

3 “(e) DEFINITIONS.—For purposes of this section—

4 “(1) QUALIFIED RETURN PREPARATION PRO-
5 GRAM.—The term ‘qualified return preparation pro-
6 gram’ means any program—

7 “(A) which provides assistance to individ-
8 uals, not less than 90 percent of whom are ap-
9 plicable taxpayers, in preparing and filing Fed-
10 eral income tax returns,

11 “(B) which is administered by a qualified
12 entity,

13 “(C) in which all volunteers who assist in
14 the preparation of Federal income tax returns
15 meet the training requirements prescribed by
16 the Secretary, and

17 “(D) which uses a quality review process
18 which reviews 100 percent of all returns.

19 “(2) QUALIFIED ENTITY.—

20 “(A) IN GENERAL.—The term ‘qualified
21 entity’ means any entity which—

22 “(i) is an eligible organization,

23 “(ii) is in compliance with Federal tax
24 filing and payment requirements,

1 “(iii) is not debarred or suspended
2 from Federal contracts, grants, or coopera-
3 tive agreements, and

4 “(iv) agrees to provide documentation
5 to substantiate any matching funds pro-
6 vided pursuant to the grant program under
7 this section.

8 “(B) ELIGIBLE ORGANIZATION.—The term
9 ‘eligible organization’ means—

10 “(i) an institution of higher education
11 which is described in section 102 (other
12 than subsection (a)(1)(C) thereof) of the
13 Higher Education Act of 1965 (20 U.S.C.
14 1002), as in effect on the date of the en-
15 actment of this section, and which has not
16 been disqualified from participating in a
17 program under title IV of such Act,

18 “(ii) an organization described in sec-
19 tion 501(c) and exempt from tax under
20 section 501(a),

21 “(iii) a local government agency, in-
22 cluding—

23 “(I) a county or municipal gov-
24 ernment agency, and

1 “(II) an Indian tribe, as defined
2 in section 4(13) of the Native Amer-
3 ican Housing Assistance and Self-De-
4 termination Act of 1996 (25 U.S.C.
5 4103(13)), including any tribally des-
6 ignated housing entity (as defined in
7 section 4(22) of such Act (25 U.S.C.
8 4103(22))), tribal subsidiary, subdivi-
9 sion, or other wholly owned tribal en-
10 tity,

11 “(iv) a local, State, regional, or na-
12 tional coalition (with one lead organization
13 which meets the eligibility requirements of
14 clause (i), (ii), or (iii) acting as the appli-
15 cant organization), or

16 “(v) in the case of applicable tax-
17 payers and members of underserved popu-
18 lations with respect to which no organiza-
19 tions described in the preceding clauses are
20 available—

21 “(I) a State government agency,

22 or

23 “(II) an office providing Cooper-
24 ative Extension services (as estab-
25 lished at the land-grant colleges and

1 universities under the Smith-Lever
2 Act of May 8, 1914).

3 “(3) APPLICABLE TAXPAYERS.—The term ‘ap-
4 plicable taxpayer’ means a taxpayer whose income
5 for the taxable year does not exceed an amount
6 equal to the completed phaseout amount under sec-
7 tion 32(b) for a married couple filing a joint return
8 with three or more qualifying children, as deter-
9 mined in a revenue procedure or other published
10 guidance.

11 “(4) UNDERSERVED POPULATION.—The term
12 ‘underserved population’ includes populations of per-
13 sons with disabilities, persons with limited English
14 proficiency, Native Americans, individuals living in
15 rural areas, members of the Armed Forces and their
16 spouses, and the elderly.

17 “(f) SPECIAL RULES AND LIMITATIONS.—

18 “(1) DURATION OF GRANTS.—Upon application
19 of a qualified return preparation program, the Sec-
20 retary is authorized to award a multi-year grant not
21 to exceed 3 years.

22 “(2) AGGREGATE LIMITATION.—Unless other-
23 wise provided by specific appropriation, the Sec-
24 retary shall not allocate more than \$30,000,000 per

1 fiscal year (exclusive of costs of administering the
2 program) to grants under this section.

3 “(g) PROMOTION OF PROGRAMS.—

4 “(1) IN GENERAL.—The Secretary shall pro-
5 mote tax preparation through qualified return prepa-
6 ration programs through the use of mass commu-
7 nications and other means.

8 “(2) PROVISION OF INFORMATION REGARDING
9 QUALIFIED RETURN PREPARATION PROGRAMS.—The
10 Secretary may provide taxpayers information regard-
11 ing qualified return preparation programs receiving
12 grants under this section.

13 “(3) VITA GRANTEE REFERRAL.—Qualified re-
14 turn preparation programs receiving a grant under
15 this section are encouraged, in appropriate cases,
16 to—

17 “(A) advise taxpayers of the availability of,
18 and eligibility requirements for receiving, advice
19 and assistance from qualified low-income tax-
20 payer clinics receiving funding under section
21 7526, and

22 “(B) provide information regarding the lo-
23 cation of, and contact information for, such
24 clinics.”.

1 (b) CLERICAL AMENDMENT.—The table of sections
 2 for chapter 77 is amended by inserting after the item re-
 3 lating to section 7526 the following new item:

“Sec. 7526A. Return preparation programs for applicable taxpayers.”.

4 **SEC. 1002. LIMIT REDISCLOSURES AND USES OF CONSENT-**
 5 **BASED DISCLOSURES OF TAX RETURN INFOR-**
 6 **MATION.**

7 (a) IN GENERAL.—Section 6103(c) is amended by
 8 adding at the end the following: “Persons designated by
 9 the taxpayer under this subsection to receive return infor-
 10 mation shall not use the information for any purpose other
 11 than the express purpose for which consent was granted
 12 and shall not disclose return information to any other per-
 13 son without the express permission of, or request by, the
 14 taxpayer.”.

15 (b) APPLICATION OF PENALTIES.—Section
 16 6103(a)(3) is amended by inserting “subsection (c),” after
 17 “return information under”.

18 (c) EFFECTIVE DATE.—The amendments made by
 19 this section shall apply to disclosures made after the date
 20 that is 6 months after the date of the enactment of this
 21 Act.

22 **SEC. 1003. CLARIFICATION OF EQUITABLE RELIEF FROM**
 23 **JOINT LIABILITY.**

24 (a) IN GENERAL.—Section 6015 is amended—

1 (1) in subsection (e), by adding at the end the
2 following new paragraph:

3 “(7) STANDARD AND SCOPE OF REVIEW.—Any
4 review of a determination made under this section
5 shall be reviewed de novo by the Tax Court and shall
6 be based upon—

7 “(A) the administrative record established
8 at the time of the determination, and

9 “(B) any additional newly discovered or
10 previously unavailable evidence.”; and

11 (2) by amending subsection (f) to read as fol-
12 lows:

13 “(f) EQUITABLE RELIEF.—

14 “(1) IN GENERAL.—Under procedures pre-
15 scribed by the Secretary, if—

16 “(A) taking into account all the facts and
17 circumstances, it is inequitable to hold the indi-
18 vidual liable for any unpaid tax or any defi-
19 ciency (or any portion of either), and

20 “(B) relief is not available to such indi-
21 vidual under subsection (b) or (c),

22 the Secretary may relieve such individual of such li-
23 ability.

1 “(2) LIMITATION.—A request for equitable re-
 2 lief under this subsection may be made with respect
 3 to any portion of any liability that—

4 “(A) has not been paid, provided that such
 5 request is made before the expiration of the ap-
 6 plicable period of limitation under section 6502,
 7 or

8 “(B) has been paid, provided that such re-
 9 quest is made during the period in which the
 10 individual could submit a timely claim for re-
 11 fund or credit of such payment.”.

12 (b) EFFECTIVE DATE.—The amendments made by
 13 this section shall apply to petitions or requests filed or
 14 pending on or after the date of the enactment of this Act.

