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To promote freedom, fairness, and economic opportunity by repealing the income tax and other taxes, abolishing the Internal Revenue Service, and enacting a national sales tax to be administered primarily by the States.

IN THE HOUSE OF REPRESENTATIVES

JANUARY 9, 2023

Mr. CARTER of Georgia (for himself, Mr. CLYDE, Mr. DUNCAN, Mrs. CAMMACK, Mr. PERRY, Mr. GOOD of Virginia, Mr. MASSIE, Mr. NORMAN, Mr. POSEY, Mr. PALMER, Mr. BANKS, and Mr. LOUDERMILK) introduced the following bill; which was referred to the Committee on Ways and Means

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A BILL

To promote freedom, fairness, and economic opportunity by repealing the income tax and other taxes, abolishing the Internal Revenue Service, and enacting a national sales tax to be administered primarily by the States.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. SHORT TITLE; TABLE OF CONTENTS.

(a) SHORT TITLE.—This Act may be cited as the ''FairTax Act of 2023''.

(b) TABLE OF CONTENTS.—The table of contents for this Act is as follows:

Sec. 1. Short title; table of contents.
Sec. 2. Congressional findings.

TITLE I—REPEAL OF THE INCOME TAX, PAYROLL TAXES, AND ESTATE AND GIFT TAXES

Sec. 101. Income taxes repealed.
Sec. 102. Payroll taxes repealed.
Sec. 103. Estate and gift taxes repealed.
Sec. 104. Conforming amendments; effective date.

TITLE II—SALES TAX ENACTED

Sec. 201. Sales tax.
Sec. 202. Conforming and technical amendments.

TITLE III—OTHER MATTERS

Sec. 301. Phase-out of administration of repealed Federal taxes.
Sec. 302. Administration of other Federal taxes.
Sec. 303. Sales tax inclusive Social Security benefits indexation.

TITLE IV—SUNSET OF SALES TAX IF SIXTEENTH AMENDMENT NOT REPEALED

Sec. 401. Elimination of sales tax if Sixteenth Amendment not repealed.

SEC. 2. CONGRESSIONAL FINDINGS.

(a) FINDINGS RELATING TO FEDERAL INCOME TAX.—Congress finds the Federal income tax—

(1) retards economic growth and has reduced the standard of living of the American public;

(2) impedes the international competitiveness of United States industry;

(3) reduces savings and investment in the United States by taxing income multiple times;

(4) slows the capital formation necessary for real wages to steadily increase;

(5) lowers productivity;

(6) imposes unacceptable and unnecessary administrative and compliance costs on individual and business taxpayers;

(7) is unfair and inequitable;

(8) unnecessarily intrudes upon the privacy and civil rights of United States citizens;

(9) hides the true cost of government by embedding taxes in the costs of everything Americans buy;

(10) is not being complied with at satisfactory levels and therefore raises the tax burden on law abiding citizens; and

(11) impedes upward social mobility.

(b) FINDINGS RELATING TO FEDERAL PAYROLL TAXES.—Congress finds further that the Social Security and Medicare payroll taxes and self-employment taxes—

(1) raise the cost of employment;

(2) destroy jobs and cause unemployment; and

(3) have a disproportionately adverse impact on lower income Americans.

(c) FINDINGS RELATING TO FEDERAL ESTATE AND GIFT TAXES.—Congress finds further that the Federal estate and gift taxes—

(1) force family businesses and farms to be sold by the family to pay such taxes;

(2) discourage capital formation and entrepreneurship;

(3) foster the continued dominance of large enterprises over small family-owned companies and farms; and

(4) impose unacceptably high tax planning costs on small businesses and farms.

(d) FINDINGS RELATING TO NATIONAL SALES TAX.—Congress finds further that a broad-based national sales tax on goods and services purchased for final consumption—

(1) is similar in many respects to the sales and use taxes in place in 45 of the 50 States;

(2) will promote savings and investment;

(3) will promote fairness;

(4) will promote economic growth;

(5) will raise the standard of living;

(6) will increase investment;

(7) will enhance productivity and international competitiveness;

(8) will reduce administrative burdens on the American taxpayer;

(9) will improve upward social mobility; and

(10) will respect the privacy interests and civil rights of taxpayers.

(e) FINDINGS RELATING TO ADMINISTRATION OF NATIONAL SALES TAX.—Congress further finds that—

(1) most of the practical experience administering sales taxes is found at the State governmental level;

(2) it is desirable to harmonize Federal and State collection and enforcement efforts to the maximum extent possible;

(3) it is sound tax administration policy to foster administration and collection of the Federal sales tax at the State level in return for a reasonable administration fee to the States; and

(4) businesses that must collect and remit taxes should receive reasonable compensation for the cost of doing so.

(f) FINDINGS RELATING TO REPEAL OF PRESENT FEDERAL TAX SYSTEM.—Congress further finds that the 16th Amendment to the United States Constitution should be repealed.

TITLE I—REPEAL OF THE INCOME TAX, PAYROLL TAXES, AND ESTATE AND GIFT TAXES

SEC. 101. INCOME TAXES REPEALED.

Subtitle A of the Internal Revenue Code of 1986 (relating to income taxes and self-employment taxes) is repealed.

SEC. 102. PAYROLL TAXES REPEALED.

(a) IN GENERAL.—Subtitle C of the Internal Revenue Code of 1986 (relating to payroll taxes and withholding of income taxes) is repealed.

(b) FUNDING OF SOCIAL SECURITY.—For funding of the Social Security Trust Funds from general revenue, see section 201 of the Social Security Act (42 U.S.C. 401).

SEC. 103. ESTATE AND GIFT TAXES REPEALED.

Subtitle B of the Internal Revenue Code of 1986 (relating to estate and gift taxes) is repealed.

SEC. 104. CONFORMING AMENDMENTS; EFFECTIVE DATE.

(a) CONFORMING AMENDMENTS.—The Internal Revenue Code of 1986 is amended—

(1) by striking subtitle H (relating to financing of Presidential election campaigns); and

(2) by redesignating—

(A) subtitle D (relating to miscellaneous excise taxes) as subtitle B;

(B) subtitle E (relating to alcohol, tobacco, and certain other excise taxes) as subtitle C;

(C) subtitle F (relating to procedure and administration) as subtitle D;

(D) subtitle G (relating to the Joint Committee on Taxation) as subtitle E;

(E) subtitle I (relating to the Trust Fund Code) as subtitle F;

(F) subtitle J (relating to coal industry health benefits) as subtitle G; and

(G) subtitle K (relating to group health plan portability, access, and renewability requirements) as subtitle H.

(b) REDESIGNATION OF 1986 CODE.—

(1) IN GENERAL.—The Internal Revenue Code of 1986 enacted on October 22, 1986, as heretofore, hereby, or hereafter amended, may be cited as the Internal Revenue Code of 2023.

(2) REFERENCES IN LAWS, ETC.—Except when inappropriate, any reference in any law, Executive order, or other document—

(A) to the Internal Revenue Code of 1986 shall include a reference to the Internal Revenue Code of 2023; and

(B) to the Internal Revenue Code of 2023 shall include a reference to the provisions of law formerly known as the Internal Revenue Code of 1986.

(c) ADDITIONAL AMENDMENTS.—For additional conforming amendments, see section 202 of this Act.

(d) EFFECTIVE DATE.—Except as otherwise provided in this Act, the amendments made by this Act shall take effect on January 1, 2023.

TITLE II—SALES TAX ENACTED

SEC. 201. SALES TAX.

(a) IN GENERAL.—The Internal Revenue Code of 2023 is amended by inserting before subtitle B (as redesignated by section 104(a)(2)(A)) the following new subtitle:

"Subtitle A—Sales Tax

"Sec. 1. Principles of interpretation.
"Sec. 2. Definitions.

"CHAPTER 1. INTERPRETATION; DEFINITIONS; IMPOSITION OF TAX; ETC.

"CHAPTER 2. CREDITS; REFUNDS

"CHAPTER 3. FAMILY CONSUMPTION ALLOWANCE

"CHAPTER 4. FEDERAL AND STATE COOPERATIVE TAX ADMINISTRATION

"CHAPTER 5. OTHER ADMINISTRATIVE PROVISIONS

"CHAPTER 6. COLLECTIONS; APPEALS; TAXPAYER RIGHTS

"CHAPTER 7. SPECIAL RULES

"CHAPTER 8. FINANCIAL INTERMEDIATION SERVICES

"CHAPTER 9. ADDITIONAL MATTERS

"SEC. 1. PRINCIPLES OF INTERPRETATION.

''(a) IN GENERAL.—Any court, the Secretary, and any sales tax administering authority shall consider the purposes of this subtitle (as set forth in subsection (b)) as the primary aid in statutory construction.

''(b) PURPOSES.—The purposes of this subtitle are as follows:

''(1) To raise revenue needed by the Federal Government in a manner consistent with the other purposes of this subtitle.

''(2) To tax all consumption of goods and services in the United States once, without exception, but only once.

''(3) To prevent double, multiple, or cascading taxation.

''(4) To simplify the tax law and reduce the administration costs of, and the costs of compliance with, the tax law.

''(5) To provide for the administration of the tax law in a manner that respects privacy, due process, individual rights when interacting with the government, the presumption of innocence in criminal proceedings, and the presumption of lawful behavior in civil proceedings.

''(6) To increase the role of State governments in Federal tax administration because of State government expertise in sales tax administration.

''(7) To enhance generally cooperation and coordination among State tax administrators; and to enhance cooperation and coordination among Federal and State tax administrators, consistent with the principle of intergovernmental tax immunity.

''(c) SECONDARY AIDS TO STATUTORY CONSTRUCTION.—As a secondary aid in statutory construction, any court, the Secretary, and any sales tax administering authority shall consider—

''(1) the common law canons of statutory construction,

''(2) the meaning and construction of concepts and terms used in the Internal Revenue Code of 1986 as in effect before the effective date of this subtitle, and

''(3) construe any ambiguities in this Act in favor of reserving powers to the States respectively, or to the people.

''SEC. 2. DEFINITIONS.

''(a) IN GENERAL.—For purposes of this subtitle—

''(1) AFFILIATED FIRMS.—A firm is affiliated with another if 1 firm owns 50 percent or more of—

''(A) the voting shares in a corporation, or

''(B) the capital interests of a business firm that is not a corporation.

''(2) CONFORMING STATE SALES TAX.—The term 'conforming State sales tax' means a sales tax imposed by a State that adopts the same definition of taxable property and services as adopted by this subtitle.

''(3) DESIGNATED COMMERCIAL PRIVATE COURIER SERVICE.—The term 'designated commercial private courier service' means a firm designated as such by the Secretary or any sales tax administering authority, upon application of the firm, if the firm—

''(A) provides its services to the general public,

''(B) records electronically to its data base kept in the regular course of its business the date on which an item was given to such firm for delivery, and

''(C) has been operating for at least 1 year.

''(4) EDUCATION AND TRAINING.—The term 'education and training' means tuition for primary, secondary, or postsecondary level education, and job-related training courses. Such term does not include

room, board, sports activities, recreational activities, hobbies, games, arts or crafts or cultural activities.

''(5) GROSS PAYMENTS.—The term 'gross payments' means payments for taxable property or services, including Federal taxes imposed by this title.

''(6) INTANGIBLE PROPERTY.—

''(A) IN GENERAL.—The term 'intangible property' includes copyrights, trademarks, patents, goodwill, financial instruments, securities, commercial paper, debts, notes and bonds, and other property deemed intangible at common law. The Secretary shall, by regulation resolve differences among the provisions of common law of the several States.

''(B) CERTAIN TYPES OF PROPERTY.—Such term does not include tangible personal property (or rents or leaseholds of any term thereon), real property (or rents or leaseholds of any term thereon) and computer software.

''(7) PERSON.—The term 'person' means any natural person, and unless the context clearly does not allow it, any corporation, partnership, limited liability company, trust, estate, government, agency, administration, organization, association, or other legal entity (foreign or domestic).

''(8) PRODUCE, PROVIDE, RENDER, OR SELL TAXABLE PROPERTY OR SERVICES.—

''(A) IN GENERAL.—A taxable property or service is used to produce, provide, render, or sell a taxable property or service if such property or service is purchased by a person engaged in a trade or business for the purpose of employing or using such taxable property or service in the production, provision, rendering, or sale of other taxable property or services in the ordinary course of that trade or business.

''(B) RESEARCH, EXPERIMENTATION, TESTING, AND DEVELOPMENT.—Taxable property or services used in a trade or business for the purpose of research, experimentation, testing, and development shall be treated as used to produce, provide, render, or sell taxable property or services.

''(C) INSURANCE PAYMENTS.—Taxable property or services purchased by an insurer on behalf of an insured shall be treated as used to produce, provide, render, or sell taxable property or services if the premium for the insurance contract giving rise to the insurer's obliga-

tion was subject to tax pursuant to section 801 (relating to financial intermediation services).

''(D) EDUCATION AND TRAINING.—Education and training shall be treated as services used to produce, provide, render, or sell taxable property or services.

''(9) REGISTERED SELLER.—The term 'registered seller' means a person registered pursuant to section 502.

''(10) SALES TAX ADMINISTERING AUTHORITY.—The term 'sales tax administering authority' means—

''(A) the State agency designated to collect and administer the sales tax imposed by this subtitle, in an administering State, or

''(B) the Secretary, in a State that is neither—

''(i) an administering State, nor

''(ii) a State that has elected to have its sales tax administered by an administering State.

''(11) SECRETARY.—The term 'Secretary' means the Secretary of the Treasury.

''(12) TAXABLE EMPLOYER.—

''(A) IN GENERAL.—The term 'taxable employer' includes—

''(i) any household employing domestic servants, and

''(ii) any government except for government enterprises (as defined in section 704).

''(B) EXCEPTIONS.—The term 'taxable employer' does not include any employer which is—

''(i) engaged in a trade or business,

''(ii) a not-for-profit organization (as defined in section 706), or

''(iii) a government enterprise (as defined in section 704).

''(C) CROSS REFERENCE.—For rules relating to collection and remittance of tax on wages by taxable employers, see section 103(b)(2).

''(13) TAX INCLUSIVE FAIR MARKET VALUE.—The term 'tax inclusive fair market value' means the fair market value of taxable property or services plus the tax imposed by this subtitle.

''(14) TAXABLE PROPERTY OR SERVICE.—

''(A) GENERAL RULE.—The term 'taxable property or service' means—

''(i) any property (including leaseholds of any term or rents with respect to such property) but excluding—

''(I) intangible property, and

''(II) used property, and

''(ii) any service (including any financial intermediation services as determined by section 801).

''(B) SERVICE.—For purposes of subparagraph (A), the term 'service'—

''(i) shall include any service performed by an employee for which the employee is paid wages or a salary by a taxable employer, and

''(ii) shall not include any service performed by an employee for which the employee is paid wages or a salary—

''(I) by an employer in the regular course of the employer's trade or business,

''(II) by an employer that is a not-for-profit organization (as defined in section 706),

"(III) by an employer that is a government enterprise (as defined in section 704), and

"(IV) by taxable employers to employees directly providing education and training.

"(15) UNITED STATES.—The term 'United States', when used in the geographical sense, means each of the 50 States, the District of Columbia, and any commonwealth, territory, or possession of the United States.

"(16) USED PROPERTY.—The term 'used property' means—

"(A) property on which the tax imposed by section 101 has been collected and for which no credit has been allowed under section 202, 203, or 205, or

"(B) property that was held other than for a business purpose (as defined in section 102(b)) on December 31, 2024.

"(17) WAGES AND SALARY.—The terms 'wage' and 'salary' mean all compensation paid for employment service including cash compensation, employee benefits, disability insurance, or wage replacement insurance payments, unemployment compensation

insurance, workers' compensation insurance, and the fair market value of any other consideration paid by an employer to an employee in consideration for employment services rendered.

