To amend the Internal Revenue Code of 1986 to reduce the tax gap, and for other purposes.

IN THE SENATE OF THE UNITED STATES
JUNE 28, 2011
Mr. CARPER (for himself and Mrs. BOXER) introduced the following bill; which was read twice and referred to the Committee on Finance

A BILL
To amend the Internal Revenue Code of 1986 to reduce the tax gap, and for other purposes.

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

SECTION 1. SHORT TITLE, ETC.
(a) Short Title.—This Act may be cited as the "Taxpayer Advocacy and Government Accountability Promotion Act of 2011" or the "TAX GAP Act of 2011".
(b) Amendment of 1986 Code.—Except as otherwise expressly provided, whenever in this Act an amendment or repeal is expressed in terms of an amendment to, or repeal of, a section or other provision, the reference
shall be considered to be made to a section or other provision of the Internal Revenue Code of 1986.

(c) Table of Contents.—The table of contents for this Act is as follows:

Sec. 1. Short title, etc.

TITLE I—TAXPAYER SIMPLIFICATION, PROTECTION, AND FAIRNESS

Sec. 101. Taxpayer assistance and tax simplification report.
Sec. 102. Elimination of taxpayer obligation to pay credit and debit card processing fees for certain tax payments.
Sec. 103. Make offer-in-compromise application rules less onerous for taxpayers.
Sec. 104. Elimination of special rules modifying amount of estimated tax payments by corporation.
Sec. 105. Repeal of special estimated tax payment provision for certain insurance companies.
Sec. 106. Repeal of designation of nonqualified preferred stock.
Sec. 107. De minimis apology payments pilot program.

TITLE II—CLARIFICATION OF TAX FORMS AND FILING REQUIREMENTS

Sec. 201. Clarification of information on Schedule C.
Sec. 202. Increased electronic filing of returns.
Sec. 203. Clarification of electronic filing requirements for paid preparers.
Sec. 204. Requirement that electronically prepared paper returns include 2D barcode.
Sec. 205. Authorization to require certain employee benefit plan information returns and reports to be filed electronically.

TITLE III—ENHANCED INFORMATION REPORTING

Sec. 301. Automatic reporting on certain government payments for property and services.
Sec. 302. Additional information on returns relating to mortgage interest.
Sec. 303. Improved information reporting on unreported and underreported financial accounts.

TITLE IV—PAYMENTS TO CERTAIN CONTRACTORS

Sec. 401. Requirements for withholding with respect to payments to contractors.
Sec. 402. Continuous levy on payments to Medicaid providers and suppliers.
Sec. 403. Levy authority for payments to Medicare providers with delinquent tax debt.
Sec. 404. 100 percent levy for payments to Federal vendors relating to property.

TITLE V—IMPROVED TAX ADMINISTRATION AND COORDINATION
Sec. 501. Requirement for prisons located in U.S. to provide information for tax administration.
Sec. 502. Facilitation of tax compliance with Indian tribal governments.
Sec. 503. Improvement in access to information in the National Directory of New Hires for tax administration purposes.
Sec. 504. Clarification of taxpayer privacy by improvement of investigative disclosure statute.
Sec. 505. Authorization for Financial Management Service retention of transaction fees from levied amounts.

TITLE VI—CLARIFICATION OF PENALTIES AND LIABILITIES

Sec. 601. Clarification of penalty for failure to comply with electronic filing requirements.
Sec. 602. Increase in penalty on paid preparers who fail to comply with earned income tax credit due diligence requirements.
Sec. 603. Increase in penalties for repeated and willful failure to file tax return.
Sec. 604. Clarification of employee leasing companies liability for clients’ Federal employment taxes.
Sec. 605. Extension of statute of limitations where State or local adjustment affects Federal tax liability.
Sec. 606. Elimination of restriction on offsetting refunds from former residents.

TITLE VII—UNDERSTANDING THE TAX GAP

Sec. 701. Tax gap strategy and reports.
Sec. 702. Studies on the impact of tax gap legislation.
Sec. 703. Reports on worker misclassification.

1 TITLE I—TAXPAYER SIMPLIFICATION, PROTECTION, AND FAIRNESS

SEC. 101. TAXPAYER ASSISTANCE AND TAX SIMPLIFICATION REPORT.