15 **SEC. 1004. NOTICE FROM IRS REGARDING CLOSURE OF**
 16 **TAXPAYER ASSISTANCE CENTERS.**

17 Not later than 90 days before the date that a pro-
 18 posed closure of a Taxpayer Assistance Center would take
 19 effect, the Secretary shall—

20 (1) make publicly available (including by non-
 21 electronic means) a notice which—

22 (A) identifies the Taxpayer Assistance
 23 Center proposed for closure and the date of
 24 such proposed closure; and

1 (B) identifies the relevant alternative
 2 sources of taxpayer assistance which may be
 3 utilized by taxpayers affected by such proposed
 4 closure; and

5 (2) submit to Congress a written report that in-
 6 cludes—

7 (A) the information included in the notice
 8 described in paragraph (1);

9 (B) the reasons for such proposed closure;
 10 and

11 (C) such other information as the Sec-
 12 retary may determine appropriate.

13 **PART II—WHISTLEBLOWER PROTECTIONS**

14 **SEC. 1011. WHISTLEBLOWER REFORMS.**

15 (a) MODIFICATIONS TO DISCLOSURE RULES FOR
 16 WHISTLEBLOWERS.—

17 (1) IN GENERAL.—Section 6103(k) is amended
 18 by adding at the end the following new paragraph:

19 “(13) DISCLOSURE TO WHISTLEBLOWERS.—

20 “(A) IN GENERAL.—The Secretary may
 21 disclose, to any individual providing information
 22 relating to any purpose described in paragraph
 23 (1) or (2) of section 7623(a), return informa-
 24 tion related to the investigation of any taxpayer
 25 with respect to whom the individual has pro-

1 vided such information, but only to the extent
2 that such disclosure is necessary in obtaining
3 information, which is not otherwise reasonably
4 available, with respect to the correct determina-
5 tion of tax liability for tax, or the amount to be
6 collected with respect to the enforcement of any
7 other provision of this title.

8 “(B) UPDATES ON WHISTLEBLOWER IN-
9 VESTIGATIONS.—The Secretary shall disclose to
10 an individual providing information relating to
11 any purpose described in paragraph (1) or (2)
12 of section 7623(a) the following:

13 “(i) Not later than 60 days after a
14 case for which the individual has provided
15 information has been referred for an audit
16 or examination, a notice with respect to
17 such referral.

18 “(ii) Not later than 60 days after a
19 taxpayer with respect to whom the indi-
20 vidual has provided information has made
21 a payment of tax with respect to tax liabil-
22 ity to which such information relates, a no-
23 tice with respect to such payment.

24 “(iii) Subject to such requirements
25 and conditions as are prescribed by the

1 Secretary, upon a written request by such
2 individual—

3 “(I) information on the status
4 and stage of any investigation or ac-
5 tion related to such information, and

6 “(II) in the case of a determina-
7 tion of the amount of any award
8 under section 7623(b), the reasons for
9 such determination.

10 Clause (iii) shall not apply to any information
11 if the Secretary determines that disclosure of
12 such information would seriously impair Fed-
13 eral tax administration. Information described
14 in clauses (i), (ii), and (iii) may be disclosed to
15 a designee of the individual providing such in-
16 formation in accordance with guidance provided
17 by the Secretary.”.

18 (2) CONFORMING AMENDMENTS.—

19 (A) CONFIDENTIALITY OF INFORMA-
20 TION.—Section 6103(a)(3) is amended by strik-
21 ing “subsection (k)(10)” and inserting “para-
22 graph (10) or (13) of subsection (k)”.

23 (B) PENALTY FOR UNAUTHORIZED DIS-
24 CLOSURE.—Section 7213(a)(2) is amended by

1 striking “(k)(10)” and inserting “(k)(10) or
2 (13)”.

3 (C) COORDINATION WITH AUTHORITY TO
4 DISCLOSE FOR INVESTIGATIVE PURPOSES.—
5 Section 6103(k)(6) is amended by adding at the
6 end the following new sentence: “This para-
7 graph shall not apply to any disclosure to an in-
8 dividual providing information relating to any
9 purpose described in paragraph (1) or (2) of
10 section 7623(a) which is made under paragraph
11 (13)(A).”.

12 (b) PROTECTION AGAINST RETALIATION.—Section
13 7623 is amended by adding at the end the following new
14 subsection:

15 “(d) CIVIL ACTION TO PROTECT AGAINST RETALIA-
16 TION CASES.—

17 “(1) ANTI-RETALIATION WHISTLEBLOWER PRO-
18 TECTION FOR EMPLOYEES.—No employer or any of-
19 ficer, employee, contractor, subcontractor, or agent
20 of such employer may discharge, demote, suspend,
21 threaten, harass, or in any other manner discrimi-
22 nate against an employee in the terms and condi-
23 tions of employment (including through an act in the
24 ordinary course of such employee’s duties) in re-
25 prisal for any lawful act done by the employee—

1 “(A) to provide information, cause infor-
2 mation to be provided, or otherwise assist in an
3 investigation regarding underpayment of tax or
4 any conduct which the employee reasonably be-
5 lieves constitutes a violation of the internal rev-
6 enue laws or any provision of Federal law relat-
7 ing to tax fraud, when the information or as-
8 sistance is provided to the Internal Revenue
9 Service, the Secretary of Treasury, the Treas-
10 ury Inspector General for Tax Administration,
11 the Comptroller General of the United States,
12 the Department of Justice, the United States
13 Congress, a person with supervisory authority
14 over the employee, or any other person working
15 for the employer who has the authority to inves-
16 tigate, discover, or terminate misconduct, or

17 “(B) to testify, participate in, or otherwise
18 assist in any administrative or judicial action
19 taken by the Internal Revenue Service relating
20 to an alleged underpayment of tax or any viola-
21 tion of the internal revenue laws or any provi-
22 sion of Federal law relating to tax fraud.

23 “(2) ENFORCEMENT ACTION.—

24 “(A) IN GENERAL.—A person who alleges
25 discharge or other reprisal by any person in vio-

1 lation of paragraph (1) may seek relief under
2 paragraph (3) by—

3 “(i) filing a complaint with the Sec-
4 retary of Labor, or

5 “(ii) if the Secretary of Labor has not
6 issued a final decision within 180 days of
7 the filing of the complaint and there is no
8 showing that such delay is due to the bad
9 faith of the claimant, bringing an action at
10 law or equity for de novo review in the ap-
11 propriate district court of the United
12 States, which shall have jurisdiction over
13 such an action without regard to the
14 amount in controversy.

15 “(B) PROCEDURE.—

16 “(i) IN GENERAL.—An action under
17 subparagraph (A)(i) shall be governed
18 under the rules and procedures set forth in
19 section 42121(b) of title 49, United States
20 Code.

21 “(ii) EXCEPTION.—Notification made
22 under section 42121(b)(1) of title 49,
23 United States Code, shall be made to the
24 person named in the complaint and to the
25 employer.

1 “(iii) BURDENS OF PROOF.—An ac-
2 tion brought under subparagraph (A)(ii)
3 shall be governed by the legal burdens of
4 proof set forth in section 42121(b) of title
5 49, United States Code, except that in ap-
6 plying such section—

7 “(I) ‘behavior described in para-
8 graph (1)’ shall be substituted for ‘be-
9 havior described in paragraphs (1)
10 through (4) of subsection (a)’ each
11 place it appears in paragraph (2)(B)
12 thereof, and

13 “(II) ‘a violation of paragraph
14 (1)’ shall be substituted for ‘a viola-
15 tion of subsection (a)’ each place it
16 appears.

17 “(iv) STATUTE OF LIMITATIONS.—A
18 complaint under subparagraph (A)(i) shall
19 be filed not later than 180 days after the
20 date on which the violation occurs.