''(b) CROSS REFERENCES.—

''(1) For the definition of business purposes, see section 102(b).

''(2) For the definition of insurance contract, see section 206(e).

''(3) For the definition of qualified family, see section 302.

''(4) For the definition of monthly poverty level, see section 303.

''(5) For the definition of large seller, see section 501(e)(3).

''(6) For the definition of hobby activities, see section 701.

''(7) For the definition of gaming sponsor, see section 701(a).

''(8) For the definition of a chance, see section 701(b).

''(9) For the definition of government enterprise, see section 704(b).

''(10) For the definition of mixed use property, see section 705.

''(11) For the definition of qualified not-for-profit organization, see section 706.

''(12) For the definition of financial intermediation services, see section 801.

''CHAPTER 1—INTERPRETATION; DEFINITIONS; IMPOSITION OF TAX; ETC.

''Sec. 101. Imposition of sales tax.
''Sec. 102. Intermediate and export sales.
''Sec. 103. Rules relating to collection and remittance of tax.

''SEC. 101. IMPOSITION OF SALES TAX.

''(a) IN GENERAL.—There is hereby imposed a tax on the use or consumption in the United States of taxable property or services.

''(b) RATE.—

''(1) FOR 2025.—In the calendar year 2025, the rate of tax is 23 percent of the gross payments for the taxable property or service.

''(2) FOR YEARS AFTER 2025.—For years after the calendar year 2025, the rate of tax is the combined Federal tax rate percentage (as defined in paragraph (3)) of the gross payments for the taxable property or service.

''(3) COMBINED FEDERAL TAX RATE PERCENTAGE.—The combined Federal tax rate percentage is the sum of—

''(A) the general revenue rate (as defined in paragraph (4)),

''(B) the old-age, survivors and disability insurance rate, and

''(C) the hospital insurance rate.

''(4) GENERAL REVENUE RATE.—The general revenue rate shall be 14.91 percent.

''(c) COORDINATION WITH IMPORT DUTIES.—The tax imposed by this section is in addition to any import duties imposed by chapter 4 of title 19, United States Code. The Secretary shall provide by regulation that, to the maximum extent practicable, the tax imposed by this section on imported taxable property and services is collected and administered in conjunction with any applicable import duties imposed by the United States.

''(d) LIABILITY FOR TAX.—

''(1) IN GENERAL.—The person using or consuming taxable property or services in the United States is liable for the tax imposed by this section, except as provided in paragraph (2) of this subsection.

''(2) EXCEPTION WHERE TAX PAID TO SELLER.—A person using or consuming a taxable property or service in the United States is not liable for the tax imposed by this section if the person pays the tax to a person selling the taxable property or

service and receives from such person a purchaser's receipt within the meaning of section 509.

"SEC. 102. INTERMEDIATE AND EXPORT SALES.

"(a) IN GENERAL.—For purposes of this subtitle—

"(1) BUSINESS AND EXPORT PURPOSES.—No tax shall be imposed under section 101 on any taxable property or service purchased for a business purpose in a trade or business.

"(2) INVESTMENT PURPOSE.—No tax shall be imposed under section 101 on any taxable property or service purchased for an investment purpose and held exclusively for an investment purpose.

"(3) STATE GOVERNMENT FUNCTIONS.—No tax shall be imposed under section 101 on State government functions that do not constitute the final consumption of property or services.

"(b) BUSINESS PURPOSES.—For purposes of this section, the term 'purchased for a business purpose in a trade or business' means purchased by a person engaged in a trade or business and used in that trade or business—

"(1) for resale,

"(2) to produce, provide, render, or sell taxable property or services, or

"(3) in furtherance of other bona fide business purposes.

''(c) INVESTMENT PURPOSES.—For purposes of this section, the term 'purchased for an investment purpose' means property purchased exclusively for purposes of appreciation or the production of income but not entailing more than minor personal efforts.

"SEC. 103. RULES RELATING TO COLLECTION AND REMITTANCE OF TAX.

''(a) LIABILITY FOR COLLECTION AND REMITTANCE OF THE TAX.—Except as provided otherwise by this section, any tax imposed by this subtitle shall be collected and remitted by the seller of taxable property or services (including financial intermediation services).

''(b) TAX TO BE REMITTED BY PURCHASER IN CERTAIN CIRCUMSTANCES.—

''(1) IN GENERAL.—In the case of taxable property or services purchased outside of the United States and imported into the United States for use or consumption in the United States, the purchaser shall remit the tax imposed by section 101.

''(2) CERTAIN WAGES OR SALARY.—In the case of wages or salary paid by a taxable employer which are taxable services, the employer shall remit the tax imposed by section 101.

''(c) CONVERSION OF BUSINESS OR EXPORT PROPERTY OR SERVICES.—Property or services purchased for

a business purpose in a trade or business or for export (sold untaxed pursuant to section 102(a)) that is subsequently converted to personal use shall be deemed purchased at the time of conversion and shall be subject to the tax imposed by section 101 at the fair market value of the converted property as of the date of conversion. The tax shall be due as if the property had been sold at the fair market value during the month of conversion. The person using or consuming the converted property is liable for and shall remit the tax.

''(d) BARTER TRANSACTIONS.—If gross payment for taxable property or services is made in other than money, then the person responsible for collecting and remitting the tax shall remit the tax to the sales tax administering authority in money as if gross payment had been made in money at the tax inclusive fair market value of the taxable property or services purchased.

"CHAPTER 2—CREDITS; REFUNDS

''Sec. 201. Credits and refunds.
''Sec. 202. Business use conversion credit.
''Sec. 203. Intermediate and export sales credit.
''Sec. 204. Administration credit.
''Sec. 205. Bad debt credit.
''Sec. 206. Insurance proceeds credit.
''Sec. 207. Refunds.

"SEC. 201. CREDITS AND REFUNDS.

''(a) IN GENERAL.—Each person shall be allowed a credit with respect to the taxes imposed by section 101 for each month in an amount equal to the sum of—

''(1) such person's business use conversion credit pursuant to section 202 for such month,

''(2) such person's intermediate and export sales credit pursuant to section 203 for such month,

''(3) the administration credit pursuant to section 204 for such month,

''(4) the bad debt credit pursuant to section 205 for such month,

''(5) the insurance proceeds credit pursuant to section 206 for such month,

''(6) the transitional inventory credit pursuant to section 902, and

''(7) any amount paid in excess of the amount due.

''(b) CREDITS NOT ADDITIVE.—Only one credit allowed by chapter 2 may be taken with respect to any particular gross payment.

''SEC. 202. BUSINESS USE CONVERSION CREDIT.

''(a) IN GENERAL.—For purposes of section 201, a person's business use conversion credit for any month is the aggregate of the amounts determined under subsection (b) with respect to taxable property and services—

''(1) on which tax was imposed by section 101 (and actually paid), and

''(2) which commenced to be 95 percent or more used during such month for business purposes (within the meaning of section 102(b)).

''(b) AMOUNT OF CREDIT.—The amount determined under this paragraph with respect to any taxable property or service is the lesser of—

''(1) the product of—

''(A) the rate imposed by section 101, and

''(B) the quotient that is—

''(i) the fair market value of the property or service when its use is converted, divided by

''(ii) the quantity that is one minus the tax rate imposed by section 101, or

''(2) the amount of tax paid with respect to such taxable property or service, including the amount, if any, determined in accordance with section 705 (relating to mixed use property).

''SEC. 203. INTERMEDIATE AND EXPORT SALES CREDIT.

''For purposes of section 201, a person's intermediate and export sales credit is the amount of sales tax paid on the purchase of any taxable property or service purchased for—

''(1) a business purpose in a trade or business (as defined in section 102(b)), or

''(2) export from the United States for use or consumption outside the United States.

''SEC. 204. ADMINISTRATION CREDIT.

''(a) IN GENERAL.—Every person filing a timely monthly report (with regard to extensions) in compliance with section 501 shall be entitled to a taxpayer administrative credit equal to the greater of—

''(1) $200, or

''(2) one-quarter of 1 percent of the tax remitted.

''(b) LIMITATION.—The credit allowed under this section shall not exceed 20 percent of the tax due to be remitted prior to the application of any credit or credits permitted by section 201.

''SEC. 205. BAD DEBT CREDIT.

''(a) FINANCIAL INTERMEDIATION SERVICES.—Any person who has experienced a bad debt (other than unpaid invoices within the meaning of subsection (b)) shall be entitled to a credit equal to the product of—

''(1) the rate imposed by section 101, and

''(2) the quotient that is—

''(A) the amount of the bad debt (as defined in section 802), divided by

''(B) the quantity that is one minus the rate imposed by section 101.

''(b) UNPAID INVOICES.—Any person electing the accrual method pursuant to section 503 that has with respect to a transaction—

''(1) invoiced the tax imposed by section 101,

''(2) remitted the invoiced tax,

''(3) actually delivered the taxable property or performed the taxable services invoiced, and

''(4) not been paid 180 days after date the invoice was due to be paid,

shall be entitled to a credit equal to the amount of tax remitted and unpaid by the purchaser.

''(c) SUBSEQUENT PAYMENT.—Any payment made with respect to a transaction subsequent to a section 205 credit being taken with respect to that transaction shall be subject to tax in the month the payment was received as if a tax inclusive sale of taxable property and services in the amount of the payment had been made.

''(d) PARTIAL PAYMENTS.—Partial payments shall be treated as pro rata payments of the underlying obligation and shall be allocated proportionately—

''(1) for fully taxable payments, between payment for the taxable property and service and tax, and

''(2) for partially taxable payments, among payment for the taxable property and service, tax and other payment.

''(e) RELATED PARTIES.—The credit provided by this section shall not be available with respect to sales made to related parties. For purposes of this section, related party means affiliated firms and family members (as defined in section 302(b)).

"SEC. 206. INSURANCE PROCEEDS CREDIT.

''(a) IN GENERAL.—A person receiving a payment from an insurer by virtue of an insurance contract shall be entitled to a credit in an amount determined by subsection (b), less any amount paid to the insured by the insurer pursuant to subsection (c), if the entire premium (except that portion allocable to the investment account of the underlying policy) for the insurance contract giving rise to the insurer's obligation to make a payment to the insured was subject to the tax imposed by section 101 and said tax was paid.

''(b) CREDIT AMOUNT.—The amount of the credit shall be the product of—

''(1) the rate imposed by section 101, and

''(2) the quotient that is—

''(A) the amount of the payment made by the insurer to the insured, divided by

''(B) the quantity that is one minus the rate imposed by section 101.

''(c) ADMINISTRATIVE OPTION.—The credit determined in accordance with subsection (b) shall be paid by the insurer to the insured and the insurer shall be entitled to the credit in lieu of the insured, except that the insurer may elect, in a form prescribed by the Secretary, to not pay the credit and require the insured to make application for the credit. In the event of such election, the insurer shall provide to the Secretary and the insured the name and tax identification number of the insurer and of the insured and indicate the proper amount of the credit.

''(d) COORDINATION WITH RESPECT TO EXEMPTION.—If taxable property or services purchased by an insurer on behalf of an insured are purchased free of tax by virtue of section 2(a)(8)(C), then the credit provided by this section shall not be available with respect to that purchase.

''(e) INSURANCE CONTRACT.—For purposes of subsection (a), the term 'insurance contract' shall include a life insurance contract, a health insurance contract, a property and casualty loss insurance contract, a general liability insurance contract, a marine insurance contract, a fire insurance contract, an accident insurance contract, a disability insurance contract, a long-term care insurance

contract, and an insurance contract that provides a combination of these types of insurance.

"SEC. 207. REFUNDS.

"(a) REGISTERED SELLERS.—If a registered seller files a monthly tax report with an overpayment, then, upon application by the registered seller in a form prescribed by the sales tax administering authority, the overpayment shown on the report shall be refunded to the registered seller within 60 days of receipt of said application. In the absence of such application, the overpayment may be carried forward, without interest, by the person entitled to the credit.

"(b) OTHER PERSONS.—If a person other than a registered seller has an overpayment for any month, then, upon application by the person in a form prescribed by the sales tax administering authority, the credit balance due shall be refunded to the person within 60 days of receipt of said application.

"(c) INTEREST.—No interest shall be paid on any balance due from the sales tax administering authority under this subsection for any month if such balance due is paid within 60 days after the application for refund is received. Balances due not paid within 60 days after the application for refund is received shall bear interest from

the date of application. Interest shall be paid at the Federal short-term rate (as defined in section 511).

''(d) SUSPENSION OF PERIOD TO PAY REFUND ONLY IF FEDERAL OR STATE COURT RULING.—The 60-day periods under subsections (a) and (b) shall be suspended with respect to a purported overpayment (or portion thereof) only during any period that there is in effect a preliminary, temporary, or final ruling from a Federal or State court that there is reasonable cause to believe that such overpayment may not actually be due.

"CHAPTER 3—FAMILY CONSUMPTION ALLOWANCE

''Sec. 301. Family consumption allowance.
''Sec. 302. Qualified family.
''Sec. 303. Monthly poverty level.
''Sec. 304. Rebate mechanism.
''Sec. 305. Change in family circumstances.

"SEC. 301. FAMILY CONSUMPTION ALLOWANCE.

''Each qualified family shall be eligible to receive a sales tax rebate each month. The sales tax rebate shall be in an amount equal to the product of—

''(1) the rate of tax imposed by section 101, and

''(2) the monthly poverty level.

"SEC. 302. QUALIFIED FAMILY.

''(a) GENERAL RULE.—For purposes of this chapter, the term 'qualified family' shall mean one or more family members sharing a common residence. All family members

sharing a common residence shall be considered as part of one qualified family.

''(b) FAMILY SIZE DETERMINATION.—

''(1) IN GENERAL.—To determine the size of a qualified family for purposes of this chapter, family members shall mean—

''(A) an individual,

''(B) the individual's spouse,

''(C) all lineal ancestors and descendants of said individual (and such individual's spouse),

''(D) all legally adopted children of such individual (and such individual's spouse), and

''(E) all children under legal guardianship of such individual (or such individual's spouse).

''(2) IDENTIFICATION REQUIREMENTS.—In order for a person to be counted as a member of the family for purposes of determining the size of the qualified family, such person must—

''(A) have a bona fide Social Security number, and

''(B) be a lawful resident of the United States.

''(c) CHILDREN LIVING AWAY FROM HOME.—

''(1) STUDENTS LIVING AWAY FROM HOME.—Any person who was a registered student during not fewer than 5 months in a calendar year while living away from the common residence of a qualified family but who receives over 50 percent of such person's support during a calendar year from members of the qualified family shall be included as part of the family unit whose members provided said support for purposes of this chapter.

''(2) CHILDREN OF DIVORCED OR SEPARATED PARENTS.—If a child's parents are divorced or legally separated, a child for purposes of this chapter shall be treated as part of the qualified family of the custodial parent. In cases of joint custody, the custodial parent for purposes of this chapter shall be the parent that has custody of the child for more than one-half of the time during a given calendar year. A parent entitled to be treated as the custodial parent pursuant to this paragraph may release this claim to the other parent if said release is in writing.

''(d) ANNUAL REGISTRATION.—In order to receive the family consumption allowance provided by section 301, a qualified family must register with the sales tax administering authority in a form prescribed by the Secretary. The annual registration form shall provide—

''(1) the name of each family member who shared the qualified family's residence on the family determination date,

''(2) the Social Security number of each family member on the family determination date who shared the qualified family's residence on the family determination date,

''(3) the family member or family members to whom the family consumption allowance should be paid,

''(4) a certification that all listed family members are lawful residents of the United States,

''(5) a certification that all family members sharing the common residence are listed,

''(6) a certification that no family members were incarcerated on the family determination date (within the meaning of subsection (l)), and

''(7) the address of the qualified family.

Said registration shall be signed by all members of the qualified family that have attained the age of 21 years as of the date of filing.