(a) In General.—Not later than 2 years after the date of the enactment of this Act, the Secretary of the Treasury, in consultation with the Commissioner of the Internal Revenue Service, shall submit to Congress a report on taxpayer assistance and tax simplification.

(b) Matters Included.—The report required under subsection (a) shall be based on examinations of tax
policy and of tax compliance enforcement and shall include the following:

(1) An assessment of the current and proposed efforts of the Internal Revenue Service with respect to the simplification of tax forms, publications, and filing requirements for individual taxpayers and for sole proprietor taxpayers, including additional, plain-language guidance for taxpayers. Such assessment shall include specific recommendations on—

(A) how these or additional efforts may be improved or expanded upon, including through paid preparers and tax preparation software, and

(B) requiring or encouraging the Internal Revenue Service, to the maximum extent possible, to test its forms and publications on actual taxpayers prior to publication.

(2) An assessment of the current efforts of the Internal Revenue Service—

(A) to reduce the time between receipt of an electronically filed tax return and the issuance of a refund, and

(B) to reduce the time between receipt of a manually filed tax return and the issuance of a refund.
(3) An assessment of the efforts of the Internal Revenue Service to induce voluntary compliance by individual taxpayers and sole proprietor taxpayers, with a particular focus on current efforts to reduce administrative and compliance burdens. Such assessment shall include specific recommendations on how voluntary compliance may be improved or expanded upon, particularly in an environment where most taxpayers use paid preparers or tax preparation software.

(4) An assessment of the current efforts of the Internal Revenue Service to improve taxpayer service, including through outreach programs, taxpayer education, preparer education, tax software industry coordination, and expanded availability of online, Internet-based tax information and filing services offered by the Internal Revenue Service. Such assessment shall include specific recommendations on how these or additional efforts may be improved or expanded upon.

(5) An assessment of the efficacy of previous Internal Revenue Service efforts with respect to settlement initiatives, including the effect of such initiatives on improving compliance and reducing current and future revenues lost due to tax evasion. Such as-
assessment shall include specific recommendations on how, or whether, these or additional efforts may be improved or expanded upon.

(6) An assessment of the personnel, infrastructure, information technology, and capabilities of the Internal Revenue Service with respect to ensuring and promoting taxpayer service, encouraging voluntary compliance, enforcing involuntary compliance.

(e) Use of Data.—The report under subsection (a) shall, wherever possible, be based on empirical data, agency-conducted tests, and quantitative evidence.

SEC. 102. ELIMINATION OF TAXPAYER OBLIGATION TO PAY CREDIT AND DEBIT CARD PROCESSING FEES FOR CERTAIN TAX PAYMENTS.

(a) In General.—Paragraph (2) of section 6311(d) is amended to read as follows:

“(2) Authority to enter into contracts.—Notwithstanding section 3718(f) of title 31, United States Code—

“(A) In general.—The Secretary is authorized to enter into contracts to obtain services related to receiving payment by other means where cost beneficial to the Government. Except as provided in subparagraph (B), the Secretary may not pay any fee or provide any
other consideration under any such contract for
the use of credit, debit, or charge cards for the
payment of taxes imposed by subtitle A.

“(B) Services provided by financial
agents of the government.—The Secretary
is authorized to utilize services provided by a fi-
nancial agent of the Government to receive pay-
ment of delinquent tax liability made by credit,
debit, or charge card, and to pay such financial
agent any contracted fees or other consideration
for the acceptance and processing of card trans-
actions in connection with such services.”.

(b) Effective Date.—The amendment made by
this section shall apply to payments made after the date
of the enactment of this Act.

SEC. 103. MAKE OFFER-IN-COMPROMISE APPLICATION
RULES LESS ONEROUS FOR TAXPAYERS.

(a) In General.—Section 7122 is amended by strik-
ing subsection (c) and by redesignating subsections (d),
(e), (f), and (g) as subsections (c), (d), (e), and (f), respec-
tively.

(b) Conforming Amendments.—

(1) Paragraph (3) of section 7122(c), as redes-
ignated by subsection (a), is amended by striking
subparagraph (C), by striking “, and” at the end of
subparagraph (B) and inserting a period, and by adding “and” at the end of subparagraph (A).

(2) Subsection (f) of section 6159 is amended by striking “section 7122(e)” and inserting “section 7122(d)”.