21 “(v) JURY TRIAL.—A party to an ac-
22 tion brought under subparagraph (A)(ii)
23 shall be entitled to trial by jury.

24 “(3) REMEDIES.—

1 “(A) IN GENERAL.—An employee pre-
2 vailing in any action under paragraph (2)(A)
3 shall be entitled to all relief necessary to make
4 the employee whole.

5 “(B) COMPENSATORY DAMAGES.—Relief
6 for any action under subparagraph (A) shall in-
7 clude—

8 “(i) reinstatement with the same se-
9 niority status that the employee would
10 have had, but for the reprisal,

11 “(ii) the sum of 200 percent of the
12 amount of back pay and 100 percent of all
13 lost benefits, with interest, and

14 “(iii) compensation for any special
15 damages sustained as a result of the re-
16 prisal, including litigation costs, expert wit-
17 ness fees, and reasonable attorney fees.

18 “(4) RIGHTS RETAINED BY EMPLOYEE.—Noth-
19 ing in this section shall be deemed to diminish the
20 rights, privileges, or remedies of any employee under
21 any Federal or State law, or under any collective
22 bargaining agreement.

23 “(5) NONENFORCEABILITY OF CERTAIN PROVI-
24 SIONS WAIVING RIGHTS AND REMEDIES OR REQUIR-
25 ING ARBITRATION OF DISPUTES.—

1 “(A) WAIVER OF RIGHTS AND REM-
 2 EDIES.—The rights and remedies provided for
 3 in this subsection may not be waived by any
 4 agreement, policy form, or condition of employ-
 5 ment, including by a predispute arbitration
 6 agreement.

7 “(B) PREDISPUTE ARBITRATION AGREE-
 8 MENTS.—No predispute arbitration agreement
 9 shall be valid or enforceable, if the agreement
 10 requires arbitration of a dispute arising under
 11 this subsection.”.

12 (c) EFFECTIVE DATE.—

13 (1) IN GENERAL.—The amendments made by
 14 subsection (a) shall apply to disclosures made after
 15 the date of the enactment of this Act.

16 (2) CIVIL PROTECTION.—The amendment made
 17 by subsection (b) shall take effect on the date of the
 18 enactment of this Act.

19 **PART III—REFORM OF LAWS GOVERNING**
 20 **INTERNAL REVENUE SERVICE EMPLOYEES**

21 **SEC. 1021. ELECTRONIC RECORD RETENTION.**

22 (a) RETENTION OF RECORDS.—

23 (1) IN GENERAL.—Email records of the Inter-
 24 nal Revenue Service shall be retained in an appro-
 25 priate electronic system that supports records man-

1 agement and litigation requirements, including the
2 capability to identify, retrieve, and retain the
3 records, in accordance with the requirements de-
4 scribed in paragraph (2).

5 (2) REQUIREMENTS.—

6 (A) PRIOR TO CERTIFICATION.—The Com-
7 missioner of Internal Revenue and the Chief
8 Counsel for the Internal Revenue Service shall
9 retain all email records generated on or after
10 the date of the enactment of this Act and be-
11 fore the date on which the Treasury Inspector
12 General for Tax Administration makes the cer-
13 tification under subsection (c)(1).

14 (B) PRINCIPAL OFFICERS AND SPECIFIED
15 EMPLOYEES.—Not later than December 31,
16 2019, the Commissioner of Internal Revenue
17 and the Chief Counsel for the Internal Revenue
18 Service shall maintain email records of all prin-
19 cipal officers and specified employees of the In-
20 ternal Revenue Service for a period of not less
21 than 15 years beginning on the date such
22 record was generated.

23 (b) TRANSMISSION OF RECORDS TO THE NATIONAL
24 ARCHIVES.—Not later than the last day of the period de-
25 scribed in subsection (a)(2)(B), the Commissioner of In-

1 ternal Revenue and the Chief Counsel for the Internal
2 Revenue Service shall transfer the email records of prin-
3 cipal officers and specified employees of the Internal Rev-
4 enue Service to the Archivist of the United States.

5 (c) COMPLIANCE.—

6 (1) CERTIFICATION.—On the date that the
7 Treasury Inspector General for Tax Administration
8 determines that the Internal Revenue Service has a
9 program in place that complies with the require-
10 ments of subsections (a)(2)(B) and (b), the Treas-
11 ury Inspector General for Tax Administration shall
12 certify to the Committee on Ways and Means of the
13 House of Representatives and the Committee on Fi-
14 nance of the Senate that the Internal Revenue Serv-
15 ice is in compliance with such requirements.

16 (2) REPORTS.—

17 (A) INTERIM REPORT.—Not later than De-
18 cember 31, 2019, the Treasury Inspector Gen-
19 eral for Tax Administration shall submit a re-
20 port to the Committee on Ways and Means of
21 the House of Representatives and the Com-
22 mittee on Finance of the Senate on the steps
23 being taken by the Commissioner of Internal
24 Revenue and the Chief Counsel for the Internal

1 Revenue Service to comply with the require-
2 ments of subsections (a)(2)(B) and (b).

3 (B) FINAL REPORT.—Not later than April
4 1, 2020, the Treasury Inspector General for
5 Tax Administration shall submit a report to the
6 Committee on Ways and Means of the House of
7 Representatives and the Committee on Finance
8 of the Senate describing whether the Internal
9 Revenue Service is in compliance with the re-
10 quirements of subsections (a)(2)(B) and (b).

11 (d) DEFINITIONS.—For purposes of this section—

12 (1) PRINCIPAL OFFICER.—The term “principal
13 officer” means, with respect to the Internal Revenue
14 Service—

15 (A) any employee whose position is listed
16 under the Internal Revenue Service in the most
17 recent version of the United States Government
18 Manual published by the Office of the Federal
19 Register;

20 (B) any employee who is a senior staff
21 member reporting directly to the Commissioner
22 of Internal Revenue or the Chief Counsel for
23 the Internal Revenue Service; and

1 (C) any associate counsel, deputy counsel,
 2 or division head in the Office of the Chief
 3 Counsel for the Internal Revenue Service.

4 (2) SPECIFIED EMPLOYEE.—The term “speci-
 5 fied employee” means, with respect to the Internal
 6 Revenue Service, any employee who—

7 (A) holds a Senior Executive Service posi-
 8 tion (as defined in section 3132 of title 5,
 9 United States Code) in the Internal Revenue
 10 Service or the Office of Chief Counsel for the
 11 Internal Revenue Service; and

12 (B) is not a principal officer of the Inter-
 13 nal Revenue Service.

14 **SEC. 1022. PROHIBITION ON REHIRING FORMER IRS EM-**
 15 **PLOYEES WHO WERE INVOLUNTARILY SEPA-**
 16 **RATED FOR MISCONDUCT.**

17 (a) IN GENERAL.—Section 7804 is amended by add-
 18 ing at the end the following new subsection:

19 “(d) PROHIBITION ON REHIRING EMPLOYEES INVOL-
 20 UNTARILY SEPARATED.—Notwithstanding any other pro-
 21 vision of law, the Commissioner may not hire any indi-
 22 vidual previously employed by the Commissioner—

23 “(1) who was removed for misconduct or unac-
 24 ceptable performance under this subchapter, chapter

1 43 or chapter 75 of title 5, United States Code, or
 2 a similar provision of law,

3 “(2) who has voluntarily separated after receiv-
 4 ing a notice of proposed action of removal for mis-
 5 conduct or unacceptable performance, or

6 “(3) whose employment was terminated under
 7 section 1203 of the Internal Revenue Service Re-
 8 structuring and Reform Act of 1998 (26 U.S.C.
 9 7804 note).”.

10 (b) EFFECTIVE DATE.—The amendment made by
 11 subsection (a) shall apply with respect to the hiring of em-
 12 ployees after the date of the enactment of this Act.