''(e) REGISTRATION NOT MANDATORY.—Registration is not mandatory for any qualified family.

''(f) EFFECT OF FAILURE TO PROVIDE ANNUAL REGISTRATION.—Any qualified family that fails to reg-

ister in accordance with this section within 30 days of the family determination date, shall cease receiving the monthly family consumption allowance in the month beginning 90 days after the family determination date.

''(g) EFFECT OF CURING FAILURE TO PROVIDE ANNUAL REGISTRATION.—Any qualified family that failed to timely make its annual registration in accordance with this section but subsequently cures its failure to register, shall be entitled to up to 6 months of lapsed sales tax rebate payments. No interest on lapsed payment amount shall be paid.

''(h) EFFECTIVE DATE OF ANNUAL REGISTRATIONS.—Annual registrations shall take effect for the month beginning 90 days after the family registration date.

''(i) EFFECTIVE DATE OF REVISED REGISTRATIONS.—A revised registration made pursuant to section 305 shall take effect for the first month beginning 60 days after the revised registration was filed. The existing registration shall remain in effect until the effective date of the revised registration.

''(j) DETERMINATION OF REGISTRATION FILING DATE.—An annual or revised registration shall be deemed filed when—

''(1) deposited in the United States mail, postage prepaid, to the address of the sales tax administering authority,

''(2) delivered and accepted at the offices of the sales tax administering authority, or

''(3) provided to a designated commercial private courier service for delivery within 2 days to the sales tax administering authority at the address of the sales tax administering authority.

''(k) PROPOSED REGISTRATION TO BE PROVIDED.—Thirty or more days before the family registration date, the sales tax administering authority shall mail to the address shown on the most recent rebate registration or change of address notice filed pursuant to section 305(d) a proposed registration that may be simply signed by the appropriate family members if family circumstances have not changed.

''(l) INCARCERATED INDIVIDUALS.—An individual shall not be eligible under this chapter to be included as a member of any qualified family if that individual—

''(1) is incarcerated in a local, State, or Federal jail, prison, mental hospital, or other institution on the family determination date, and

''(2) is scheduled to be incarcerated for 6 months or more in the 12-month period following

the effective date of the annual registration or the revised registration of said qualified family.

''(m) FAMILY DETERMINATION DATE.—The family determination date is a date assigned to each family by the Secretary for purposes of determining qualified family size and other information necessary for the administration of this chapter. The Secretary shall promulgate regulations regarding the issuance of family determination dates. In the absence of any regulations, the family determination date for all families shall be October 1. The Secretary may assign family determination dates for administrative convenience. Permissible means of assigning family determination dates include a method based on the birth dates of family members.

''(n) CROSS REFERENCE.—For penalty for filing false rebate claim, see section 504(i).

''SEC. 303. MONTHLY POVERTY LEVEL.

''(a) IN GENERAL.—The monthly poverty level for any particular month shall be one-twelfth of the 'annual poverty level'. For purposes of this section the 'annual poverty level' shall be the sum of—

''(1) the annual level determined by the Department of Health and Human Services poverty guidelines required by sections 652 and 673(2) of the

Omnibus Reconciliation Act of 1981 for a particular family size, and

''(2) in case of families that include a married couple, the 'annual marriage penalty elimination amount'.

''(b) ANNUAL MARRIAGE PENALTY ELIMINATION AMOUNT.—The annual marriage penalty elimination amount shall be the amount that is—

''(1) the amount that is two times the annual level determined by the Department of Health and Human Services poverty guidelines required by sections 652 and 673(2) of the Omnibus Reconciliation Act of 1981 for a family of one, less

''(2) the annual level determined by the Department of Health and Human Services poverty guidelines required by sections 652 and 673(2) of the Omnibus Reconciliation Act of 1981 for a family of two.

''SEC. 304. REBATE MECHANISM.

''(a) GENERAL RULE.—The Social Security Administration shall provide a monthly sales tax rebate to duly registered qualified families in an amount determined in accordance with section 301.

''(b) PERSONS RECEIVING REBATE.—The payments shall be made to the persons designated by the qualifying

family in the annual or revised registration for each qualified family in effect with respect to the month for which payment is being made. Payments may only be made to persons 18 years or older. If more than 1 person is designated in a registration to receive the rebate, then the rebate payment shall be divided evenly between or among those persons designated.

''(c) WHEN REBATES MAILED.—Rebates shall be mailed on or before the first business day of the month for which the rebate is being provided.

''(d) SMART CARDS AND DIRECT ELECTRONIC DEPOSIT PERMISSIBLE.—The Social Security Administration may provide rebates in the form of smart cards that carry cash balances in their memory for use in making purchases at retail establishments or by direct electronic deposit.

''SEC. 305. CHANGE IN FAMILY CIRCUMSTANCES.

''(a) GENERAL RULE.—In the absence of the filing of a revised registration in accordance with this chapter, the common residence of the qualified family, marital status and number of persons in a qualified family on the family registration date shall govern determinations required to be made under this chapter for purposes of the following calendar year.

''(b) NO DOUBLE COUNTING.—In no event shall any person be considered part of more than one qualified family.

''(c) REVISED REGISTRATION PERMISSIBLE.—A qualified family may file a revised registration for purposes of section 302(d) to reflect a change in family circumstances. A revised registration form shall provide—

''(1) the name of each family member who shared the qualified family's residence on the filing date of the revised registration,

''(2) the Social Security number of each family member who shared the qualified family's residence on the filing date of the revised registration,

''(3) the family member or family members to whom the family consumption allowance should be paid,

''(4) a certification that all listed family members are lawful residents of the United States,

''(5) a certification that all family members sharing the commoner residence are listed,

''(6) a certification that no family members were incarcerated on the family determination date (within the meaning of section 302(1)), and

''(7) the address of the qualified family.

Said revised registration shall be signed by all members of the qualified family that have attained the age of 21 years as of the filing date of the revised registration.

''(d) CHANGE OF ADDRESS.—A change of address for a qualified family may be filed with the sales tax administering authority at any time and shall not constitute a revised registration.

''(e) REVISED REGISTRATION NOT MANDATORY.—Revised registrations reflecting changes in family status are not mandatory.

''CHAPTER 4—FEDERAL AND STATE COOPERATIVE TAX ADMINISTRATION

''Sec. 401. Authority for States to collect tax.
''Sec. 402. Federal administrative support for States.
''Sec. 403. Federal-State tax conferences.
''Sec. 404. Federal administration in certain States.
''Sec. 405. Interstate allocation and destination determination.
''Sec. 406. General administrative matters.
''Sec. 407. Jurisdiction.

''SEC. 401. AUTHORITY FOR STATES TO COLLECT TAX.

''(a) IN GENERAL.—The tax imposed by section 101 on gross payments for the use or consumption of taxable property or services within a State shall be administered, collected, and remitted to the United States Treasury by such State if the State is an administering State.

''(b) ADMINISTERING STATE.—For purposes of this section, the term 'administering State' means any State—

''(1) which maintains a sales tax, and

''(2) which enters into a cooperative agreement with the Secretary containing reasonable provisions governing the administration by such State of the taxes imposed by the subtitle and the remittance to the United States in a timely manner of taxes collected under this chapter.

''(c) COOPERATIVE AGREEMENTS.—The agreement under subsection (b)(2) shall include provisions for the expeditious transfer of funds, contact officers, dispute resolution, information exchange, confidentiality, taxpayer rights, and other matters of importance. The agreement shall not contain extraneous matters.

''(d) TIMELY REMITTANCE OF TAX.—

''(1) IN GENERAL.—Administering States shall remit and pay over taxes collected under this subtitle on behalf of the United States (less the administration fee allowable under paragraph (2)) not later than 5 days after receipt. Interest at 150 percent of the Federal short-term rate shall be paid with respect to amounts remitted after the due date.

''(2) ADMINISTRATION FEE.—An administering State may retain an administration fee equal to one-quarter of 1 percent of the amounts otherwise required to be remitted to the United States under this chapter by the administering State.

''(e) LIMITATION ON ADMINISTRATION OF TAX BY UNITED STATES.—The Secretary may administer the tax imposed by this subtitle in an administering State only if—

''(1)(A) such State has failed on a regular basis to timely remit to the United States taxes collected under this chapter on behalf of the United States, or

''(B) such State has on a regular basis otherwise materially breached the agreement referred to in subsection (b)(2),

''(2) the State has failed to cure such alleged failures and breaches within a reasonable time,

''(3) the Secretary provides such State with written notice of such alleged failures and breaches, and

''(4) a District Court of the United States within such State, upon application of the Secretary, has rendered a decision—

''(A) making findings of fact that—

''(i) such State has failed on a regular basis to timely remit to the United States taxes collected under this chapter on behalf of the United States, or such State has on a regular basis otherwise materially

breached the agreement referred to in subsection (b)(2),

"(ii) the Secretary has provided such State with written notice of such alleged failures and breaches, and

"(iii) the State has failed to cure such alleged failures and breaches within a reasonable time, and

"(B) making a determination that it is in the best interest of the citizens of the United States that the administering State's authority to administer the tax imposed by this subtitle be revoked and said tax be administered directly by the Secretary.

The order of the District Court revoking the authority of an Administering State shall contain provisions governing the orderly transfer of authority to the Secretary.

"(f) REINSTITUTION.—A State that has had its authority revoked pursuant to subsection (e) shall not be an administering State for a period of not less than 5 years after the date of the order of revocation. For the first calendar year commencing 8 years after the date of the order of revocation, the State shall be regarded without prejudice as eligible to become an administering State.

''(g) THIRD STATE ADMINISTRATION PERMISSIBLE.—It shall be permissible for a State to contract with an administering State to administer the State's sales tax for an agreed fee. In this case, the agreement contemplated by subsection (c) shall have both the State and the Federal Government as parties.

''(h) INVESTIGATIONS AND AUDITS.—Administering States shall not conduct investigations or audits at facilities in other administering States in connection with the tax imposed by section 101 or conforming State sales tax but shall instead cooperate with other administering States using the mechanisms established by section 402, by compact or by other agreement.

"SEC. 402. FEDERAL ADMINISTRATIVE SUPPORT FOR STATES.

''(a) IN GENERAL.—The Secretary shall administer a program to facilitate information sharing among States.

''(b) STATE COMPACTS.—The Secretary shall facilitate, and may be a party to a compact among States for purposes of facilitating the taxation of interstate purchases and for other purposes that may facilitate implementation of this subtitle.

''(c) AGREEMENT WITH CONFORMING STATES.—The Secretary is authorized to enter into and shall enter into an agreement among conforming States enabling con-

forming States to collect conforming State sales tax on sales made by sellers without a particular conforming State to a destination within that particular conforming State.

''(d) SECRETARY'S AUTHORITY.—The Secretary shall have the authority to promulgate regulations, to provide guidelines, to assist States in administering the national sales tax, to provide for uniformity in the administration of the tax and to provide guidance to the public.

''SEC. 403. FEDERAL-STATE TAX CONFERENCES.

''Not less than once annually, the Secretary shall host a conference with the sales tax administrators from the various administering States to evaluate the state of the national sales tax system, to address issues of mutual concern and to develop and consider legislative, regulatory, and administrative proposals to improve the tax system.

''SEC. 404. FEDERAL ADMINISTRATION IN CERTAIN STATES.

''The Secretary shall administer the tax imposed by this subtitle in any State or other United States jurisdiction that—

''(1) is not an administering State, or

''(2) elected to have another State administer its tax in accordance with section 401(g).

"SEC. 405. INTERSTATE ALLOCATION AND DESTINATION DETERMINATION.

''(a) DESTINATION GENERALLY.—The tax imposed by this subtitle is a destination principle tax. This section shall govern for purposes of determining—

''(1) whether the destination of taxable property and services is within or without the United States, and

''(2) which State or territory within the United States is the destination of taxable property and services.

''(b) TANGIBLE PERSONAL PROPERTY.—Except as provided in subsection (g) (relating to certain leases), the destination of tangible personal property shall be the State or territory in which the property was first delivered to the purchaser (including agents and authorized representatives).

''(c) REAL PROPERTY.—The destination of real property, or rents or leaseholds on real property, shall be the State or territory in which the real property is located.

''(d) OTHER PROPERTY.—The destination of any other taxable property shall be the residence of the purchaser.

''(e) SERVICES.—

''(1) GENERAL RULE.—The destination of services shall be the State or territory in which the use

or consumption of the services occurred. Allocation of service invoices relating to more than 1 jurisdiction shall be on the basis of time or another method determined by regulation.

''(2) TELECOMMUNICATIONS SERVICES.—The destination of telecommunications services shall be the residence of the purchaser. Telecommunications services include telephone, telegraph, beeper, radio, cable television, satellite, and computer on-line or network services.

''(3) DOMESTIC TRANSPORTATION SERVICES.—For transportation services where all of the final destinations are within the United States, the destination of transportation services shall be the final destination of the trip (in the case of round or multiple trip fares, the services amount shall be equally allocated among each final destination).

''(4) INTERNATIONAL TRANSPORTATION SERVICES.—For transportation services where the final destination or origin of the trip is without the United States, the service amount shall be deemed 50 percent attributable to the United States destination or origin.

''(5) ELECTRICAL SERVICE.—The destination of electrical services shall be the residence of the purchaser.

''(f) FINANCIAL INTERMEDIATION SERVICES.—The destination of financial intermediation services shall be the residence of the purchaser.

''(g) RENTS PAID FOR THE LEASE OF TANGIBLE PROPERTY.—

''(1) GENERAL RULE.—Except as provided in paragraph (2), the destination of rents paid for the lease of tangible property and leaseholds on such property shall be where the property is located while in use.

''(2) LAND VEHICLES; AIRCRAFT, WATER CRAFT.—The destination of rental and lease payments on land vehicles, aircraft and water craft shall be—

''(A) in the case of rentals and leases of a term of 1 month or less, the location where the land vehicle, aircraft, or water craft was originally delivered to the renter or lessee, and

''(B) in the case of rentals and leases of a term greater than 1 month, the residence of the renter or lessee.

''(h) ALLOCATION RULES.—For purposes of allocating revenue—

''(1) between or among administering States from taxes imposed by this subtitle or from State sales taxes administered by third-party administering States, or

''(2) between or among States imposing conforming State sales taxes,

the revenue shall be allocated to those States that are the destination of the taxable property or service.

''(i) FEDERAL OFFICE OF REVENUE ALLOCATION.—The Secretary shall establish an Office of Revenue Allocation to arbitrate any claims or disputes among administering States as to the destination of taxable property and services for purposes of allocating revenue between or among the States from taxes imposed by this subtitle. The determination of the Administrator of the Office of Revenue Allocation shall be subject to judicial review in any Federal court with competent jurisdiction. The standard of review shall be abuse of discretion.

''SEC. 406. GENERAL ADMINISTRATIVE MATTERS.

''(a) IN GENERAL.—The Secretary and each sales tax administering authority may employ such persons as may be necessary for the administration of this subtitle and may delegate to employees the authority to conduct inter-

views, hearings, prescribe rules, promulgate regulations, and perform such other duties as are required by this subtitle.

''(b) RESOLUTION OF ANY INCONSISTENT RULES AND REGULATIONS.—In the event that the Secretary and any sales tax administering authority have issued inconsistent rules or regulations, any lawful rule or regulation issued by the Secretary shall govern.

''(c) ADEQUATE NOTICE TO BE PROVIDED.—Except in the case of an emergency declared by the Secretary (and not his designee), no rule or regulation issued by the Secretary with respect to any internal revenue law shall take effect before 90 days have elapsed after its publication in the Federal Register. Upon issuance, the Secretary shall provide copies of all rules or regulations issued under this title to each sales tax administering authority.