(e) Effective Date.—The amendments made by this section shall apply to offers-in-compromise submitted after the date of the enactment of this Act.

SEC. 104. ELIMINATION OF SPECIAL RULES MODIFYING AMOUNT OF ESTIMATED TAX PAYMENTS BY CORPORATION.

The Corporate Estimated Tax Shift Act of 2009 (and any modification of such section contained in any other provision of law) and section 561 of the Hiring Incentives to Restore Employment Act (and any modification of such section contained in any other provision of law) shall not apply with respect to any installment of corporate estimated tax for any taxable year beginning after December 31, 2013.

SEC. 105. REPEAL OF SPECIAL ESTIMATED TAX PAYMENT PROVISION FOR CERTAIN INSURANCE COMPANIES.

(a) In General.—Section 847 is repealed, effective for taxable years beginning after December 31, 2012.

(b) Transition Rules.—
(1) Existing special loss discount accounts.—

(A) In general.—In the case of a company that has a special loss discount account (within the meaning of section 847(a)(3) of the Internal Revenue Code of 1986, as in effect on the date of the enactment of this Act) on December 31, 2012, the entire amount of such account shall be subtracted from such account and, unless the company makes the election under subparagraph (B), shall be included in gross income for such company’s first taxable year beginning after such date.

(B) Election to include amounts ratably over 4 years.—If a company makes the election under this subparagraph, in such time and manner as the Secretary may prescribe, the amount of such company’s special loss discount account which is subtracted from such account by reason of subparagraph (A) shall be included in gross income ratably over the 4-taxable-year period beginning with such company’s first taxable year beginning after December 31, 2012.

(2) Accumulated special estimated tax payments.—
(A) In general.—Unless the company makes the election under paragraph (1)(B), the amount of any special estimated tax payments made by such company under section 847 of the Internal Revenue Code of 1986 in taxable years beginning before December 31, 2012, which have not previously been applied to reduce tax liability shall be applied to reduce any additional tax liability resulting from the application of paragraph (1)(A) for the company’s first taxable year beginning after December 31, 2012.

(B) Companies electing 4-year income inclusion.—In the case of a company that makes the election under paragraph (1)(B), the amount of any special estimated tax payments made by such company under section 847 of such Code in taxable years beginning before December 31, 2012, which have not previously been applied to reduce tax liability shall be applied on a year-by-year basis to reduce any additional tax liability resulting from the application of paragraph (1)(B) for the taxable years in the 4-taxable-year period under such paragraph.
(C) **Excess Special Estimated Tax Payments.**—If the amount of special estimated tax payments to which subparagraph (A) or (B) applies exceeds—

(i) the additional tax liability resulting from the application of paragraph (1)(A) for the company’s first taxable year beginning after December 31, 2012, or

(ii) the total additional tax liability resulting from the application of paragraph (1)(B) for the company’s first 4 taxable years beginning after such date,

whichever is applicable, such excess amount shall be treated as a payment of the company’s estimated tax under section 6655 of such Code, beginning with the first quarter of the first taxable year beginning after such date or, in the case of an election under paragraph (1)(B), the first quarter of the 4th taxable year beginning after such date.

**SEC. 106. REPEAL OF DESIGNATION OF NONQUALIFIED PREFERRED STOCK.**

(a) **In General.**—Section 351 is amended by striking subsection (g) and by redesignating subsection (h) as subsection (g).
(b) CONFORMING AMENDMENTS.—

(1) Section 45D(b)(6)(A) is amended by striking “(other than nonqualified preferred stock as defined in section 351(g)(2))”.

(2) Section 354(a)(2) is amended—

(A) by striking “(including nonqualified preferred stock, as defined in section 351(g)(2))” in subparagraph (B), and

(B) by striking subparagraph (C).

(3) Section 354(a)(3) is amended by striking “nonqualified preferred stock and”.

(4) Section 355(a)(3) is amended—

(A) by striking “(including nonqualified preferred stock, as defined in section 351(g)(2))” in subparagraph (C), and

(B) by striking subparagraph (D).

(5) Section 355(a)(4) is amended by striking “nonqualified preferred stock and”.

(6) Section 356 is amended by striking subsection (e) and by redesignating subsections (f) and (g) as subsections (e) and (f), respectively.