13 **SEC. 1023. AUTHORITY TO REMOVE OR TRANSFER SENIOR**
 14 **IRS EXECUTIVES WHO FAIL IN THEIR PER-**
 15 **FORMANCE OR ENGAGE IN SERIOUS MIS-**
 16 **CONDUCT.**

17 (a) IN GENERAL.—Section 1203 of the Internal Rev-
 18 enue Service Restructuring and Reform Act of 1998 (26
 19 U.S.C. 7804 note) is amended by adding at the end the
 20 following new subsection:

21 “(f) REMOVAL OF SENIOR EXECUTIVES BASED ON
 22 PERFORMANCE OR MISCONDUCT.—

23 “(1) REMOVAL OR TRANSFER.—

24 “(A) IN GENERAL.—The Commissioner of
 25 Internal Revenue (referred to in this subsection

1 as the ‘Commissioner’) may remove an indi-
2 vidual employed in a senior executive position
3 at the Internal Revenue Service from the senior
4 executive position if the Commissioner deter-
5 mines the performance or misconduct of the in-
6 dividual warrants such removal. If the Commis-
7 sioner so removes such an individual, the Com-
8 missioner may—

9 “(i) remove the individual from the
10 civil service (as defined in section 2101 of
11 title 5, United States Code); or

12 “(ii) in the case of an individual de-
13 scribed in subparagraph (B), transfer the
14 individual from the senior executive posi-
15 tion to a General Schedule position at any
16 grade of the General Schedule for which
17 the individual is qualified and that the
18 Commissioner determines is appropriate.

19 “(B) INDIVIDUALS ELIGIBLE FOR TRANS-
20 FER.—An individual described in this subpara-
21 graph is an individual who—

22 “(i) previously occupied a permanent
23 position within the competitive service (as
24 that term is defined in section 2102 of title
25 5, United States Code);

1 “(ii) previously occupied a permanent
2 position within the excepted service (as
3 that term is defined in section 2103 of title
4 5, United States Code); or

5 “(iii) prior to employment in a senior
6 executive position at the Internal Revenue
7 Service, did not occupy any position within
8 the Federal Government.

9 “(2) PAY OF TRANSFERRED INDIVIDUALS.—

10 “(A) IN GENERAL.—Notwithstanding any
11 other provision of law, including the require-
12 ments of section 3594 of title 5, United States
13 Code, any individual transferred to a General
14 Schedule position under paragraph (1)(A)(ii)
15 shall, beginning on the date of such transfer,
16 receive the annual rate of pay applicable to
17 such position.

18 “(B) PAID LEAVE DURING APPEAL.—An
19 individual so transferred may not be placed on
20 administrative leave or any other category of
21 paid leave during the period during which an
22 appeal (if any) under this section is ongoing,
23 and may only receive pay if the individual re-
24 ports for duty. If an individual so transferred
25 does not report for duty, such individual shall

1 not receive pay or other benefits pursuant to
2 paragraph (5)(E).

3 “(3) NOTICE TO CONGRESS.—Not later than 30
4 days after removing or transferring an individual
5 from a senior executive position under paragraph
6 (1), the Commissioner shall submit written notice of
7 such removal or transfer and the reason for such re-
8 moval or transfer to—

9 “(A) the Committee on Finance of the
10 Senate;

11 “(B) the Committee on Homeland Security
12 and Governmental Affairs of the Senate;

13 “(C) the Committee on Ways and Means
14 of the House of Representatives; and

15 “(D) the Committee on Oversight and
16 Government Reform of the House of Represent-
17 atives.

18 “(4) PROCEDURE.—

19 “(A) IN GENERAL.—The procedures under
20 section 7543(b) of title 5, United States Code,
21 shall not apply to a removal or transfer under
22 this section.

23 “(B) APPEAL TO MERIT SYSTEM PROTEC-
24 TION BOARD.—

1 “(i) IN GENERAL.—Subject to clause
2 (ii) and paragraph (5), any removal or
3 transfer under paragraph (1) may be ap-
4 pealed to the Merit Systems Protection
5 Board under section 7701 of title 5,
6 United States Code.

7 “(ii) DEADLINE FOR APPEAL.—An
8 appeal under clause (i) of a removal or
9 transfer may only be made if such appeal
10 is made not later than 7 days after the
11 date of such removal or transfer.

12 “(5) EXPEDITED REVIEW BY ADMINISTRATIVE
13 LAW JUDGE.—

14 “(A) IN GENERAL.—Upon receipt of an
15 appeal under paragraph (4)(B)(i), the Merit
16 Systems Protection Board shall refer such ap-
17 peal to an administrative law judge pursuant to
18 section 7701(b)(1) of title 5, United States
19 Code. The administrative law judge shall expe-
20 dite any such appeal under such section and, in
21 any such case, shall issue a decision not later
22 than 21 days after the date of the appeal.

23 “(B) FINALITY OF DECISION.—Notwith-
24 standing any other provision of law, including
25 section 7703 of title 5, United States Code, the

1 decision of an administrative law judge under
2 subparagraph (A) shall be final and shall not be
3 subject to any further appeal.

4 “(C) FAILURE TO REACH DECISION.—In
5 any case in which the administrative law judge
6 cannot issue a decision in accordance with the
7 21-day requirement under subparagraph (A),
8 the removal or transfer is final. In such a case,
9 the Merit Systems Protection Board shall, with-
10 in 14 days after the date that such removal or
11 transfer is final, submit to Congress and the
12 Committees described in paragraph (3) a report
13 that explains the reasons why a decision was
14 not issued in accordance with such requirement.

15 “(D) PROHIBITION ON STAY OF REMOVAL
16 OR TRANSFER.—The Merit Systems Protection
17 Board or administrative law judge may not stay
18 any removal or transfer under this subsection.

19 “(E) PERIOD OF REVIEW.—During the pe-
20 riod beginning on the date on which an indi-
21 vidual appeals a removal from the civil service
22 under paragraph (4) and ending on the date
23 that the administrative law judge issues a final
24 decision on such appeal, such individual may
25 not receive any pay, awards, bonuses, incen-

1 tives, allowances, differentials, student loan re-
2 payments, special payments, or benefits.

3 “(F) RELEVANT INFORMATION TO BE PRO-
4 VIDED.—To the maximum extent practicable,
5 the Commissioner shall provide to the Merit
6 Systems Protection Board, and to any adminis-
7 trative law judge to whom an appeal under this
8 section is referred, such information and assist-
9 ance as may be necessary to ensure an appeal
10 under this paragraph is expedited.

11 “(6) RELATION TO OTHER PROVISIONS OF
12 LAW.—

13 “(A) IN GENERAL.—The authority pro-
14 vided by this subsection is in addition to, and
15 shall not be construed to limit or diminish, the
16 authority provided by—

17 “(i) subsections (a) and (c); and

18 “(ii) section 3592 or subchapter V of
19 chapter 75 of title 5, United States Code.

20 “(B) REMOVAL FROM SENIOR EXECUTIVE
21 SERVICE.—Section 3592(b)(1) of title 5, United
22 States Code, does not apply to an action to re-
23 move or transfer an individual under this sub-
24 section.

1 “(7) DEFINITIONS.—For purposes of this sub-
2 section:

3 “(A) INDIVIDUAL.—The term ‘individual’
4 means a career appointee (as that term is de-
5 fined in section 3132(a)(4) of title 5, United
6 States Code).

7 “(B) MISCONDUCT.—

8 “(i) IN GENERAL.—Subject to clause
9 (ii), the term ‘misconduct’ includes neglect
10 of duty, malfeasance, or failure to accept a
11 directed reassignment or to accompany a
12 position in a transfer of function.

13 “(ii) EXCEPTION.—The term ‘mis-
14 conduct’ shall not include any act or omis-
15 sion described in subsection (b).