''(d) NO RULES, RULINGS, OR REGULATIONS WITH RETROACTIVE EFFECT.—No rule, ruling, or regulation issued or promulgated by the Secretary relating to any internal revenue law or by a sales tax administering authority shall apply to a period prior to its publication in the Federal Register (or State equivalent) except that a regulation may take retroactive effect to prevent abuse.

''(e) REVIEW OF IMPACT OF REGULATIONS, RULES, AND RULINGS ON SMALL BUSINESS.—

''(1) SUBMISSION TO SMALL BUSINESS ADMINISTRATION.—After publication of any proposed or temporary regulation by the Secretary relating to internal revenue laws, the Secretary shall submit such regulation to the Chief Counsel for Advocacy of the Small Business Administration for comment on the impact of such regulation on small businesses. Not later than the date 30 days after the date of such submission, the Chief Counsel for Advocacy of the Small Business Administration shall submit comments on such regulation to the Secretary.

''(2) CONSIDERATION OF COMMENTS.—In prescribing any final regulation which supersedes a proposed or temporary regulation which had been submitted under this subsection to the Chief Counsel for Advocacy of the Small Business Administration, the Secretary shall—

''(A) consider the comments of the Chief Counsel for Advocacy of the Small Business Administration on such proposed or temporary regulation, and

''(B) in promulgating such final regulation, include a narrative that describes the response to such comments.

''(3) SUBMISSION OF CERTAIN FINAL REGULATION.—In the case of promulgation by the Secretary of any final regulations (other than a temporary regulation) which do not supersede a proposed regulation, the requirements of paragraphs (1) and (2) shall apply, except that the submission under paragraph (1) shall be made at least 30 days before the date of such promulgation, and the consideration and discussion required under paragraph (2) shall be made in connection with the promulgation of such final regulation.

''(f) SMALL BUSINESS REGULATORY SAFEGUARDS.—The Small Business Regulatory Enforcement Fairness Act (Public Law 104–121; 110 Stat. 857 ('SBREFA')) and the Regulatory Flexibility Act (5 U.S.C. 601–612 ('RFA')) shall apply to regulations promulgated under this subtitle.

"SEC. 407. JURISDICTION.

''(a) STATE JURISDICTION.—A sales tax administering authority shall have jurisdiction over any gross payments made which have a destination (as determined in accordance with section 405) within the State of said sales tax administering authority. This grant of jurisdiction is not exclusive of any other jurisdiction that such sales tax administering authority may have.

''(b) FEDERAL JURISDICTION.—The grant of jurisdiction in subsection (a) shall not be in derogation of Federal jurisdiction over the same matter. The Federal Government shall have the right to exercise preemptive jurisdiction over matters relating to the taxes imposed by this subtitle.

"CHAPTER 5—OTHER ADMINISTRATIVE PROVISIONS

''Sec. 501. Monthly reports and payments.
''Sec. 502. Registration.
''Sec. 503. Accounting.
''Sec. 504. Penalties.
''Sec. 505. Burden of persuasion and burden of production.
''Sec. 506. Attorneys' and accountancy fees.
''Sec. 507. Summons, examinations, audits, etc.
''Sec. 508. Records.
''Sec. 509. Tax to be separately stated and charged.
''Sec. 510. Coordination with title 11.
''Sec. 511. Applicable interest rate.

"SEC. 501. MONTHLY REPORTS AND PAYMENTS.

''(a) TAX REPORTS AND FILING DATES.—

''(1) IN GENERAL.—On or before the 15th day of each month, each person who is—

''(A) liable to collect and remit the tax imposed by this subtitle by reason of section 103(a), or

''(B) liable to pay tax imposed by this subtitle which is not collected pursuant to section 103(a),

shall submit to the appropriate sales tax administering authority (in a form prescribed by the Sec-

retary) a report relating to the previous calendar month.

''(2) CONTENTS OF REPORT.—The report required under paragraph (1) shall set forth—

''(A) the gross payments referred to in section 101,

''(B) the tax collected under chapter 4 in connection with such payments,

''(C) the amount and type of any credit claimed, and

''(D) other information reasonably required by the Secretary or the sales tax administering authority for the administration, collection, and remittance of the tax imposed by this subtitle.

''(b) TAX PAYMENTS DATE.—

''(1) GENERAL RULE.—The tax imposed by this subtitle during any calendar month is due and shall be paid to the appropriate sales tax administering authority on or before the 15th day of the succeeding month. Both Federal tax imposed by this subtitle and conforming State sales tax (if any) shall be paid in 1 aggregate payment.

''(2) CROSS REFERENCE.—See subsection (e) relating to remitting of separate segregated funds for sellers that are not small sellers.

''(c) EXTENSIONS FOR FILING REPORTS.—

''(1) AUTOMATIC EXTENSIONS FOR NOT MORE THAN 30 DAYS.—On application, an extension of not more than 30 days to file reports under subsection (a) shall be automatically granted.

''(2) OTHER EXTENSIONS.—On application, extensions of 30 to 60 days to file such reports shall be liberally granted by the sales tax administering authority for reasonable cause. Extensions greater than 60 days may be granted by the sales tax administering authority to avoid hardship.

''(3) NO EXTENSION FOR PAYMENT OF TAXES.—Notwithstanding paragraphs (1) and (2), no extension shall be granted with respect to the time for paying or remitting the taxes under this subtitle.

''(d) TELEPHONE REPORTING OF VIOLATIONS.—The Secretary shall establish a system under which a violation of this subtitle can be brought to the attention of the sales tax administering authority for investigation through the use of a toll-free telephone number and otherwise.

''(e) SEPARATE SEGREGATED ACCOUNTS.—

''(1) IN GENERAL.—Any registered seller that is not a small seller shall deposit all sales taxes collected pursuant to section 103 in a particular week

in a separate segregated account maintained at a bank or other financial institution within 3 business days of the end of such week. Said registered seller shall also maintain in that account sufficient funds to meet the bank or financial institution minimum balance requirements, if any, and to pay account fees and costs.

''(2) SMALL SELLER.—For purposes of this subsection, a small seller is any person that has not collected $20,000 or more of the taxes imposed by this subtitle in any of the previous 12 months.

''(3) LARGE SELLERS.—Any seller that has collected $100,000 or more of the taxes imposed by this subtitle in any of the previous 12 months is a large seller. A large seller shall remit to the sales tax administering authority the entire balance of deposited taxes in its separate segregated account on the first business day following the end of the calendar week. The Secretary may by regulation require the electronic transfer of funds due from large sellers.

''(4) WEEK.—For purposes of this subsection, the term 'week' shall mean the 7-day period ending on a Friday.

''(f) DETERMINATION OF REPORT FILING DATE.—A report filed pursuant to subsection (a) shall be deemed filed when—

''(1) deposited in the United States mail, postage prepaid, addressed to the sales tax administering authority,

''(2) delivered and accepted at the offices of the sales tax administering authority,

''(3) provided to a designated commercial private courier service for delivery within 2 days to the sales tax administering authority at the address of the sales tax administering authority, or

''(4) by other means permitted by the Secretary.

''(g) SECURITY REQUIREMENTS.—A large seller (within the meaning of subsection (e)(3)) shall be required to provide security in an amount equal to the greater of $100,000 or one and one-half times the seller's average monthly tax liability during the previous 6 calendar months. Security may be a cash bond, a bond from a surety company approved by the Secretary, a certificate of deposit, or a State or United States Treasury bond. A bond qualifying under this subsection must be a continuing instrument for each calendar year (or portion thereof) that the bond is in effect. The bond must remain

in effect until the surety or sureties are released and discharged. Failure to provide security in accordance with this section shall result in revocation of the seller's section 502 registration. If a person who has provided security pursuant to this subsection—

''(1) fails to pay an amount indicated in a final notice of amount due under this subtitle (within the meaning of section 605(d)),

''(2) no Taxpayer Assistance Order is in effect relating to the amount due,

''(3) either the time for filing an appeal pursuant to section 604 has passed or the appeal was denied, and

''(4) the amount due is not being litigated in any judicial forum,

then the security or part of the security, as the case may be, may be forfeited in favor of the Secretary to the extent of such tax due (plus interest if any).

''(h) REWARDS PROGRAM.—The Secretary is authorized to maintain a program of awards wherein individuals that assist the Secretary or sales tax administering authorities in discovering or prosecuting tax fraud may be remunerated.

''(i) CROSS REFERENCE.—For interest due on taxes remitted late, see section 6601.

"SEC. 502. REGISTRATION.

''(a) IN GENERAL.—Any person liable to collect and remit taxes pursuant to section 103(a) who is engaged in a trade or business shall register as a seller with the sales tax administering authority administering the taxes imposed by this subtitle.

''(b) AFFILIATED FIRMS.—Affiliated firms shall be treated as 1 person for purposes of this section. Affiliated firms may elect, upon giving notice to the Secretary in a form prescribed by the Secretary, to treat separate firms as separate persons for purposes of this subtitle.

''(c) DESIGNATION OF TAX MATTERS PERSON.—Every person registered pursuant to subsection (a) shall designate a tax matters person who shall be an individual whom the sales tax administering authority may contact regarding tax matters. Each person registered must provide notice of a change in the identity of the tax matters person within 30 days of said change.

''(d) EFFECT OF FAILURE TO REGISTER.—Any person that is required to register and who fails to do so is prohibited from selling taxable property or services. The Secretary or a sales tax administering authority may bring an action seeking a temporary restraining order, an injunction, or such other order as may be appropriate to enforce this section.

"SEC. 503. ACCOUNTING.

"(a) CASH METHOD TO BE USED GENERALLY.—Registered sellers and other persons shall report transactions using the cash method of accounting unless an election to use the accrual method of accounting is made pursuant to subsection (b).

"(b) ELECTION TO USE ACCRUAL METHOD.—A person may elect with respect to a calender year to remit taxes and report transactions with respect to the month where a sale was invoiced and accrued.

"(c) CROSS REFERENCE.—See section 205 for rules relating to bad debts for sellers electing the accrual method.

"SEC. 504. PENALTIES.

"(a) FAILURE TO REGISTER.—Each person who is required to register pursuant to section 502 but fails to do so prior to notification by the sales tax administering authority shall be liable for a penalty of $500.

"(b) RECKLESS OR WILLFUL FAILURE TO COLLECT TAX.—

"(1) CIVIL PENALTY; FRAUD.—Each person who is required to and recklessly or willfully fails to collect taxes imposed by this subtitle shall be liable for a penalty equal to the greater of $500 or 20 percent of tax not collected.

''(2) CRIMINAL PENALTY.—Each person who is required to and willfully fails as part of a trade or business to collect taxes imposed by this subtitle may be fined an amount up to the amount determined in accordance with paragraph (1) or imprisoned for a period of not more than 1 year or both.

''(c) RECKLESS OR WILLFUL ASSERTION OF INVALID EXEMPTION.—

''(1) CIVIL PENALTY; FRAUD.—Each person who recklessly or willfully asserts an invalid intermediate or export sales exemption from the taxes imposed by this subtitle shall be liable for a penalty equal to the greater of $500 or 20 percent of the tax not collected or remitted.

''(2) CRIMINAL PENALTY.—Each person who willfully asserts an invalid intermediate or export sales exemption from the taxes imposed by this subtitle may be fined an amount up to the amount determined in accordance with paragraph (1) or imprisoned for a period of not more than 1 year or both.

''(d) RECKLESS OR WILLFUL FAILURE TO REMIT TAX COLLECTED.—

''(1) CIVIL PENALTY; FRAUD.—Each person who is required to and recklessly or willfully fails to

remit taxes imposed by this subtitle and collected from purchasers shall be liable for a penalty equal to the greater of $1,000 or 50 percent of the tax not remitted.

''(2) CRIMINAL PENALTY.—Each person who willfully fails to remit taxes imposed by this subtitle and collected from purchasers may be fined an amount up to the amount determined in accordance with paragraph (1) or imprisoned for a period of not more than 2 years or both.

''(e) RECKLESS OR WILLFUL FAILURE TO PAY TAX.—Each person who is required to and recklessly or willfully fails to pay taxes imposed by this subtitle shall be liable for a penalty equal to the greater of $500 or 20 percent of the tax not paid.

''(f) PENALTY FOR LATE FILING.—

''(1) IN GENERAL.—In the case of a failure by any person who is required to and fails to file a report required by section 501 on or before the due date (determined with regard to any extension) for such report, such person shall pay a penalty for each month or fraction thereof that said report is late equal to the greater of—

''(A) $50, or

''(B) 0.5 percent of the gross payments required to be shown on the report.

''(2) INCREASED PENALTY ON RETURNS FILED AFTER WRITTEN INQUIRY.—The amount of the penalty under paragraph (1) shall be doubled with respect to any report filed after a written inquiry with respect to such report is received by the taxpayer from the sales tax administering authority.

''(3) LIMITATION.—The penalty imposed under this subsection shall not exceed 12 percent.

''(4) EXCEPTIONS.—

''(A) REASONABLE CAUSE.—No penalty shall be imposed under this subsection with respect to any failure if it is shown that such failure is due to reasonable cause.

''(B) OTHER WAIVER AUTHORITY.—In addition to penalties not imposed by reason of subparagraph (A), the sales tax administering authority, on application, shall waive the penalty imposed by paragraph (1) once per registered person per 24-month period. The preceding sentence shall not apply to a penalty determined under paragraph (2).

''(g) PENALTY FOR WILLFULLY OR RECKLESSLY ACCEPTING A FALSE INTERMEDIATE OR EXPORT SALES

CERTIFICATE.—A person who willingly or recklessly accepts a false intermediate or export sales certificate shall pay a penalty equal to 20 percent of the tax not collected by reason of said acceptance.

''(h) PENALTY FOR LATE REMITTANCE OF TAXES.—

''(1) IN GENERAL.—A person who is required to timely remit taxes imposed by this subtitle and remits taxes more than 1 month after such taxes are due shall pay a penalty equal to 1 percent per month (or fraction thereof) from the due date.

''(2) LIMITATION.—The penalty imposed under this subsection shall not exceed 24 percent.

''(3) EXCEPTIONS FOR REASONABLE CAUSE.—No penalty shall be imposed under paragraph (1) with respect to any late remittance if it is shown that such late remittance is due to reasonable cause.

''(i) PENALTY FOR FILING FALSE REBATE CLAIM.—

''(1) CIVIL PENALTY; FRAUD.—A person who willingly or recklessly files a false claim for a family consumption allowance rebate (within the meaning of chapter 3) shall—

''(A) pay a penalty equal to the greater of $500 or 50 percent of the claimed annual rebate amount not actually due, and

''(B) repay any rebates received as a result of the false rebate claim (together with interest).

''(2) CRIMINAL PENALTY.—A person who willingly files a false claim for a family consumption allowance rebate (within the meaning of chapter 3) may be fined an amount up to the amount determined in accordance with paragraph (1) or imprisoned for a period not more than 1 year or both.

''(j) PENALTY FOR BAD CHECK.—If any check or money order in payment of any amount receivable under this subtitle is not duly paid, in addition to other penalties provided by law, the person who tendered such check shall pay a penalty equal to the greater of—

''(1) $25, or

''(2) two percent of the amount of such check.

''(k) PENALTY FOR FAILURE TO MAINTAIN A SEPARATE SEGREGATED ACCOUNT.—Any person required to maintain a separate segregated account pursuant to section 501(e) that fails to maintain such a separate segregated account shall pay a penalty of $1,000.

''(l) PENALTY FOR FAILURE TO DEPOSIT COLLECTED TAXES IN A SEPARATE SEGREGATED ACCOUNT.—Any person required to deposit collected taxes into a separate segregated account maintained pursuant

to section 501(e) that fails to timely deposit said taxes into the separate segregated account shall pay a penalty equal to 1 percent of the amount required to be deposited. The penalty imposed by the previous sentence shall be tripled unless said taxes have been deposited in the separate segregated account or remitted to the sales tax administering authority within 16 days of the date said deposit was due.