(7) Section 1036 is amended by striking subsection (b) and by redesignating subsection (e) as subsection (b).
(c) Effective Date.—The amendments made by this section shall apply to transactions after December 31, 2012.

SEC. 107. DE MINIMIS APOLOGY PAYMENTS PILOT PROGRAM.

(a) In General.—Section 7811(b) is amended by striking “or” at the end of paragraph (1), by striking the period and inserting “, or” at the end of paragraph (2)(D), and adding at the end the following new paragraph:

“(3) to make an apology payment under subsection (h) in the case of any order issued during 2012 or 2013, upon the determination that such order—

“(A) has been accepted, or

“(B) if challenged, has been administratively sustained.”.

(b) Apology Payment.—Section 7811 is amended by adding at the end the following new subsection:

“(h) Apology Payment Program.—

“(1) In General.—A taxpayer assistance order may require the Secretary to provide an apology payment on behalf of the Internal Revenue Service to the taxpayer under this subsection in any case in which the National Taxpayer Advocate determines
that any action or inaction by the Internal Revenue Service has caused excess expense or undue burden on a taxpayer.

“(2) TAXPAYER LIMITATIONS.—In the case of any apology payment required under this subsection to any taxpayer with respect to any taxable year—

“(A) such payment shall not be less than $100, and

“(B) such payment shall not exceed $1,000.

“(3) AGGREGATE YEARLY LIMITATION.—The amount of apology payments which the National Taxpayer Advocate may require to be paid for any fiscal year shall not exceed $250,000.”.

(c) REPORTS.—Clause (ii) of section 7803(c)(2)(B) is amended by striking “and” at the end of subclause (X), by redesignating subclause (XI) as subclause (XII), and by inserting after subclause (X) the following new subclause:

“(XI) contain a summary of all Taxpayer Assistance Orders which require an apology payment under section 7811(h), and”.

(d) EXCLUSION OF APOLOGY PAYMENTS FROM GROSS INCOME.—
(1) IN GENERAL.—Part III of subchapter B of chapter 1 is amended by inserting before section 140 the following new section:

“SEC. 139F. INTERNAL REVENUE SERVICE APOLOGY PAYMENTS.

“Gross income shall not include any apology payment received by a taxpayer as a result of a Taxpayer Assistance Order described in section 7811(h).”.

(2) CLERICAL AMENDMENT.—The table of sections for part III of subchapter B of chapter 1 is amended by inserting before the item relating to section 140 the following new item:

“Sec. 139F. Internal Revenue Service apology payments.”.

(e) EFFECTIVE DATES.—

(1) IN GENERAL.—The amendments made by subsections (a) and (b) shall apply to orders issued after December 31, 2011.

(2) REPORTS.—The amendments made by subsection (c) shall apply to reports required to be submitted after December 31, 2011.

(3) EXCLUSION.—The amendments made by subsection (d) shall apply to taxable years beginning after December 31, 2011.

(f) STUDY AND REPORT ON APOLOGY PAYMENTS PROGRAM.—Not later than December 31, 2013, the Secretary of the Treasury shall submit to Congress a report
on the apology payments program under the amendments
made by this section. Such report shall contain—

(1) an evaluation of—

(A) the merits and effects of such program

on—

(i) taxpayers who received payments

under section 7811(h), and

(ii) the Internal Revenue Service, and

(B) the impact of the program on all tax-
payers and the public, and

(2) recommendations whether the program

should be extended, and, if so, whether and how it

should be improved.

TITLE II—CLARIFICATION OF
TAX FORMS AND FILING RE-
QUIREMENTS

SEC. 201. CLARIFICATION OF INFORMATION ON SCHEDULE
C.

(a) Revision of Schedule C.—Not later than De-
cember 31, 2012, the Secretary of the Treasury shall re-
vise Schedule C to Form 1040 (hereafter in this section
referred to as “Schedule C”) to require that taxpayers en-
gaged in a trade or business provide the information re-
quired under this subsection.
(1) ADDITIONAL GROSS RECEIPTS INFORMATION.—With respect to the gross receipts of the taxpayer from any trade or business, Schedule C shall require the taxpayer to provide the following:

(A) The total of amount of gross receipts or sales reported to the taxpayer through payee statements (as defined in section 6724(d)(2) of the Internal Revenue Code of 1986) and the number of such payee statements received by the taxpayer.