16 “(C) SENIOR EXECUTIVE POSITION.—The
17 term ‘senior executive position’ means a Senior
18 Executive Service position (as such term is de-
19 fined in section 3132(a)(2) of title 5, United
20 States Code).”.

21 (b) ESTABLISHMENT OF EXPEDITED REVIEW PROC-
22 ESS.—

23 (1) IN GENERAL.—Not later than 60 days after
24 the date of the enactment of this Act, the Merit Sys-
25 tems Protection Board shall establish and put into

1 effect a process to conduct expedited reviews in ac-
2 cordance with subsection (f) of section 1203 of the
3 Internal Revenue Service Restructuring and Reform
4 Act of 1998, as added by this Act.

5 (2) INAPPLICABILITY OF CERTAIN REGULA-
6 TIONS.—Section 1201.22 of title 5, Code of Federal
7 Regulations, as in effect on the day before the date
8 of the enactment of this Act, shall not apply to expe-
9 dited reviews carried out under section 1203(f) of
10 the Internal Revenue Service Restructuring and Re-
11 form Act of 1998, as added by this Act.

12 (3) WAIVER.—The Merit Systems Protection
13 Board may waive any other regulation in order to
14 provide for the expedited review required under sec-
15 tion 1203(f) of the Internal Revenue Service Re-
16 structuring and Reform Act of 1998, as added by
17 this Act.

18 (4) REVIEW BY MERIT SYSTEMS PROTECTION
19 BOARD.—Not later than 30 days after the date of
20 the enactment of this Act, the Merit Systems Pro-
21 tection Board shall submit to the committees de-
22 scribed in paragraph (3) of section 1203(f) of the
23 Internal Revenue Service Restructuring and Reform
24 Act of 1998, as added by this Act, a report on the
25 actions the Board plans to take to conduct expedited

1 reviews under such section. Such report shall include
2 a description of the resources the Board determines
3 will be necessary to conduct such reviews and a de-
4 scription of whether any resources will be necessary
5 to conduct such reviews that were not available to
6 the Board on the day before the date of the enact-
7 ment of this Act.

8 (c) TEMPORARY EXEMPTION FROM CERTAIN LIM-
9 TATION ON INITIATION OF REMOVAL FROM SENIOR EX-
10 ECUTIVE SERVICE.—During the 120-day period beginning
11 on the date of the enactment of this Act, an action to re-
12 move an individual from the Senior Executive Service at
13 the Internal Revenue Service pursuant to section 7543 of
14 title 5, United States Code, may be initiated, notwith-
15 standing section 3592(b) of such title, or any other provi-
16 sion of law.

17 (d) CONSTRUCTION.—Nothing in this section or sec-
18 tion 1203(f) of the Internal Revenue Service Restruc-
19 turing and Reform Act of 1998, as added by this Act, shall
20 be construed to apply to an appeal of a removal, transfer,
21 or other personnel action that was pending before the date
22 of the enactment of this Act.

1 **SEC. 1024. LIMITATION ON ACCESS OF NON-INTERNAL REV-**
2 **ENUE SERVICE EMPLOYEES TO RETURNS**
3 **AND RETURN INFORMATION.**

4 (a) IN GENERAL.—Section 7602 is amended by add-
5 ing at the end the following new subsection:

6 “(f) LIMITATION ON ACCESS OF PERSONS OTHER
7 THAN INTERNAL REVENUE SERVICE OFFICERS AND EM-
8 PLOYEES.—The Secretary shall not, under the authority
9 of section 6103(n), provide any books, papers, records, or
10 other data obtained pursuant to this section to any person
11 authorized under section 6103(n), except when such per-
12 son requires such information for the sole purpose of pro-
13 viding expert evaluation and assistance to the Internal
14 Revenue Service. No person other than an officer or em-
15 ployee of the Internal Revenue Service or the Office of
16 Chief Counsel may, on behalf of the Secretary, question
17 a witness under oath whose testimony was obtained pursu-
18 ant to this section.”.

19 (b) EFFECTIVE DATE.—

20 (1) IN GENERAL.—Except as provided in para-
21 graph (2), the amendment made by this section shall
22 take effect on the date of the enactment of this Act.

23 (2) APPLICATION TO CONTRACTS IN EFFECT.—
24 The amendment made by this section shall apply to
25 any contract in effect under section 6103(n) of the
26 Internal Revenue Code of 1986, pursuant to tem-

1 porary Treasury Regulation section 301.7602–1T
2 proposed in Internal Revenue Bulletin 2014–28,
3 Treasury Regulation section 301.7602–1(b)(3), or
4 any similar or successor regulation, that is in effect
5 on the date of the enactment of this Act.

6 **SEC. 1025. NOTIFICATION OF UNAUTHORIZED INSPECTION**
7 **OR DISCLOSURE OF RETURNS AND RETURN**
8 **INFORMATION.**

9 (a) **IN GENERAL.**—Subsection (e) of section 7431 is
10 amended by adding at the end the following new sen-
11 tences: “The Secretary shall also notify such taxpayer if
12 the Internal Revenue Service or a Federal or State agency
13 (upon notice to the Secretary by such Federal or State
14 agency) proposes an administrative determination as to
15 disciplinary or adverse action against an employee arising
16 from the employee’s unauthorized inspection or disclosure
17 of the taxpayer’s return or return information. The notice
18 described in this subsection shall include the date of the
19 unauthorized inspection or disclosure and the rights of the
20 taxpayer under such administrative determination.”.

21 (b) **EFFECTIVE DATE.**—The amendment made by
22 this section shall apply to determinations proposed after
23 the date which is 180 days after the date of the enactment
24 of this Act.

1 **PART IV—EXEMPT ORGANIZATIONS**

2 **SEC. 1031. MANDATORY E-FILING BY EXEMPT ORGANIZA-**
3 **TIONS.**

4 (a) **IN GENERAL.**—Section 6033 is amended by re-
5 designating subsection (n) as subsection (o) and by insert-
6 ing after subsection (m) the following new subsection:

7 “(n) **MANDATORY ELECTRONIC FILING.**—Any orga-
8 nization required to file a return under this section shall
9 file such return in electronic form.”.

10 (b) **CONFORMING AMENDMENT.**—Paragraph (7) of
11 section 527(j) is amended by striking “if the organization
12 has” and all that follows through “such calendar year”.

13 (c) **INSPECTION OF ELECTRONICALLY FILED AN-**
14 **NUAL RETURNS.**—Subsection (b) of section 6104 is
15 amended by adding at the end the following: “Any annual
16 return required to be filed electronically under section
17 6033(n) shall be made available by the Secretary to the
18 public as soon as practicable in a machine readable for-
19 mat.”.

20 (d) **EFFECTIVE DATE.**—

21 (1) **IN GENERAL.**—Except as provided in para-
22 graph (2), the amendments made by this section
23 shall apply to taxable years beginning after the date
24 of the enactment of this Act.

25 (2) **TRANSITIONAL RELIEF.**—

26 (A) **SMALL ORGANIZATIONS.**—

1 (i) IN GENERAL.—In the case of any
2 small organizations, or any other organiza-
3 tions for which the Secretary of the Treas-
4 ury or the Secretary’s delegate (hereafter
5 referred to in this paragraph as the “Sec-
6 retary”) determines the application of the
7 amendments made by this section would
8 cause undue burden without a delay, the
9 Secretary may delay the application of
10 such amendments, but not later than tax-
11 able years beginning 2 years after the date
12 of the enactment of this Act.

13 (ii) SMALL ORGANIZATION.—For pur-
14 poses of clause (i), the term “small organi-
15 zation” means any organization—

16 (I) the gross receipts of which for
17 the taxable year are less than
18 \$200,000; and

19 (II) the aggregate gross assets of
20 which at the end of the taxable year
21 are less than \$500,000.