''(m) JOINT AND SEVERAL LIABILITY FOR TAX MATTERS PERSON AND RESPONSIBLE OFFICERS.—The tax matters person (designated pursuant to section 502(c)) and responsible officers or partners of a firm shall be jointly and severally liable for the tax imposed by this subtitle and penalties imposed by this subtitle.

''(n) RIGHT OF CONTRIBUTION.—If more than 1 person is liable with respect to any tax or penalty imposed by this subtitle, each person who paid such tax or penalty shall be entitled to recover from other persons who are liable for such tax or penalty an amount equal to the excess of the amount paid by such person over such person's proportionate share of the tax or penalty.

''(o) CIVIL PENALTIES AND CRIMINAL FINES NOT EXCLUSIVE.—

''(1) CIVIL PENALTY.—The fact that a civil penalty has been imposed shall not prevent the imposition of a criminal fine.

''(2) CRIMINAL FINE.—The fact that a criminal fine has been imposed shall not prevent the imposition of a civil penalty.

''(p) CONFIDENTIALITY.—Any person who violates the requirements relating to confidentiality of tax information (as provided in section 605(e)) may be fined up to $10,000 or imprisoned for a period of not more than 1 year, or both.

''(q) CROSS REFERENCE.—For interest due on late payments, see section 6601.

''SEC. 505. BURDEN OF PERSUASION AND BURDEN OF PRODUCTION.

''In all disputes concerning taxes imposed by this subtitle, the person engaged in a dispute with the sales tax administering authority or the Secretary, as the case may be, shall have the burden of production of documents and records but the sales tax administering authority or the Secretary shall have the burden of persuasion. In all disputes concerning an exemption claimed by a purchaser, if the seller has on file an intermediate sale or export sale certificate from the purchaser and did not have reasonable cause to believe that the certificate was improperly pro-

vided by the purchaser with respect to such purchase (within the meaning of section 103), then the burden of production of documents and records relating to that exemption shall rest with the purchaser and not with the seller.

"SEC. 506. ATTORNEYS' AND ACCOUNTANCY FEES.

''In all disputes concerning taxes imposed by this subtitle, the person engaged in a dispute with the sales tax administering authority or the Secretary, as the case may be, shall be entitled to reasonable attorneys' fees, accountancy fees, and other reasonable professional fees incurred in direct relation to the dispute unless the sales tax administering authority or the Secretary establishes that its position was substantially justified.

"SEC. 507. SUMMONS, EXAMINATIONS, AUDITS, ETC.

''(a) SUMMONS.—Persons are subject to administrative summons by the sales tax administering authority for records, documents, and testimony required by the sales tax administering authority to accurately determine liability for tax under this subtitle. A summons shall be served by the sales tax administering authority by an attested copy delivered in hand to the person to whom it is directed or left at his last known address. The summons shall describe with reasonable certainty what is sought.

''(b) EXAMINATIONS AND AUDITS.—The sales tax administering authority has the authority to conduct at a reasonable time and place examinations and audits of persons who are or may be liable to collect and remit tax imposed by this subtitle and to examine the books, papers, records, or other data of such persons which may be relevant or material to the determination of tax due.

''(c) LIMITATION ON AUTHORITY IN CASE OF REFERRAL.—No administrative summons may be issued by the sales tax administering authority and no action be commenced to enforce an administrative summons with respect to any person if a Justice Department referral or referral to a State Attorney General's Office is in effect with respect to such person relating to a tax imposed by this subtitle. Such referral is in effect with respect to any person if the sales tax administering authority or the Secretary has recommended to the Justice Department or a State Attorney General's Office a grand jury investigation of such person or a criminal prosecution of such person that contemplates criminal sanctions under this title. A referral shall be terminated when—

''(1) the Justice Department or a State Attorney General's Office notifies the sales tax administering authority or the Secretary that he will not—

''(A) prosecute such person for any offense connected with the internal revenue laws,

''(B) authorize a grand jury investigation of such person with respect to such offense, or

''(C) continue such a grand jury investigation, or

''(2) a final disposition has been made of any criminal proceeding connected with the internal revenue laws, or conforming State sales tax, against such person.

''SEC. 508. RECORDS.

''Any person liable to remit taxes pursuant to this subtitle shall keep records (including a record of all section 509 receipts provided, complete records of intermediate and export sales, including purchaser's intermediate and export sales certificates and tax number and the net of tax amount of purchase) sufficient to determine the amounts reported, collected, and remitted for a period of 6 years after the latter of the filing of the report for which the records formed the basis or when the report was due to be filed. Any purchaser who purchased taxable property or services but did not pay tax by reason of asserting an intermediate and export sales exemption shall keep records sufficient to determine whether said exemption was valid

for a period of 7 years after the purchase of taxable property or services.

"SEC. 509. TAX TO BE SEPARATELY STATED AND CHARGED.

"(a) IN GENERAL.—For each purchase of taxable property or services for which a tax is imposed by section 101, the seller shall charge the tax imposed by section 101 separately from the purchase. For purchase of taxable property or services for which a tax is imposed by section 101, the seller shall provide to the purchaser a receipt for each transaction that includes—

"(1) the property or services price exclusive of tax,

"(2) the amount of tax paid,

"(3) the property or service price inclusive of tax,

"(4) the tax rate (the amount of tax paid (per paragraph (2))) divided by the property or service price inclusive of tax (per paragraph (3)),

"(5) the date that the good or service was sold,

"(6) the name of the vendor, and

"(7) the vendor registration number.

"(b) VENDING MACHINE EXCEPTION.—The requirements of subsection (a) shall be inapplicable in the case of sales by vending machines. Vending machines for purposes of this subsection are machines—

''(1) that dispense taxable property in exchange for coins or currency, and

''(2) that sell no single item exceeding $10 per unit in price.

''(c) FINANCIAL INTERMEDIATION SERVICES EXCEPTION.—The requirements of subsection (a) shall be inapplicable in the case of sales financial intermediation service. Receipts shall be issued when the tax is imposed (in accordance with section 803 (relating to timing of tax on financial intermediation services)).

''SEC. 510. COORDINATION WITH TITLE 11.

''No addition to tax shall be made under section 504 with respect to a period during which a case is pending under title 11, United States Code—

''(1) if such tax was incurred by the estate and the failure occurred pursuant to an order of the court finding probable insufficiency of funds of the estate to pay administrative expenses, or

''(2) if—

''(A) such tax was incurred by the debtor before the earlier of the order for relief or (in the involuntary case) the appointment of a trustee, and

''(B) the petition was filed before the due date prescribed by law (including extensions)

for filing a return of such tax, or the date for making the addition to tax occurs on or after the date the petition was filed.

"SEC. 511. APPLICABLE INTEREST RATE.

''(a) IN GENERAL.—

''(1) FEDERAL SHORT-TERM RATE.—In the case of a debt instrument, investment, financing lease, or account with a term of not over 3 years, the applicable interest rate is the Federal short-term rate.

''(2) FEDERAL MID-TERM RATE.—In the case of a debt instrument, investment, financing lease, or account with a term of over 3 years but not over 9 years, the applicable interest rate is the Federal mid-term rate.

''(3) FEDERAL LONG-TERM RATE.—In the case of a debt instrument, investment, financing lease, or account with a term of over 9 years, the applicable interest rate is the Federal long-term rate.

''(b) FEDERAL SHORT-TERM RATE.—The Federal short-term rate shall be the rate determined by the Secretary based on the average market yield (selected by the Secretary and ending in the calendar month in which the determination is made during any one month) on out-

standing marketable obligations of the United States with remaining periods to maturity of 3 years or fewer.

''(c) FEDERAL MID-TERM RATE.—The Federal mid-term rate shall be the rate determined by the Secretary based on the average market yield (selected by the Secretary and ending in the calendar month in which the determination is made during any 1 month) on outstanding marketable obligations of the United States with remaining periods to maturity of more than 3 years and not over 9 years.

''(d) FEDERAL LONG-TERM RATE.—The Federal long-term rate shall be the rate determined by the Secretary based on the average market yield (selected by the Secretary and ending in the calendar month in which the determination is made during any 1 month) on outstanding marketable obligations of the United States with remaining periods to maturity of over 9 years.

''(e) DETERMINATION OF RATES.—During each calendar month, the Secretary shall determine the Federal short-term rate, the Federal mid-term rate and the Federal long-term rate which shall apply during the following calendar month.

''CHAPTER 6—COLLECTIONS; APPEALS; TAXPAYER RIGHTS

''Sec. 601. Collections.
''Sec. 602. Power to levy, etc.
''Sec. 603. Problem resolution offices.

''Sec. 604. Appeals.
''Sec. 605. Taxpayer rights.
''Sec. 606. Installment agreements compromises.

''SEC. 601. COLLECTIONS.

''The sales tax administering authority shall collect the taxes imposed by this subtitle, except as provided in section 404 (relating to Federal administration in certain States).

''SEC. 602. POWER TO LEVY, ETC.

''(a) IN GENERAL.—The sales tax administering authority may levy and seize property, garnish wages or salary and file liens to collect amounts due under this subtitle, pursuant to enforcement of—

''(1) a judgment duly rendered by a court of law,

''(2) an amount due if the taxpayer has failed to exercise his appeals rights under section 604, or

''(3) an amount due if the appeals process determined that an amount remained due and the taxpayer has failed to timely petition the Tax Court for relief.

''(b) EXEMPTION FROM LEVY, SEIZURE, AND GARNISHMENTS.—There shall be exempt from levy, seizure, and garnishment or penalty in connection with any tax imposed by this subtitle—

''(1) wearing apparel, school books, fuel, provisions, furniture, personal effects, tools of a trade or

profession, livestock in a household up to an aggregate value of $15,000, and

''(2) monthly money income equal to 150 percent of the monthly poverty level (as defined in section 303).

''(c) LIENS TO BE TIMELY RELEASED.—Subject to such reasonable regulations as the Secretary may provide, any lien imposed with respect to a tax imposed by this title shall be released not later than 30 days after—

''(1) the liability was satisfied or became unenforceable, or

''(2) a bond was accepted as security.

''SEC. 603. PROBLEM RESOLUTION OFFICES.

''(a) PROBLEM RESOLUTION OFFICE TO BE ESTABLISHED.—Each sales tax administering authority shall establish an independent Problem Resolution Office and appoint an adequate number of problem resolution officers. The head of the problem resolution office must be appointed by, and serve at the pleasure of either the State Governor (in the case of an administering State) or the President of the United States.

''(b) AUTHORITY OF PROBLEM RESOLUTION OFFICERS.—Problem resolution officers shall have the authority to investigate complaints and issue a Taxpayer Assistance Order to administratively enjoin any collection activ-

ity if, in the opinion of the problem resolution officer, said collection activity is reasonably likely to not be in compliance with law or to prevent hardship (other than by reason of having to pay taxes lawfully due). Problem resolution officers shall also have the authority to issue Taxpayer Assistance Orders releasing or returning property that has been levied upon or seized, ordering that a lien be released and that garnished wages be returned. A Taxpayer Assistance Order may only be rescinded or modified by the problem resolution officer that issued it, by the highest official in the relevant sales tax administering authority or by its general counsel upon a finding that the collection activity is justified by clear and convincing evidence. The authority to reverse this Taxpayer Assistance Order may not be delegated.

''(c) FORM OF REQUEST FOR TAXPAYER ASSISTANCE ORDER.—The Secretary shall establish a form and procedure to aid persons requesting the assistance of the Problem Resolution Office and to aid the Problem Resolution Office in understanding the needs of the person seeking assistance. The use of this form, however, shall not be a prerequisite to a problem resolution officer taking action, including issuing a Taxpayer Assistance Order.

''(d) CONTENT OF TAXPAYER ASSISTANCE ORDER.—A Taxpayer Assistance Order shall contain the name of

the problem resolution officer, any provision relating to the running of any applicable period of limitation, the name of the person that the Taxpayer Assistance Order assists, the government office (or employee or officer of said government office) to whom it is directed and the action or cessation of action that the Taxpayer Assistance Order requires of said government officer (or employee or officer of said government office). The Taxpayer Assistance Order need not contain findings of fact or its legal basis; however, the problem resolution officer must provide findings of fact and the legal basis for the issuance of the Taxpayer Assistance Order to the sales tax administering authority upon the request of an officer of said authority within 2 weeks of the receipt of such request.

''(e) INDEPENDENCE PROTECTED.—Problem resolution officers shall not be disciplined or adversely affected for the issuance of administrative injunctions unless a pattern of issuing injunctions that are manifestly unreasonable is proven in an administrative hearing by a preponderance of the evidence.

''(f) OTHER RIGHTS NOT LIMITED.—Nothing in this section shall limit the authority of the sales tax administering authority, the registered person or other person from pursuing any legal remedy in any court with jurisdiction over the dispute at issue.

''(g) LIMITATIONS.—The running of any applicable period of limitation shall be suspended for a period of 8 weeks following the issuance of a Taxpayer Assistance Order or, if specified, for a longer period set forth in the Taxpayer Assistance Order provided the suspension does not exceed 6 months.

"SEC. 604. APPEALS.

''(a) ADMINISTRATIVE APPEALS.—The sales tax administering authority shall establish an administrative appeals process wherein the registered person or other person in disagreement with a decision of the sales tax administering authority asserting liability for tax is provided a full and fair hearing in connection with any disputes said person has with the sales tax administering authority.

''(b) TIMING OF ADMINISTRATIVE APPEALS.—Said administrative appeal must be made within 60 days of receiving a final notice of amount due pursuant to section 605(d) unless leave for an extension is granted by the appeals officer in a form prescribed by the Secretary. Leave shall be granted to avoid hardship.

"SEC. 605. TAXPAYER RIGHTS.

''(a) RIGHTS TO BE DISCLOSED.—The sales tax administering authority shall provide to any person against whom it has—

''(1) commenced an audit or investigation,

''(2) issued a final notice of amount due,

''(3) filed an administrative lien, levy, or garnishment,

''(4) commenced other collection action,

''(5) commenced an action for civil penalties, or

''(6) any other legal action,

a document setting forth in plain English the rights of the person. The document shall explain the administrative appeals process, the authority of the Problem Resolution Office (established pursuant to section 603) and how to contact that Office, the burden of production and persuasion that the person and the sales tax administering authority bear (pursuant to section 505), the right of the person to professional fees (pursuant to section 506), the right to record interviews and such other rights as the person may possess under this subtitle. Said document will also set forth the procedures for entering into an installment agreement.

''(b) RIGHT TO PROFESSIONAL ASSISTANCE.—In all dealings with the sales tax administering authority, a person shall have the right to assistance, at their own expense, of one or more professional advisors.

''(c) RIGHT TO RECORD INTERVIEWS.—Any person who is interviewed by an agent of the sales tax admin-

istering authority shall have the right to video or audio tape the interview at the person's own expense.

''(d) RIGHT TO FINAL NOTICE OF AMOUNT DUE.—No collection or enforcement action will be commenced against a person until 30 days after they have been provided with a final notice of amount due under this subtitle by the sales tax administering authority. The final notice of amount due shall set forth the amount of tax due (along with any interest and penalties due) and the factual and legal basis for such amounts being due with sufficient specificity that such basis can be understood by a reasonable person who is not a tax professional reading the notice. The final notice shall be sent by certified mail, return receipt requested, to—

''(1) the address last provided by a registered seller, or

''(2) the best available address to a person who is not a registered seller.

''(e) CONFIDENTIALITY OF TAX INFORMATION.—

''(1) IN GENERAL.—All reports and report information (related to any internal revenue law) shall be confidential and except as authorized by this title—

''(A) no officer or employee (including former officers and employees) of the United States,

''(B) no officer or employee (including former officers and employees) of any State or local agency who has had access to returns or return information, and

''(C) no other person who has had access to returns or return information,

shall disclose any report or report information obtained by him in any manner in connection with his service as such officer or employee or otherwise.

''(2) DESIGNEES.—The sales tax administering authority may, subject to such requirements as the Secretary may impose, disclose the report and report information of a person to that person or persons as that person may designate to receive said information or return.

''(3) OTHER SALES TAX ADMINISTERING AUTHORITIES.—A sales tax administering authority may impose, disclose the report and report information to another sales tax administering authority.

''(4) INCOMPETENCY.—A sales tax administering authority may, subject to such requirements as the Secretary may impose, disclose the report and

report information to the committee, trustee, or guardian of a person who is incompetent.

''(5) DECEASED PERSONS.—A sales tax administering authority may, subject to such requirements as the Secretary may impose, disclose the report and report information to the decedent's—

''(A) administrator, executor, estate trustee, or

''(B) heir at law, next of kin, or beneficiary under a will who has a material interest that will be affected by the information.

''(6) BANKRUPTCY.—A sales tax administering authority may, subject to such requirements as the Secretary may impose, disclose the report and report information to a person's trustee in bankruptcy.

''(7) CONGRESS.—Upon written request from the Chairman of the Committee on Ways and Means, the Chairman of the Committee on Finance of the Senate, or the Chairman or Chief of Staff of the Joint Committee on Taxation, a sales tax administering authority shall disclose the report and report information, except that any report or report information that can be associated with or otherwise identify a particular person shall be furnished to such committee only when sitting in closed executive

session unless such person otherwise consents in writing to such disclosure.

''(8) WAIVER OF PRIVACY RIGHTS.—A person may waive confidentiality rights provided by this section. Such waiver must be in writing.

''(9) INTERNAL USE.—Disclosure of the report or report information by officers or employees of a sales tax administering authority to other officers or employees of a sales tax administering authority in the ordinary course of tax administration activities shall not constitute unlawful disclosure of the report or report information.

''(10) STATISTICAL USE.—Upon request in writing by the Secretary of Commerce, the Secretary shall furnish such reports and report information to officers and employees of the Department of Commerce as the Secretary may prescribe by regulation for the purposes of, and only to the extent necessary in, the structuring of censuses and national economic accounts and conducting related statistical activities authorized by law.

''(11) DEPARTMENT OF THE TREASURY.—Returns and return information shall be open for inspection by officers and employees of the Department of the Treasury whose official duties require

such inspection or disclosure for the purpose of, and only to the extent necessary for, preparing economic or financial forecasts, projections, analyses, or estimates. Such inspection or disclosure shall be permitted only upon written request that sets forth the reasons why such inspection or disclosure is necessary and is signed by the head of the bureau or office of the Department of the Treasury requesting the inspection or disclosure.

''SEC. 606. INSTALLMENT AGREEMENTS; COMPROMISES.

''The sales tax administering authority is authorized to enter into written agreements with any person under which the person is allowed to satisfy liability for payment of any tax under this subtitle (and penalties and interest relating thereto) in installment payments if the sales tax administering authority determines that such agreement will facilitate the collection of such liability. The agreement shall remain in effect for the term of the agreement unless the information that the person provided to the sales tax administering authority was materially inaccurate or incomplete. The sales tax administering authority may compromise any amounts alleged to be due.

''CHAPTER 7—SPECIAL RULES

''Sec. 701. Hobby activities.
''Sec. 702. Gaming activities.
''Sec. 703. Government purchases.
''Sec. 704. Government enterprises.

''Sec. 705. Mixed use property.
''Sec. 706. Not-for-profit organizations.

''SEC. 701. HOBBY ACTIVITIES.

''(a) HOBBY ACTIVITIES.—Neither the exemption afforded by section 102 for intermediate sales nor the credits available pursuant to section 202 or 203 shall be available for any taxable property or service purchased for use in an activity if that activity is not engaged in for-profit.

''(b) STATUS DEEMED.—If the activity has received gross payments for the sale of taxable property or services that exceed the sum of—

''(1) taxable property and services purchased,

''(2) wages and salary paid, and

''(3) taxes (of any type) paid,

in two or more of the most recent 3 calendar years during which it operated then the business activity shall be conclusively deemed to be engaged in for profit.

''SEC. 702. GAMING ACTIVITIES.

''(a) REGISTRATION.—Any person selling one or more chances is a gaming sponsor and shall register, in a form prescribed by the Secretary, with the sales tax administering authority as a gaming sponsor.

''(b) CHANCE DEFINED.—For purposes of this section, the term 'chance' means a lottery ticket, a raffle ticket, chips, other tokens, a bet or bets placed, a wager or wagers placed, or any similar device where the purchase

of the right gives rise to an obligation by the gaming sponsor to pay upon the occurrence of—

''(1) a random or unpredictable event, or

''(2) an event over which neither the gaming sponsor nor the person purchasing the chance has control over the outcome.

''(c) CHANCES NOT TAXABLE PROPERTY OR SERVICE.—Notwithstanding any other provision in this subtitle, a chance is not taxable property or services for purposes of section 101.

''(d) TAX ON GAMING SERVICES IMPOSED.—A 23-percent tax is hereby imposed on the taxable gaming services of a gaming sponsor. This tax shall be paid and remitted by the gaming sponsor. The tax shall be remitted by the 15th day of each month with respect to taxable gaming services during the previous calendar month.

''(e) TAXABLE GAMING SERVICES DEFINED.—For purposes of this section, the term 'taxable gaming services' means—

''(1) gross receipts of the gaming sponsor from the sale of chances, minus

''(2) the sum of—

''(A) total gaming payoffs to chance purchasers (or their designees), and

''(B) gaming specific taxes (other than the tax imposed by this section) imposed by the Federal, State, or local government.

''SEC. 703. GOVERNMENT PURCHASES.

''(a) GOVERNMENT PURCHASES.—

''(1) PURCHASES BY THE FEDERAL GOVERNMENT.—Purchases by the Federal Government of taxable property and services shall be subject to the tax imposed by section 101.

''(2) PURCHASE BY STATE GOVERNMENTS AND THEIR POLITICAL SUBDIVISIONS.—Purchases by State governments and their political subdivisions of taxable property and services shall be subject to the tax imposed by section 101.

''(b) CROSS REFERENCES.—For purchases by government enterprises see section 704.

''SEC. 704. GOVERNMENT ENTERPRISES.

''(a) GOVERNMENT ENTERPRISES TO COLLECT AND REMIT TAXES ON SALES.—Nothing in this subtitle shall be construed to exempt any Federal, State, or local governmental unit or political subdivision (whether or not the State is an administering State) operating a government enterprise from collecting and remitting tax imposed by this subtitle on any sale of taxable property or services. Government enterprises shall comply with all duties im-

posed by this subtitle and shall be liable for penalties and subject to enforcement action in the same manner as private persons that are not government enterprises.

''(b) GOVERNMENT ENTERPRISE.—Any entity owned or operated by a Federal, State, or local governmental unit or political subdivision that receives gross payments from private persons is a government enterprise, except that a government-owned entity shall not become a government enterprise for purposes of this section unless in any quarter it has revenues from selling taxable property or services that exceed $2,500.

''(c) GOVERNMENT ENTERPRISES INTERMEDIATE SALES.—

''(1) IN GENERAL.—Government enterprises shall not be subject to tax on purchases that would not be subject to tax pursuant to section 102(b) if the government enterprise were a private enterprise.

''(2) EXCEPTION.—Government enterprises may not use the exemption afforded by section 102(b) to serve as a conduit for tax-free purchases by government units that would otherwise be subject to taxation on purchases pursuant to section 703. Transfers of taxable property or services purchased exempt from tax from a government enterprise to such government unit shall be taxable.

''(d) SEPARATE BOOKS OF ACCOUNT.—Any government enterprise must maintain books of account, separate from the nonenterprise government accounts, maintained in accordance with generally accepted accounting principles.

''(e) TRADE OR BUSINESS.—A government enterprise shall be treated as a trade or business for purposes of this subtitle.

''(f) ENTERPRISE SUBSIDIES CONSTITUTE TAXABLE PURCHASE.—A transfer of funds to a government enterprise by a government entity without full consideration shall constitute a taxable government purchase with the meaning of section 703 to the extent that the transfer of funds exceeds the fair market value of the consideration.

''SEC. 705. MIXED USE PROPERTY.

''(a) MIXED USE PROPERTY OR SERVICE.—

''(1) MIXED USE PROPERTY OR SERVICE DEFINED.—For purposes of this section, the term 'mixed use property or service' is a taxable property or taxable service used for both taxable use or consumption and for a purpose that would not be subject to tax pursuant to section 102(a)(1).

''(2) TAXABLE THRESHOLD.—Mixed use property or service shall be subject to tax notwithstanding section 102(a)(1) unless such property or

service is used more than 95 percent for purposes that would give rise to an exemption pursuant to section 102(a)(1) during each calendar year (or portions thereof) it is owned.

''(3) MIXED USE PROPERTY OR SERVICES CREDIT.—A person registered pursuant to section 502 is entitled to a business use conversion credit (pursuant to section 202) equal to the product of—

''(A) the mixed use property amount,

''(B) the business use ratio, and

''(C) the rate of tax imposed by section 101.

''(4) MIXED USE PROPERTY AMOUNT.—The mixed use property amount for each month (or fraction thereof) in which the property was owned shall be—

''(A) one-three-hundred-sixtieth of the gross payments for real property for 360 months or until the property is sold,

''(B) one-eighty-fourth of the gross payments for tangible personal property for 84 months or until the property is sold,

''(C) one-sixtieth of the gross payments for vehicles for 60 months or until the property is sold, or

''(D) for other types of taxable property or services, a reasonable amount or in accordance with regulations prescribed by the Secretary.

''(5) BUSINESS USE RATIO.—For purposes of this section, the term 'business use ratio' means the ratio of business use to total use for a particular calendar month (or portion thereof if the property was owned for only part of said calendar month). For vehicles, the business use ratio will be the ratio of business purpose miles to total miles in a particular calendar month. For real property, the business use ratio is the ratio of floor space used primarily for business purposes to total floor space in a particular calendar month. For tangible personal property (except for vehicles), the business use ratio is the ratio of total time used for business purposes to total time used in a particular calendar year. For other property or services, the business ratio shall be calculated using a reasonable method. Reasonable records must be maintained to support a person's business use of the mixed use property or service.

''(b) TIMING OF BUSINESS USE CONVERSION CREDIT ARISING OUT OF OWNERSHIP OF MIXED USE PROPERTY.—A person entitled to a credit pursuant to subsection (a)(3) arising out of the ownership of mixed use

property must account for the mixed use on a calendar year basis, and may file for the credit with respect to mixed use property in any month following the calendar year giving rise to the credit.

''(c) CROSS REFERENCE.—For business use conversion credit, see section 202.

''SEC. 706. NOT-FOR-PROFIT ORGANIZATIONS.

''(a) NOT-FOR-PROFIT ORGANIZATIONS.—Dues, contributions, and similar payments to qualified not-for-profit organizations shall not be considered gross payments for taxable property or services for purposes of this subtitle.

''(b) DEFINITION.—For purposes of this section, the term 'qualified not-for-profit organization' means a not-for-profit organization organized and operated exclusively—

''(1) for religious, charitable, scientific, testing for public safety, literary, or educational purposes,

''(2) as civic leagues or social welfare organizations,

''(3) as labor, agricultural, or horticultural organizations,

''(4) as chambers of commerce, business leagues, or trade associations, or

''(5) as fraternal beneficiary societies, orders, or associations,

no part of the net earnings of which inures to the benefit of any private shareholder or individual.

''(c) QUALIFICATION CERTIFICATES.—Upon application in a form prescribed by the Secretary, the sales tax administering authority shall provide qualification certificates to qualified not-for-profit organizations.

''(d) TAXABLE TRANSACTIONS.—If a qualified not-for-profit organization provides taxable property or services in connection with contributions, dues, or similar payments to the organization, then it shall be required to treat the provision of said taxable property or services as a purchase taxable pursuant to this subtitle at the fair market value of said taxable property or services.

''(e) EXEMPTIONS.—Taxable property and services purchased by a qualified not-for-profit organization shall be eligible for the exemptions provided in section 102.

''CHAPTER 8—FINANCIAL INTERMEDIATION SERVICES

''Sec. 801. Determination of financial intermediation services amount.
''Sec. 802. Bad debts.
''Sec. 803. Timing of tax on financial intermediation services.
''Sec. 804. Financing leases.
''Sec. 805. Basic interest rate.
''Sec. 806. Foreign financial intermediation services.

''SEC. 801. DETERMINATION OF FINANCIAL INTERMEDIATION SERVICES AMOUNT.

''(a) FINANCIAL INTERMEDIATION SERVICES.—For purposes of this subtitle—

''(1) IN GENERAL.—The term 'financial intermediation services' means the sum of—

''(A) explicitly charged fees for financial intermediation services, and

''(B) implicitly charged fees for financial intermediation services.

''(2) EXPLICITLY CHARGED FEES FOR FINANCIAL INTERMEDIATION SERVICES.—The term 'explicitly charged fees for financial intermediation services' includes—

''(A) brokerage fees,

''(B) explicitly stated banking, loan origination, processing, documentation, credit check fees, or other similar fees,

''(C) safe-deposit box fees,

''(D) insurance premiums, to the extent such premiums are not allocable to the investment account of the underlying insurance policy,

''(E) trustees' fees, and

''(F) other financial services fees (including mutual fund management, sales, and exit fees).

''(3) IMPLICITLY CHARGED FEES FOR FINANCIAL INTERMEDIATION SERVICES.—

"(A) IN GENERAL.—The term 'implicitly charged fees for financial intermediation services' includes the gross imputed amount in relation to any underlying interest-bearing investment, account, or debt.

"(B) GROSS IMPUTED AMOUNT.—For purposes of subparagraph (A), the term 'gross imputed amount' means—

"(i) with respect to any underlying interest-bearing investment or account, the product of—

"(I) the excess (if any) of the basic interest rate (as defined in section 805) over the rate paid on such investment, and

"(II) the amount of the investment or account, and

"(ii) with respect to any underlying interest-bearing debt, the product of—

"(I) the excess (if any) of the rate paid on such debt over the basic interest rate (as defined in section 805), and

"(II) the amount of the debt.

''(b) SELLER OF FINANCIAL INTERMEDIATION SERVICES.—For purposes of section 103(a), the seller of financial intermediation services shall be—

''(1) in the case of explicitly charged fees for financial intermediation services, the seller shall be the person who receives the gross payments for the charged financial intermediation services,

''(2) in the case of implicitly charged fees for financial intermediation services with respect to any underlying interest-bearing investment or account, the person making the interest payments on the interest-bearing investment or account, and

''(3) in the case of implicitly charged fees for financial intermediation services with respect to any interest-bearing debt, the person receiving the interest payments on the interest-bearing debt.

''SEC. 802. BAD DEBTS.

''(a) IN GENERAL.—For purposes of section 205(a), a bad debt shall be a business debt that becomes wholly or partially worthless to the payee.

''(b) BUSINESS LOAN.—For purposes of subsection (a), a business loan or debt is a bona fide loan or debt made for a business purpose that both parties intended be repaid.

''(c) DETERMINATION OF WORTHLESSNESS.—

''(1) IN GENERAL.—No loan or debt shall be considered wholly or partially worthless unless it has been in arrears for 180 days or more, except that if a debt is discharged wholly or partially in bankruptcy before 180 days has elapsed, then it shall be deemed wholly or partially worthless on the date of discharge.

''(2) DETERMINATION BY HOLDER.—A loan or debt that has been in arrears for 180 days or more may be deemed wholly or partially worthless by the holder unless a payment schedule has been entered into between the debtor and the lender.

''(d) CROSS REFERENCE.—See section 205(c) for tax on subsequent payments.

''SEC. 803. TIMING OF TAX ON FINANCIAL INTERMEDIATION SERVICES.