22 (B) ORGANIZATIONS FILING FORM 990-
23 T.—In the case of any organization described
24 in section 511(a)(2) of the Internal Revenue
25 Code of 1986 which is subject to the tax im-

1 posed by section 511(a)(1) of such Code on its
 2 unrelated business taxable income, or any orga-
 3 nization required to file a return under section
 4 6033 of such Code and include information
 5 under subsection (e) thereof, the Secretary may
 6 delay the application of the amendments made
 7 by this section, but not later than taxable years
 8 beginning 2 years after the date of the enact-
 9 ment of this Act.

10 **SEC. 1032. PROHIBIT THE USE OF IRS FUNDS FOR POLIT-**
 11 **ICAL TARGETING.**

12 None of the funds made available under any Act may
 13 be used by the Internal Revenue Service to target citizens
 14 of the United States for exercising any right guaranteed
 15 under the First Amendment to the Constitution of the
 16 United States.

17 **SEC. 1033. NOTICE REQUIRED BEFORE REVOCATION OF**
 18 **TAX EXEMPT STATUS FOR FAILURE TO FILE**
 19 **RETURN.**

20 (a) IN GENERAL.—Section 6033(j)(1) is amended by
 21 striking “If an organization” and inserting the following:

22 “(A) NOTICE.—

23 “(i) IN GENERAL.—After an organiza-
 24 tion described in subsection (a)(1) or (i)
 25 fails to file the annual return or notice re-

1 required under either subsection for 2 con-
2 secutive years, the Secretary shall notify
3 the organization—

4 “(I) that the Internal Revenue
5 Service has no record of such a return
6 or notice from such organization for 2
7 consecutive years, and

8 “(II) about the revocation that
9 will occur under subparagraph (B) if
10 the organization fails to file such a re-
11 turn or notice by the due date for the
12 next such return or notice required to
13 be filed.

14 The notification under the preceding sen-
15 tence shall include information about how
16 to comply with the filing requirements
17 under subsection (a)(1) and (i).

18 “(B) REVOCATION.—If an organization”.

19 (b) EFFECTIVE DATE.—The amendment made by
20 this section shall apply to failures to file returns or notices
21 for 2 consecutive years if the return or notice for the sec-
22 ond year is required to be filed after December 31, 2018.

1 **PART V—IRS AUDIT CRITERIA**

2 **SEC. 1041. REPORT ON IRS AUDIT CRITERIA.**

3 Not later than 2 years after the date of the enact-
4 ment of this Act, the Treasury Inspector General for Tax
5 Administration shall submit a report to the Committee on
6 Ways and Means of the House of Representatives and the
7 Committee on Finance of the Senate which contains the
8 results of an audit of the criteria employed by the Internal
9 Revenue Service for selecting tax returns for audit, assess-
10 ment, criminal investigation, or any heightened scrutiny
11 or review, including whether such criteria has been used
12 to target taxpayers on the basis of political ideology, race,
13 religion, or any other impermissible factor.

14 **Subtitle B—Protection of Tax-**
15 **payers From Identity Theft and**
16 **Tax Fraud**

17 **SEC. 1101. SINGLE POINT OF CONTACT FOR TAX-RELATED**
18 **IDENTITY THEFT VICTIMS.**

19 (a) IN GENERAL.—The Secretary shall establish and
20 implement procedures to ensure that any taxpayer whose
21 return has been delayed or otherwise adversely affected
22 due to tax-related identity theft has a single point of con-
23 tact at the Internal Revenue Service throughout the proc-
24 essing of the taxpayer’s case. The single point of contact
25 shall track the taxpayer’s case to completion and coordi-

1 nate with other Internal Revenue Service employees to re-
2 solve case issues as quickly as possible.

3 (b) SINGLE POINT OF CONTACT.—

4 (1) IN GENERAL.—For purposes of subsection
5 (a), the single point of contact shall consist of a
6 team or subset of specially trained employees who—

7 (A) have the ability to work across func-
8 tions to resolve the issues involved in the tax-
9 payer’s case; and

10 (B) shall be accountable for handling the
11 case until its resolution.

12 (2) TEAM OR SUBSET.—The employees included
13 within the team or subset described in paragraph (1)
14 may change as required to meet the needs of the In-
15 ternal Revenue Service, provided that procedures
16 have been established to—

17 (A) ensure continuity of records and case
18 history; and

19 (B) notify the taxpayer when appropriate.

20 **SEC. 1102. INFORMATION ON IDENTITY THEFT AND TAX**
21 **SCAMS.**

22 The Secretary shall provide to any taxpayer who has
23 been placed on hold during a telephone call to any Internal
24 Revenue Service help line the following information:

25 (1) Information about common tax scams.

1 (2) Information on where and how to report tax
2 scams.

3 (3) Additional advice on how taxpayers can pro-
4 tect themselves from identity theft and tax scams.

5 **SEC. 1103. NOTIFICATION OF SUSPECTED IDENTITY THEFT.**

6 (a) IN GENERAL.—Chapter 77 is amended by adding
7 at the end the following new section:

8 **“SEC. 7529. NOTIFICATION OF SUSPECTED IDENTITY**
9 **THEFT.**

10 “(a) IN GENERAL.—If the Secretary determines that
11 there has been or may have been an unauthorized use of
12 the identity of any individual, the Secretary shall, without
13 jeopardizing an investigation relating to tax administra-
14 tion—

15 “(1) as soon as practicable, notify the indi-
16 vidual of such determination and provide—

17 “(A) instructions on how to file a report
18 with law enforcement regarding the unauthor-
19 ized use of the identity of the individual,

20 “(B) the identification of any forms nec-
21 essary for the individual to complete and submit
22 to law enforcement to permit access to personal
23 information of the individual during the inves-
24 tigation,

1 “(C) information regarding actions the in-
2 dividual may take in order to protect the indi-
3 vidual from harm relating to such unauthorized
4 use, and

5 “(D) an offer of identity protection meas-
6 ures to be provided to the individual by the In-
7 ternal Revenue Service, such as the use of an
8 identity protection personal identification num-
9 ber, and

10 “(2) at the time the information described in
11 paragraph (1) is provided (or, if not available at
12 such time, as soon as practicable thereafter), issue
13 additional notifications to such individual (or such
14 individual’s designee) regarding—

15 “(A) whether an investigation has been ini-
16 tiated in regards to such unauthorized use,

17 “(B) whether the investigation substan-
18 tiated an unauthorized use of the identity of the
19 individual, and

20 “(C) whether—

21 “(i) any action has been taken against
22 a person relating to such unauthorized use,
23 or

24 “(ii) any referral has been made for
25 criminal prosecution of such person and, to

1 the extent such information is available,
2 whether such person has been criminally
3 charged by indictment or information.

4 “(b) EMPLOYMENT-RELATED IDENTITY THEFT.—

5 “(1) IN GENERAL.—For purposes of this sec-
6 tion, the unauthorized use of the identity of an indi-
7 vidual includes the unauthorized use of the identity
8 of the individual to obtain employment.

9 “(2) DETERMINATION OF EMPLOYMENT-RE-
10 LATED IDENTITY THEFT.—For purposes of this sec-
11 tion, in making a determination as to whether there
12 has been or may have been an unauthorized use of
13 the identity of an individual to obtain employment,
14 the Secretary shall review any information—

15 “(A) obtained from a statement described
16 in section 6051 or an information return relat-
17 ing to compensation for services rendered other
18 than as an employee, or

19 “(B) provided to the Internal Revenue
20 Service by the Social Security Administration
21 regarding any statement described in section
22 6051,

23 which indicates that the social security account num-
24 ber provided on such statement or information re-
25 turn does not correspond with the name provided on

1 such statement or information return or the name
2 on the tax return reporting the income which is in-
3 cluded on such statement or information return.”.