''The tax on financial intermediation services provided by section 801 with respect to an underlying investment account or debt shall be imposed and collected with the same frequency that statements are rendered by the financial institution in connection with the investment account or debt but not less frequently than quarterly.

''SEC. 804. FINANCING LEASES.

''(a) DEFINITION.—For purposes of this section, the term 'financing lease' means any lease under which the

lessee has the right to acquire the property for 50 percent or less of its fair market value at the end of the lease term.

''(b) GENERAL RULE.—Financing leases shall be taxed in the method set forth in this section.

''(c) DETERMINATION OF PRINCIPAL AND INTEREST COMPONENTS OF FINANCING LEASE.—The Secretary shall promulgate rules for disaggregating the principal and interest components of a financing lease. The principal amount shall be determined to the extent possible by examination of the contemporaneous sales price or prices of property the same or similar as the leased property.

''(d) ALTERNATIVE METHOD.—In the event that contemporaneous sales prices or property the same or similar as the leased property are not available, the principal and interest components of a financing lease shall be disaggregated using the applicable interest rate (as defined in section 511) plus 4 percent.

''(e) PRINCIPAL COMPONENT.—The principal component of the financing lease shall be subject to tax as if a purchase in the amount of the principal component had been made on the day on which said lease was executed.

''(f) INTEREST COMPONENT.—The financial intermediation services amount with respect to the interest

component of the financing lease shall be subject to tax under this subtitle.

''(g) COORDINATION.—If the principal component and financial intermediation services amount with respect to the interest component of a lease have been taxed pursuant to this section, then the gross lease or rental payments shall not be subject to additional tax.

"SEC. 805. BASIC INTEREST RATE.

''For purposes of this chapter, the basic interest rate with respect to a debt instrument, investment, financing lease, or account shall be the applicable interest rate (as determined in section 511). For debt instruments, investments, or accounts of contractually fixed interest, the applicable interest rate of the month of issuance shall apply. For debt instruments, investments, or accounts of variable interest rates and which have no reference interest rate, the applicable interest shall be the Federal short-term interest rate for each month. For debt instruments, investments, or accounts of variable interest rates and which have a reference interest rate, the applicable interest shall be the applicable interest rate for the reference interest rate for each month.

"SEC. 806. FOREIGN FINANCIAL INTERMEDIATION SERVICES.

''(a) SPECIAL RULES RELATING TO INTERNATIONAL FINANCIAL INTERMEDIATION SERVICES.—Financial intermediation services shall be deemed as used or consumed within the United States if the person (or any related party as defined in section 205(e)) purchasing the services is a resident of the United States.

''(b) DESIGNATION OF TAX REPRESENTATIVE.—Any person that provides financial intermediation services to United States residents must, as a condition of lawfully providing such services, designate, in a form prescribed by the Secretary, a tax representative for purposes of this subtitle. The tax representative shall be responsible for ensuring that the taxes imposed by this subtitle are collected and remitted and shall be jointly and severally liable for collecting and remitting these taxes. The Secretary may require reasonable bond of the tax representative. The Secretary or a sales tax administering authority may bring an action seeking a temporary restraining order, an injunction, or such other order as may be appropriate to enforce this section.

''(c) CROSS REFERENCES.—For definition of person, see section 901.

"CHAPTER 9—ADDITIONAL MATTERS

''Sec. 901. Additional matters.

''Sec. 902. Transition matters.
''Sec. 903. Wages to be reported to Social Security Administration.
''Sec. 904. Trust Fund revenue.
''Sec. 905. Withholding of tax on nonresident aliens and foreign corporations.

''SEC. 901. ADDITIONAL MATTERS.

''(a) INTANGIBLE PROPERTY ANTIAVOIDANCE RULE.—Notwithstanding section 2(a)(14)(a)(i), the sale of a copyright or trademark shall be treated as the sale of taxable services (within the meaning of section 101(a)) if the substance of the sales of copyright or trademark constituted the sale of the services that produced the copyrighted material or the trademark.

''(b) DE MINIMIS PAYMENTS.—Up to $400 of gross payments per calendar year shall be exempt from the tax imposed by section 101 if—

''(1) made by a person not in connection with a trade or business at any time during such calendar year prior to making said gross payments, and

''(2) made to purchase any taxable property or service which is imported into the United States by such person for use or consumption by such person in the United States.

''(c) DE MINIMIS SALES.—Up to $1,200 per calendar year of gross payments shall be exempt from the tax imposed by section 101 if received—

''(1) by a person not in connection with a trade or business during such calendar year prior to the receipt of said gross payments, and

''(2) in connection with a casual or isolated sale.

''(d) DE MINIMIS SALE OF FINANCIAL INTERMEDIATION SERVICES.—Up to $10,000 per calendar year of gross payments received by a person from the sale of financial intermediation services (as determined in accordance with section 801) shall be exempt from the tax imposed by section 101. The exemption provided by this subsection is in addition to other exemptions afforded by this chapter. The exemption provided by this subsection shall not be available to large sellers (as defined in section 501(e)(3)).

''(e) PROXY BUYING TAXABLE.—If a registered person provides taxable property or services to a person either as a gift, prize, reward, or as remuneration for employment, and such taxable property or services were not previously subject to tax pursuant to section 101, then the provision of such taxable property or services by the registered person shall be deemed the conversion of such taxable property or services to personal use subject to tax pursuant to section 103(c) at the tax inclusive fair market value of such taxable property or services.

''(f) SUBSTANCE OVER FORM.—The substance of a transaction will prevail over its form if the transaction has no bona fide economic purpose and is designed to evade tax imposed by this subtitle.

''(g) CERTAIN EMPLOYEE DISCOUNTS TAXABLE.—

''(1) EMPLOYEE DISCOUNT.—For purposes of this subsection, the term 'employee discount' means an employer's offer of taxable property or services for sale to its employees or their families (within the meaning of section 302(b)) for less than the offer of such taxable property or services to the general public.

''(2) EMPLOYEE DISCOUNT AMOUNT.—For purposes of this subsection, the employee discount amount is the amount by which taxable property or services are sold pursuant to an employee discount below the amount for which such taxable property or services would have been sold to the general public.

''(3) TAXABLE AMOUNT.—If the employee discount amount exceeds 20 percent of the price that the taxable property or services would have been sold to the general public, then the sale of such taxable property or services by the employer shall be deemed the conversion of such taxable property or services to personal use and tax shall be imposed on the tax-

able employee discount amount. The taxable employee discount amount shall be—

"(A) the employee discount amount, minus

"(B) 20 percent of the amount for which said taxable property or services would have been sold to the general public.

"(h) SATURDAY, SUNDAY, OR LEGAL HOLIDAY.—When the last day prescribed for performing any act required by this subtitle falls on a Saturday, Sunday, or legal holiday (in the jurisdiction where the return is to be filed), the performance of such act shall be considered timely if it is performed on the next day which is not a Saturday, Sunday, or legal holiday (in the jurisdiction where the return is to be filed).

"SEC. 902. TRANSITION MATTERS.

"(a) INVENTORY.—

"(1) QUALIFIED INVENTORY.—Inventory held by a trade or business on the close of business on December 31, 2024, shall be qualified inventory if it is sold—

"(A) before December 31, 2025,

"(B) by a registered person, and

"(C) subject to the tax imposed by section 101.

''(2) COSTS.—For purposes of this section, qualified inventory shall have the cost that it had for Federal income tax purposes for the trade or business as of December 31, 2024 (including any amounts capitalized by reason of section 263A of the Internal Revenue Code of 1986 as in effect on December 31, 2024).

''(3) TRANSITIONAL INVENTORY CREDIT.—The trade or business which held the qualified inventory on the close of business on December 31, 2024, shall be entitled to a transitional inventory credit equal to the cost of the qualified inventory (determined in accordance with paragraph (2)) times the rate of tax imposed by section 101.

''(4) TIMING OF CREDIT.—The credit provided under paragraph (3) shall be allowed with respect to the month when the inventory is sold subject to the tax imposed by this subtitle. Said credit shall be reported as an intermediate and export sales credit and the person claiming said credit shall attach supporting schedules in the form that the Secretary may prescribe.

''(b) WORK-IN-PROCESS.—For purposes of this section, inventory shall include work-in-process.

''(c) QUALIFIED INVENTORY HELD BY BUSINESSES NOT SELLING SAID QUALIFIED INVENTORY AT RETAIL.—

''(1) IN GENERAL.—Qualified inventory held by businesses that sells said qualified inventory not subject to tax pursuant to section 102(a) shall be eligible for the transitional inventory credit only if that business (or a business that has successor rights pursuant to paragraph (2)) receives certification in a form satisfactory to the Secretary that the qualified inventory was subsequently sold subject to the tax imposed by this subtitle.

''(2) TRANSITIONAL INVENTORY CREDIT RIGHT MAY BE SOLD.—The business entitled to the transitional inventory credit may sell the right to receive said transitional inventory credit to the purchaser of the qualified inventory that gave rise to the credit entitlement. Any purchaser of such qualified inventory (or property or services into which the qualified inventory has been incorporated) may sell the right to said transitional inventory credit to a subsequent purchaser of said qualified inventory (or property or services into which the qualified inventory has been incorporated).

"SEC. 903. WAGES TO BE REPORTED TO SOCIAL SECURITY ADMINISTRATION.

''(a) IN GENERAL.—Employers shall submit such information to the Social Security Administration as is required by the Social Security Administration to calculate Social Security benefits under title II of the Social Security Act, including wages paid, in a form prescribed by the Secretary. A copy of the employer submission to the Social Security Administration relating to each employee shall be provided to each employee by the employer.

''(b) WAGES.—For purposes of this section, the term 'wages' means all cash remuneration for employment (including tips to an employee by third parties provided that the employer or employee maintains records documenting such tips) including self-employment income; except that such term shall not include—

''(1) any insurance benefits received (including death benefits),

''(2) pension or annuity benefits received,

''(3) tips received by an employee over $5,000 per year, and

''(4) benefits received under a government entitlement program (including Social Security benefits and unemployment compensation benefits).

''(c) SELF-EMPLOYMENT INCOME.—For purposes of subsection (b), the term 'self-employment income' means

gross payments received for taxable property or services minus the sum of—

''(1) gross payments made for taxable property or services (without regard to whether tax was paid pursuant to section 101 on such taxable property or services), and

''(2) wages paid by the self-employed person to employees of the self-employed person.

''SEC. 904. TRUST FUND REVENUE.

''(a) SECRETARY TO MAKE ALLOCATION OF SALES TAX REVENUE.—The Secretary shall allocate the revenue received by virtue of the tax imposed by section 101 in accordance with this section. The revenue shall be allocated among—

''(1) the general revenue,

''(2) the old-age and survivors insurance trust fund,

''(3) the disability insurance trust fund,

''(4) the hospital insurance trust fund, and

''(5) the Federal supplementary medical insurance trust fund.

''(b) GENERAL RULE.—

''(1) GENERAL REVENUE.—The proportion of total revenue allocated to the general revenue shall be the same proportion as the rate in section

101(b)(4) bears to the combined Federal tax rate percentage (as defined in section 101(b)(3)).

''(2) The amount of revenue allocated to the old-age and survivors insurance and disability insurance trust funds shall be the same proportion as the old-age, survivors and disability insurance rate (as defined in subsection (d)) bears to the combined Federal tax rate percentage (as defined in section 101(b)(3)).

''(3) The amount of revenue allocated to the hospital insurance and Federal supplementary medical insurance trust funds shall be the same proportion as the hospital insurance rate (as defined in subsection (e)) bears to the combined Federal tax rate percentage (as defined in section 101(b)(3)).

''(c) CALENDAR YEAR 2025.—Notwithstanding subsection (b), the revenue allocation pursuant to subsection (a) for calendar year 2025 shall be as follows:

''(1) 64.83 percent of total revenue to general revenue,

''(2) 27.43 percent of total revenue to the old-age and survivors insurance and disability insurance trust funds, and

''(3) 7.74 percent of total revenue to the hospital insurance and Federal supplementary medical insurance trust funds.

''(d) OLD-AGE, SURVIVORS AND DISABILITY INSURANCE RATE.—The old-age, survivors and disability insurance rate shall be determined by the Social Security Administration. The old-age, survivors and disability insurance rate shall be that sales tax rate which is necessary to raise the same amount of revenue that would have been raised by imposing a 12.4 percent tax on the Social Security wage base (including self-employment income) as determined in accordance with chapter 21 of the Internal Revenue Code most recently in effect prior to the enactment of this Act. The rate shall be determined using actuarially sound methodology and announced at least 6 months prior to the beginning of the calendar year for which it applies.

''(e) HOSPITAL INSURANCE RATE.—The hospital insurance rate shall be determined by the Social Security Administration. The hospital insurance rate shall be that sales tax rate which is necessary to raise the same amount of revenue that would have been raised by imposing a 2.9 percent tax on the Medicare wage base (including self-employment income) as determined in accordance with chapter 21 of the Internal Revenue Code most recently in effect

prior to the enactment of this Act. The rate shall be determined using actuarially sound methodology and announced at least 6 months prior to the beginning of the calendar year for which it applies.

''(f) ASSISTANCE.—The Secretary shall provide such technical assistance as the Social Security Administration shall require to determine the old-age, survivors and disability insurance rate and the hospital insurance rate.

''(g) FURTHER ALLOCATIONS.—

''(1) OLD-AGE, SURVIVORS AND DISABILITY INSURANCE.—The Secretary shall allocate revenue received because of the old-age, survivors and disability insurance rate to the old-age and survivors insurance trust fund and the disability insurance trust fund in accordance with law or, in the absence of other statutory provision, in the same proportion that the old-age and survivors insurance trust fund receipts bore to the sum of the old-age and survivors insurance trust fund receipts and the disability insurance trust fund receipts in calendar year 2024 (taking into account only receipts pursuant to chapter 21 of the Internal Revenue Code).

''(2) HOSPITAL INSURANCE.—The Secretary shall allocate revenue received because of the hospital insurance rate to the hospital insurance trust

fund and the Federal supplementary medical insurance trust fund in accordance with law or, in the absence of other statutory provision, in the same proportion that hospital insurance trust fund receipts bore to the sum of the hospital insurance trust fund receipts and Federal supplementary medical insurance trust fund receipts in calendar year 2024 (taking into account only receipts pursuant to chapter 21 of the Internal Revenue Code).

"SEC. 905. WITHHOLDING OF TAX ON NONRESIDENT ALIENS AND FOREIGN CORPORATIONS.

''(a) IN GENERAL.—All persons, in whatever capacity acting (including lessees or mortgagors or real or personal property, fiduciaries, employers, and all officers and employees of the United States) having control, receipt, custody, disposal, or payment of any income to the extent such income constitutes gross income from sources within the United States of any nonresident alien individual, foreign partnership, or foreign corporation shall deduct and withhold from that income a tax equal to 23 percent thereof.

''(b) EXCEPTION.—No tax shall be required to be deducted from interest on portfolio debt investments.

''(c) TREATY COUNTRIES.—In the case of payments to nonresident alien individuals, foreign partnerships, or

foreign corporations that have a residence in (or the nationality of a country) that has entered into a tax treaty with the United States, then the rate of withholding tax prescribed by the treaty shall govern.''.

SEC. 202. CONFORMING AND TECHNICAL AMENDMENTS.

(a) REPEALS.—The following provisions of the Internal Revenue Code of 1986 are repealed:

(1) Subchapter A of chapter 61 of subtitle D (as redesignated by section 104) (relating to information and returns).

(2) Sections 6103 through 6116 of subchapter B of chapter 61 of subtitle D (as so redesignated).

(3) Section 6157 (relating to unemployment taxes).

(4) Section 6163 (relating to estate taxes).

(5) Section 6164 (relating to corporate taxes).

(6) Section 6166 (relating to estate taxes).

(7) Section 6167 (relating to foreign expropriation losses).

(8) Sections 6201, 6205, and 6207 (relating to assessments).

(9) Subchapter C of chapter 63 of subtitle D (as so redesignated) (relating to tax treatment of partnership items).

(10) Section 6305 (relating to collections of certain liabilities).

(11) Sections 6314, 6315, 6316, and 6317 (relating to payments of repealed taxes).

(12) Sections 6324, 6324A, and 6324B (relating to liens for estate and gift taxes).

(13) Section 6344 (relating to cross references).

(14) Section 6411 (relating to carrybacks).

(15) Section 6413 (relating to employment taxes).

(16) Section 6414 (relating to withheld income taxes).

(17) Section 6422 (relating to cross references).

(18) Section 6425 (relating to overpayment of corporate estimated taxes).

(19) Section 6504 (relating to cross references).

(20) Section 6652 (relating to failure to file certain information returns).

(21) Sections 6654 and 6655 (relating to failure to payment estimated income tax).

(22) Section 6662 (relating to penalties).

(23) Sections 6677 through 6711 (relating to income tax related penalties).

(24) Part II of subchapter B of chapter 68 (relating to certain information returns).

(25) Part I of subchapter A of chapter 70 (relating to termination of taxable year).

(26) Section 6864 (relating to certain carrybacks).

(27) Section 7103 (relating to cross references).

(28) Section 7204 (relating to withholding statements).

(29) Section 7211 (relating certain statements).

(30) Section 7231 (relating to failure to obtain certain licenses).

(31) Section 7270 (relating to insurance policies).

(32) Section 7404 (relating to estate taxes).

(33) Section 7407 (relating to income tax preparers).

(34) Section 7408 (relating to income tax shelters).

(35) Section 7409 (relating to 501(c)(3) organizations).

(36) Section 7427 (relating to income tax preparers).

(37) Section 7428 (relating to 501(c)(3) organizations).

(38) Section 7476 (relating to declaratory judgments relating to retirement plans).

(39) Section 7478 (relating to declaratory judgments relating to certain tax-exempt obligations).

(40) Section 7508 (relating to postponing time for certain actions required by the income, estate, and gift tax).

(41) Section 7509 (relating to Postal Service payroll taxes).

(42) Section 7512 (relating to payroll taxes).

(43) Section 7517 (relating to estate and gift tax evaluation).

(44) Section 7518 (relating to Merchant Marine tax incentives).

(45) Section 7519 (relating to taxable years).

(46) Section 7520 (relating to insurance and annuity valuation tables).

(47) Section 7523 (relating to reporting Federal income and outlays on Form 1040s).

(48) Section 7611 (relating to church income tax exemptions and church unrelated business income tax inquiries).

(49) Section 7654 (relating to possessions' income taxes).

(50) Section 7655 (relating to cross references).

(51) Section 7701(a)(16).

(52) Section 7701(a)(19).

(53) Section 7701(a)(20).

(54) Paragraphs (32) through (38) of section 7701(a).

(55) Paragraphs (41) through (46) of section 7701(a).

(56) Section 7701(b).

(57) Subsections (e) through (m) of section 7701.

(58) Section 7702 (relating to life insurance contracts).

(59) Section 7702A (relating to modified endowment contracts).

(60) Section 7702B (relating to long-term care insurance).

(61) Section 7703 (relating to the determination of marital status).

(62) Section 7704 (relating to publicly traded partnerships).

(63) Section 7805.

(64) Section 7851.

(65) Section 7872.

(66) Section 7873.

(b) OTHER CONFORMING AND TECHNICAL AMENDMENTS.—

(1) Section 6151 of such Code is amended by striking subsection (b) and by redesignating subsection (c) as subsection (b).

(2) Section 6161 of such Code is amended to read as follows:

"SEC. 6161. EXTENSION OF TIME FOR PAYING TAX.

''The Secretary, except as otherwise provided in this title, may extend the time for payment of the amount of the tax shown or required to be shown on any return, report, or declaration required under authority of this title for a reasonable period not to exceed 6 months (12 months in the case of a taxpayer who is abroad).''.

(3) Section 6211(a) of such Code is amended—

(A) by striking ''income, estate, and gift taxes imposed by subtitles A and B and'',

(B) by striking ''subtitle A or B, or'', and

(C) by striking '', as defined in subsection (b)(2),'' in paragraph (2).

(4) Section 6211(b) of such Code is amended to read as follows:

''(b) REBATE DEFINED.—For purposes of subsection (a)(2), the term 'rebate' means so much of an abatement, credit, refund, or other payment, as was made on the ground that the tax imposed by chapter 41, 42, 43, or

44 was less than the excess of the amount specified in subsection (a)(1) over the rebates previously made.''.

(5) Section 6212(b) of such Code is amended to read as follows:

''(b) ADDRESS FOR NOTICE OF DEFICIENCY.—In the absence of notice to the Secretary under section 6903 of the existence of a fiduciary relationship, notice of a deficiency in respect of a tax imposed by chapter 42, 43, or 44 if mailed to the taxpayer at his last known address, shall be sufficient for purposes of such chapter and this chapter even if such taxpayer is deceased, or is under a legal disability, or, in the case of a corporation has terminated its existence.''.

(6) Section 6302(b) of such Code is amended by striking ''21,''.

(7) Section 6302 of such Code is amended by striking subsections (g) and (i) and by redesignating subsection (h) as subsection (g).

(8) Section 6325 of such Code is amended by striking subsection (c) and by redesignating subsections (d) through (h) as subsections (c) through (g), respectively.

(9) Section 6402(d) of such Code is amended by striking paragraph (3).

(10) Section 6402 of such Code is amended by striking subsection (j) and by redesignating subsection (k) as subsection (j).

(11) Section 6501(b) of such Code is amended—

(A) by striking ''except tax imposed by chapter 3, 4, 21, or 24,'' in paragraph (1), and

(B) by striking paragraph (2) and by redesignating paragraphs (3) and (4) as paragraphs (2) and (3), respectively.

(12) Section 6501(c) of such Code is amended by striking paragraphs (5) through (9).

(13) Section 6501(e) of such Code is amended by striking ''subsection (c)—'' and all that follows through ''subtitle D'' in paragraph (3) and inserting ''subsection (c), in the case of a return of a tax imposed under a provision of subtitle B''.

(14) Section 6501 of such Code is amended by striking subsections (f) through (k) and subsections (m) and (n) and by redesignating subsection (1) as subsection (f).

(15) Section 6503(a) of such Code is amended—

(A) by striking paragraph (2),

(B) by striking ''DEFICIENCY.—'' and all that follows through ''The running'' and inserting ''DEFICIENCY.—The running'', and

(C) by striking ''income, estate, gift and''.

(16) Section 6503 of such Code is amended by striking subsections (e), (f), (i), and (k) and by redesignating subsections (g), (h), and (j) as subsections (e), (f), and (g), respectively.

(17) Section 6511 of such Code is amended by striking subsections (d) and (g) and by redesignating subsections (f) and (h) as subsections (d) and (e), respectively.

(18) Section 6512(b)(1) of such Code is amended by striking ''of income tax for the same taxable year, of gift tax for the same calendar year or calendar quarter, of estate tax in respect of the taxable estate of the same decedent, or''.

(19) Section 6513 of such Code is amended—

(A) by striking ''(a) EARLY RETURN OR ADVANCE PAYMENT OF TAX.—'', and

(B) by striking subsections (b) and (e).

(20) Chapter 67 of such Code is amended by striking subchapters A through D and inserting the following:

''SEC. 6601. INTEREST ON OVERPAYMENTS AND UNDERPAYMENT.

''(a) UNDERPAYMENTS.—If any amount of tax imposed by this title is not paid on or before the last date prescribed for payment, interest on such amount at the Federal short-term rate (as defined in section 511(b)) shall be paid from such last date to the date paid.

''(b) OVERPAYMENTS.—Interest shall be allowed and paid upon any overpayment in respect of any internal revenue tax at the Federal short-term rate (as defined in section 511(b)) from 60 days after the date of the overpayment until the date the overpayment is refunded.''.

(21) Section 6651(a)(1) of such Code is amended by striking ''subchapter A of chapter 61 (other than part III thereof),''.

(22) Section 6656 of such Code is amended by striking subsection (c) and by redesignating subsection (d) as subsection (c).

(23) Section 6663 of such Code is amended by striking subsection (c).

(24) Section 6664(c) of such Code is amended—

(A) by striking ''Exception.—'' and all that follows through ''No penalty'' and inserting ''Exception.—No penalty'', and

(B) by striking paragraphs (2) and (3).

(25) Chapter 72 of such Code is amended by striking all matter preceding section 7011.

(26) Section 7422 of such Code is amended by striking subsections (h) and (i) and by redesignating subsections (j) and (k) as subsections (h) and (i), respectively.

(27) Section 7451 of such Code is amended to read as follows:

"SEC. 7451. FEE FOR FILING PETITION.

''The Tax Court is authorized to impose a fee in an amount not in excess of $60 to be fixed by the Tax Court for the filing of any petition for the redetermination of a deficiency.''.

(28) Section 7454 of such Code is amended by striking subsection (b) and by redesignating subsection (c) as subsection (b).

(29) Section 7463(a) of such Code is amended—

(A) by striking paragraphs (2) and (3),

(B) by redesignating paragraph (4) as paragraph (2), and

(C) by striking ''D'' in paragraph (2) (as so redesignated) and inserting ''B''.

(30) Section 7463(c) of such Code is amended by striking ''sections 6214(a) and'' and inserting ''section''.

(31) Section 7463(e) of such Code is amended by striking '', to the extent that the procedures described in subchapter B of chapter 63 apply''.

(32) Section 7481 of such Code is amended by striking subsection (d).

(33) Section 7608 of such Code is amended by striking ''subtitle E'' each place it appears and inserting ''subtitle C''.

(34) Section 7701(a)(29) of such Code is amended by striking ''1986'' and inserting ''2023''.

(35) Section 7809(c) of such Code is amended by striking paragraphs (1) and (4) and by redesignating paragraphs (2) and (3) as paragraphs (1) and (2), respectively.

(36) Section 7871(a) of such Code is amended by striking paragraphs (1) and (3) through (6) and by redesignating paragraphs (2) and (7) as paragraphs (1) and (2), respectively.

(37) Section 7871 of such Code is amended by striking subsection (c) and by redesignating subsections (d) and (e) as subsections (c) and (d), respectively.

(38) Section 8021 of such Code is amended by striking subsection (a) and by redesignating subsections (b) through (f) as subsections (a) through (e), respectively.

(39) Section 8022(2)(A) of such Code is amended by striking ", particularly the income tax".

(40) Section 8023 of such Code is amended by striking "Internal Revenue Service" each place it appears and inserting "Department of the Treasury".

(41) Section 9501(b)(2) of such Code is amended by striking subparagraph (C).

(42) Section 9702(a) of such Code is amended by striking paragraph (4).

(43) Section 9705(a) of such Code is amended by striking paragraph (4) and by redesignating paragraph (5) as paragraph (4).

(44) Section 9706(d)(2)(A) of such Code is amended by striking "6103" and inserting "605(e)".

(45) Section 9707 of such Code is amended by striking subsection (f).

(46) Section 9712(d) of such Code is amended by striking paragraph (5) and by redesignating paragraph (6) as paragraph (5).

(47) Section 9803(a) of such Code is amended by striking "(as defined in section 414(f))".

TITLE III—OTHER MATTERS

SEC. 301. PHASE-OUT OF ADMINISTRATION OF REPEALED FEDERAL TAXES.

(a) APPROPRIATIONS.—Appropriations for any expenses of the Internal Revenue Service including processing tax returns for years prior to the repeal of the taxes repealed by title I of this Act, revenue accounting, management, transfer of payroll and wage data to the Social Security Administration for years after fiscal year 2027 shall not be authorized.

(b) RECORDS.—Federal records related to the administration of taxes repealed by title I of this Act shall be destroyed by the end of fiscal year 2027, except that any records necessary to calculate Social Security benefits shall be retained by the Social Security Administration and any records necessary to support ongoing litigation with respect to taxes owed or refunds due shall be retained until final disposition of such litigation.

(c) CONFORMING AMENDMENTS.—Section 7802 of the Internal Revenue Code of 1986 is amended—

(1) by striking subsections (a) and (b) and by redesignating subsections (c) and (d) as subsections (a) and (b),

(2) by striking ''Internal Revenue Service'' each place it appears and inserting ''Department of the Treasury'', and

(3) by striking ''Commissioner'' or ''Commissioner of Internal Revenue'' each place they appear and inserting ''Secretary''.

(d) EFFECTIVE DATE.—The amendments made by subsection (c) shall take effect on January 1, 2027.

SEC. 302. ADMINISTRATION OF OTHER FEDERAL TAXES.

(a) IN GENERAL.—Section 7801 of the Internal Revenue Code of 1986 (relating to the authority of the Department of the Treasury) is amended by adding at the end the following:

''(d) EXCISE TAX BUREAU.—There shall be in the Department of the Treasury an Excise Tax Bureau to administer those excise taxes not administered by the Bureau of Alcohol, Tobacco, Firearms and Explosives.

''(e) SALES TAX BUREAU.—There shall be in the Department of the Treasury a Sales Tax Bureau to administer the national sales tax in those States where it is required pursuant to section 404, and to discharge other Federal duties and powers relating to the national sales tax (including those required by sections 402, 403, and 405). The Office of Revenue Allocation shall be within the Sales Tax Bureau.''.

(b) ASSISTANT GENERAL COUNSELS.—Section 7801(a)(2) of such Code is amended to read as follows:

''(2) ASSISTANT GENERAL COUNSELS.—The Secretary of the Treasury may appoint, without regard to the provisions of the civil service laws, and fix the duties of not more than 5 assistant general counsels.''.

SEC. 303. SALES TAX INCLUSIVE SOCIAL SECURITY BENEFITS INDEXATION.

Subparagraph (D) of section 215(i)(1) of the Social Security Act (42 U.S.C. 415(i)(1)) (relating to cost-of-living increases in Social Security benefits) is amended to read as follows:

''(D)(i) the term 'CPI increase percentage', with respect to a base quarter or cost-of-living quarter in any calendar year, means the percentage (rounded to the nearest one-tenth of 1 percent) by which the Consumer Price Index for that quarter (as prepared by the Department of Labor) exceeds such index for the most recent prior calendar quarter which was a base quarter under subparagraph (A)(ii) or, if later, the most recent cost-of-living computation quarter under subparagraph (B),

''(ii) if the Consumer Price Index (as so prepared) does not include the national sales tax paid,

then the term 'CPI increase percentage', with respect to a base quarter or cost-of-living quarter in any calendar year, means the percentage (rounded to the nearest one-tenth of 1 percent) by which the product of—

"(I) the Consumer Price Index for that quarter (as so prepared), and

"(II) the national sales tax factor,

exceeds such index for the most recent prior calendar quarter which was a base quarter under subparagraph (A)(ii) or, if later, the most recent cost of living computation quarter under subparagraph (B), and

"(iii) the national sales tax factor is equal to one plus the quotient that is—

"(I) the sales tax rate imposed by section 101 of the Internal Revenue Code of 2023, divided by

"(II) the quantity that is one minus such sales tax rate.".

TITLE IV—SUNSET OF SALES TAX IF SIXTEENTH AMENDMENT NOT REPEALED

SEC. 401. ELIMINATION OF SALES TAX IF SIXTEENTH AMENDMENT NOT REPEALED.

If the Sixteenth Amendment to the Constitution of the United States is not repealed before the end of the 7-year period beginning on the date of the enactment of this Act, then all provisions of, and amendments made by, this Act shall not apply to any use or consumption in any year beginning after December 31 of the calendar year in which or with which such period ends, except that the Sales Tax Bureau of the Department of the Treasury shall not be terminated until 6 months after such December 31.

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