4 (b) ADDITIONAL MEASURES.—

5 (1) EXAMINATION OF BOTH PAPER AND ELEC-
6 TRONIC STATEMENTS AND RETURNS.—The Sec-
7 retary shall examine the statements, information re-
8 turns, and tax returns described in section
9 7529(b)(2) of the Internal Revenue Code of 1986
10 (as added by subsection (a)) for any evidence of em-
11 ployment-related identity theft, regardless of wheth-
12 er such statements or returns are submitted elec-
13 tronically or on paper.

14 (2) IMPROVEMENT OF EFFECTIVE RETURN
15 PROCESSING PROGRAM WITH SOCIAL SECURITY AD-
16 MINISTRATION.—Section 232 of the Social Security
17 Act (42 U.S.C. 432) is amended by inserting after
18 the third sentence the following: “For purposes of
19 carrying out the return processing program de-
20 scribed in the preceding sentence, the Commissioner
21 of Social Security shall request, not less than annu-
22 ally, such information described in section
23 7529(b)(2) of the Internal Revenue Code of 1986 as
24 may be necessary to ensure the accuracy of the
25 records maintained by the Commissioner of Social

1 Security related to the amounts of wages paid to,
 2 and the amounts of self-employment income derived
 3 by, individuals.”.

4 (3) UNDERREPORTING OF INCOME.—The Sec-
 5 retary shall establish procedures to ensure that in-
 6 come reported in connection with the unauthorized
 7 use of a taxpayer’s identity is not taken into account
 8 in determining any penalty for underreporting of in-
 9 come by the victim of identity theft.

10 (c) CLERICAL AMENDMENT.—The table of sections
 11 for chapter 77 is amended by adding at the end the fol-
 12 lowing new item:

“Sec. 7529. Notification of suspected identity theft.”.

13 (d) EFFECTIVE DATE.—The amendments made by
 14 this section shall apply to determinations made after the
 15 date that is 6 months after the date of the enactment of
 16 this Act.

17 **TITLE II—STOLEN IDENTITY**

18 **FRAUD PREVENTION**

19 **Subtitle A—Identity Theft and Tax** 20 **Refund Fraud Prevention**

21 **PART I—GENERAL PROVISIONS**

22 **SEC. 2001. GUIDELINES FOR STOLEN IDENTITY REFUND** 23 **FRAUD CASES.**

24 (a) IN GENERAL.—Not later than 6 months after the
 25 date of the enactment of this Act, the Secretary, in con-

1 sultation with the National Taxpayer Advocate, shall de-
2 velop and implement publicly available guidelines for man-
3 agement of cases involving stolen identity refund fraud in
4 a manner that reduces the administrative burden on tax-
5 payers who are victims of such fraud.

6 (b) STANDARDS AND PROCEDURES TO BE CONSID-
7 ERED.—The guidelines described in subsection (a) may in-
8 clude—

9 (1) standards for—

10 (A) the average length of time in which a
11 case involving stolen identity refund fraud
12 should be resolved;

13 (B) the maximum length of time, on aver-
14 age, a taxpayer who is a victim of stolen iden-
15 tity refund fraud and is entitled to a tax refund
16 which has been stolen should have to wait to re-
17 ceive such refund; and

18 (C) the maximum number of offices and
19 employees within the Internal Revenue Service
20 with whom a taxpayer who is a victim of stolen
21 identity refund fraud should be required to
22 interact in order to resolve a case;

23 (2) standards for opening, assigning, reas-
24 signing, or closing a case involving stolen identity re-
25 fund fraud; and

1 (3) procedures for implementing and accom-
2 plishing the standards described in paragraphs (1)
3 and (2), and measures for evaluating such proce-
4 dures and determining whether such standards have
5 been successfully implemented.

6 **SEC. 2002. INCREASED PENALTY FOR IMPROPER DISCLO-**
7 **SURE OR USE OF INFORMATION BY PRE-**
8 **PARERS OF RETURNS.**

9 (a) IN GENERAL.—Section 6713 is amended—

10 (1) by redesignating subsections (b) and (c) as
11 subsections (c) and (d), respectively; and

12 (2) by inserting after subsection (a) the fol-
13 lowing new subsection:

14 “(b) ENHANCED PENALTY FOR IMPROPER USE OR
15 DISCLOSURE RELATING TO IDENTITY THEFT.—

16 “(1) IN GENERAL.—In the case of a disclosure
17 or use described in subsection (a) that is made in
18 connection with a crime relating to the misappro-
19 priation of another person’s taxpayer identity (as de-
20 fined in section 6103(b)(6)), whether or not such
21 crime involves any tax filing, subsection (a) shall be
22 applied—

23 “(A) by substituting ‘\$1,000’ for ‘\$250’,
24 and

1 “(B) by substituting ‘\$50,000’ for
2 ‘\$10,000’.

3 “(2) SEPARATE APPLICATION OF TOTAL PEN-
4 ALTY LIMITATION.—The limitation on the total
5 amount of the penalty under subsection (a) shall be
6 applied separately with respect to disclosures or uses
7 to which this subsection applies and to which it does
8 not apply.”.

9 (b) CRIMINAL PENALTY.—Section 7216(a) is amend-
10 ed by striking “\$1,000” and inserting “\$1,000 (\$100,000
11 in the case of a disclosure or use to which section 6713(b)
12 applies)”.

13 (c) EFFECTIVE DATE.—The amendments made by
14 this section shall apply to disclosures or uses on or after
15 the date of the enactment of this Act.

16 **PART II—ADMINISTRATIVE AUTHORITY TO PRE-**
17 **VENT IDENTITY THEFT AND TAX REFUND**
18 **FRAUD**

19 **SEC. 2011. AUTHORITY TO TRANSFER INTERNAL REVENUE**
20 **SERVICE APPROPRIATIONS TO COMBAT TAX**
21 **FRAUD.**

22 (a) IN GENERAL.—For any fiscal year, in addition
23 to any other authority to transfer amounts appropriated
24 to an Internal Revenue Service account, the Commissioner
25 of Internal Revenue (referred to in this section as the

1 “Commissioner”) may transfer not more than
2 \$10,000,000 to any account of the Internal Revenue Serv-
3 ice from amounts appropriated to other Internal Revenue
4 Service accounts. Any amounts so transferred shall be
5 used solely for the purposes of preventing, detecting, and
6 resolving potential cases of tax fraud, which may include
7 educating taxpayers about common tax fraud scams and
8 how to protect themselves from such scams.

9 (b) LIMITATION.—The Commissioner shall not trans-
10 fer any amounts described in subsection (a) unless the
11 Commissioner has determined that taxpayer services pro-
12 vided by the Internal Revenue Service to the public (in-
13 cluding telephone operations, forms and publications, and
14 similar types of taxpayer assistance) will not be impaired
15 by such transfer.

16 **SEC. 2012. STREAMLINED CRITICAL PAY AUTHORITY FOR**
17 **INFORMATION TECHNOLOGY POSITIONS.**

18 (a) AUTHORITY.—Section 9503(a) of title 5, United
19 States Code, is amended—

20 (1) in the matter preceding paragraph (1), by
21 striking “the Secretary of the Treasury” and all that
22 follows through “establish” and inserting “the Sec-
23 retary of the Treasury may, during the period begin-
24 ning on October 1, 2018, and ending on September
25 30, 2023, establish”; and

1 (2) in paragraph (1)(B), by striking “the Inter-
2 nal Revenue Service’s successful accomplishment of
3 an important mission” and inserting “the
4 functionality of the information technology oper-
5 ations of the Internal Revenue Service”.

6 (b) RECRUITMENT, RETENTION, RELOCATION IN-
7 CENTIVES, AND RELOCATION EXPENSES.—Section 9504
8 of title 5, United States Code, is amended—

9 (1) in subsection (a)—

10 (A) by striking “Before September 30,
11 2013” and inserting “During the period begin-
12 ning on October 1, 2018, and ending on Sep-
13 tember 30, 2023”; and

14 (B) by inserting “for employees holding
15 positions described in section 9503(a)(1)” after
16 “incentives”; and

17 (2) in subsection (b)—

18 (A) by striking “Before September 30,
19 2013” and inserting “During the period begin-
20 ning on October 1, 2018, and ending on Sep-
21 tember 30, 2023”;

22 (B) by striking “employees transferred or
23 reemployed” and inserting “employees holding
24 positions described in section 9503(a)(1) who

1 are transferred or reemployed during such pe-
2 riod”; and

3 (C) by striking “section 9502 or 9503
4 after June 1, 1998” and inserting “section
5 9503 during such period”.

6 (c) PERFORMANCE AWARDS FOR SENIOR EXECU-
7 TIVES.—Section 9505(a) of title 5, United States Code,
8 is amended—

9 (1) by striking “Before September 30, 2013”
10 and inserting “During the period beginning on Octo-
11 ber 1, 2018, and ending on September 30, 2023”;
12 and

13 (2) by striking “significant functions” and in-
14 serting “the information technology operations”.

15 (d) EFFECTIVE DATE.—The amendments made by
16 this section shall apply to payments made on or after the
17 date of the enactment of this Act.

18 **SEC. 2013. ACCESS TO THE NATIONAL DIRECTORY OF NEW**
19 **HIRES TO IDENTIFY AND PREVENT FRAUDU-**
20 **LENT TAX RETURN FILINGS AND CLAIMS FOR**
21 **REFUND.**

22 (a) IN GENERAL.—Paragraph (3) of section 453(i)
23 of the Social Security Act (42 U.S.C. 653(i)) is amended
24 to read as follows:

1 “(3) ADMINISTRATION OF FEDERAL TAX
2 LAWS.—The Secretary of the Treasury shall have
3 access to the information in the National Directory
4 of New Hires for the purposes of—

5 “(A) administering section 32 of the Inter-
6 nal Revenue Code of 1986,

7 “(B) verifying a claim with respect to em-
8 ployment in a tax return, and

9 “(C) identifying and preventing fraudulent
10 tax return filings and claims for refund under
11 the Internal Revenue Code of 1986.”.

12 (b) EFFECTIVE DATE.—The amendment made by
13 this section shall take effect on the date of the enactment
14 of this Act.

15 **SEC. 2014. REPEAL OF PROVISION REGARDING CERTAIN**
16 **TAX COMPLIANCE PROCEDURES AND RE-**
17 **PORTS.**

18 Section 2004 of the Internal Revenue Service Re-
19 structuring and Reform Act of 1998 (26 U.S.C. 6012
20 note) is repealed.

1 **Subtitle B—Improvements to**
 2 **Electronic Filing of Tax Returns**

3 **SEC. 2101. IDENTITY PROTECTION PERSONAL IDENTIFICA-**
 4 **TION NUMBERS.**

5 Not later than 5 years after the date of the enact-
 6 ment of this Act, the Secretary shall establish a program
 7 to issue, upon the request of any individual, a number
 8 which may be used in connection with such individual’s
 9 social security number (or other identifying information
 10 with respect to such individual as determined by the Sec-
 11 retary) to assist the Secretary in verifying such individ-
 12 ual’s identity.

13 **SEC. 2102. ELECTRONIC FILING OF RETURNS.**

14 (a) **IN GENERAL.**—Section 6011(e)(2)(A) is amended
 15 by striking “250” and inserting “the applicable number
 16 of”.

17 (b) **APPLICABLE NUMBER.**—Section 6011(e) is
 18 amended by striking paragraph (5) and inserting the fol-
 19 lowing new paragraphs:

20 “(5) **APPLICABLE NUMBER.**—

21 “(A) **IN GENERAL.**—For purposes of para-
 22 graph (2)(A), the applicable number shall be—

23 “(i) except as provided in subpara-
 24 graph (B), in the case of calendar years
 25 before 2020, 250,

1 “(ii) in the case of calendar year
2 2020, 100, and

3 “(iii) in the case of calendar years
4 after 2020, 10.

5 “(B) SPECIAL RULE FOR PARTNERSHIPS
6 FOR 2018 AND 2019.—In the case of a partner-
7 ship, for any calendar year before 2020, the ap-
8 plicable number shall be—

9 “(i) in the case of calendar year 2018,
10 200, and

11 “(ii) in the case of calendar year
12 2019, 150.

13 “(6) PARTNERSHIPS REQUIRED TO FILE ON
14 MAGNETIC MEDIA.—Notwithstanding paragraph
15 (2)(A), the Secretary shall require partnerships hav-
16 ing more than 100 partners to file returns on mag-
17 netic media.”.

18 “(c) RETURNS FILED BY A TAX RETURN PRE-
19 PARER.—Section 6011(e)(3) is amended by adding at the
20 end the following new subparagraph:

21 “(D) EXCEPTION FOR CERTAIN PRE-
22 PARERS LOCATED IN AREAS WITHOUT INTER-
23 NET ACCESS.—The Secretary may waive the re-
24 quirement of subparagraph (A) if the Secretary
25 determines, on the basis of an application by

1 the tax return preparer, that the preparer can-
2 not meet such requirement by reason of being
3 located in a geographic area which does not
4 have access to internet service (other than dial-
5 up or satellite service).”.

6 (d) EFFECTIVE DATE.—The amendments made by
7 this section shall take effect on the date of the enactment
8 of this Act.

9 **SEC. 2103. INTERNET PLATFORM FOR FORM 1099 FILINGS.**

10 (a) IN GENERAL.—Not later than January 1, 2023,
11 the Secretary shall make available an Internet website or
12 other electronic media, with a user interface and
13 functionality similar to the Business Services Online Suite
14 of Services provided by the Social Security Administration,
15 that will provide access to resources and guidance provided
16 by the Internal Revenue Service and will allow persons
17 to—

18 (1) prepare and file Forms 1099;

19 (2) prepare Forms 1099 for distribution to re-
20 cipients other than the Internal Revenue Service;
21 and

22 (3) maintain a record of completed and sub-
23 mitted Forms 1099.

24 (b) ELECTRONIC SERVICES TREATED AS SUPPLE-
25 MENTAL; APPLICATION OF SECURITY STANDARDS.—The

1 Secretary shall ensure that the services described in sub-
2 section (a)—

3 (1) are a supplement to, and not a replacement
4 for, other services provided by the Internal Revenue
5 Service to taxpayers; and

6 (2) comply with applicable security standards
7 and guidelines.

8 **SEC. 2104. REQUIREMENT THAT ELECTRONICALLY PRE-**
9 **PARSED PAPER RETURNS INCLUDE SCAN-**
10 **NABLE CODE.**

11 (a) IN GENERAL.—Subsection (e) of section 6011, as
12 amended by section 2102(b) of this Act, is amended by
13 adding at the end the following new paragraph:

14 “(7) SPECIAL RULE FOR RETURNS PREPARED
15 ELECTRONICALLY AND SUBMITTED ON PAPER.—The
16 Secretary shall require that any return of tax which
17 is prepared electronically, but is printed and filed on
18 paper, bear a code which can, when scanned, convert
19 such return to electronic format.”.

20 (b) CONFORMING AMENDMENT.—Paragraph (1) of
21 section 6011(e) is amended by striking “paragraph (3)”
22 and inserting “paragraphs (3) and (7)”.

23 (c) EFFECTIVE DATE.—The amendments made by
24 this section shall apply to returns of tax the due date for

1 which (determined without regard to extensions) is after
2 December 31, 2019.

3 **SEC. 2105. AUTHENTICATION OF USERS OF ELECTRONIC**
4 **SERVICES ACCOUNTS.**

5 Beginning 180 days after the date of the enactment
6 of this Act, the Secretary shall verify the identity of any
7 individual opening an e-Services account with the Internal
8 Revenue Service before such individual is able to use the
9 e-Services tools.

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