(B) The total of amount of gross receipts or sales not included under subparagraph (A).

(2) ADDITIONAL EXPENSE INFORMATION.—With respect to payments made by the taxpayer in connection with any trade or business, Schedule C shall require the taxpayer to provide the following:

(A) The total of amounts reported by the taxpayer through payee statements (as so defined).

(B) The number of payee statements (as so defined) furnished by the taxpayer.

(C) Such other information as required by the Secretary with respect to payments in connection with—

(i) goods, and
(ii) services.

(b) Report on Improving Voluntary Compliance by Sole Proprietors.—

(1) In General.—Not later than 3 years after the date of the enactment of this Act, the Secretary of the Treasury shall submit to Congress a report setting forth recommendations on—

(A) whether the Internal Revenue Service should provide additional assistance to first-time Schedule C filers by means of regular communications, a small business hotline, a published resource guide, or automatic or computer-generated “soft” notices,

(B) ways in which the Internal Revenue Service can work with small businesses, trade representatives, tax preparation software firms, and paid preparer representatives to determine whether and how specific changes to existing education and guidance would help those filing the Schedule C,

(C) ways to clarify the instructions for Schedule C to indicate that information returns may be required to be filed by sole proprietors who deduct expenses for wages, fees, and commissions,
(D) suggested changes to the Internal Revenue Service’s electronic and computer-based system for filing information returns to accommodate those filing information returns on payments made to sole proprietors, including whether the Internal Revenue Service should develop an Internet-based system for filing information returns,

(E) identification and analysis of the best practices that are utilized by States and by foreign governments with respect to encouraging voluntary tax compliance by sole proprietors, and ways these best practices may be adopted by the Internal Revenue Service,

(F) whether, in the case of tax returns containing income from a trade or business, the inclusion of a checkbox or other indicator indicating whether the taxpayer had a 1099–MISC filing requirement would affect voluntary compliance by taxpayers, and

(G) such other improvements with respect to improving voluntary compliance by sole proprietors as the Secretary determines is appropriate.
(2) USE OF DATA.—The recommendations submitted in the report under paragraph (1) shall, wherever possible, be based on empirical data, agency-conducted tests, and quantitative evidence.

SEC. 202. INCREASED ELECTRONIC FILING OF RETURNS.

(a) PERSONS REQUIRED TO FILE SCHEDULE M—3.—Paragraph (2) of section 6011(e) is amended—

(1) by redesignating subparagraphs (A) and (B) as subparagraphs (B) and (C), respectively,

(2) by inserting before subparagraph (B), as so redesignated, the following new subparagraph:

“(A) shall require any corporation or partnership that has assets in excess of $10,000,000 on the last day of the taxable year to file returns on magnetic media,”, and

(3) by inserting “except as provided in subparagraph (A),” before “shall not require” in subparagraph (B), as so redesignated.

(b) REDUCTION OF THRESHOLD.—Subparagraph (B) of section 6011(e)(2), as redesignated by subsection (a), is amended by striking “at least 250 returns” and inserting “more than a de minimis number of returns (as determined by the Secretary)”.
(c) Effectiveness Date.—The amendments made by this section shall apply to taxable years ending after December 31, 2012.

SEC. 203. CLARIFICATION OF ELECTRONIC FILING REQUIREMENTS FOR PAID PREPARERS.

(a) Lower Threshold for Paid Preparers.—Section 6011(e)(3)(B) is amended by striking “10” and inserting “5”.

(b) Threshold Based on Returns Prepared.—Paragraph (3) of section 6011(e) is amended—

(1) by striking “filed” in subparagraph (A)(i) and inserting “prepared”, and

(2) by striking “file” in subparagraph (B) and inserting “prepare”.

(c) Penalty.—Section 6695 is amended by adding at the end the following new subsection:

“(h) Failure to File Return on Magnetic Media.—Any person who is a tax return preparer with respect to any individual income tax return and who must file such return on magnetic media pursuant to the requirement of section 6011(e)(3) and fails to comply with the requirements of section 6011(e)(3) shall pay a penalty of $50 for such failure unless it is shown that such failure is due to reasonable cause and not due to willful neglect.

The maximum penalty imposed under this subsection on
any person with respect to individual income tax returns
filed during any calendar year shall not exceed $25,000.”.
(d) Technical Amendment.—Section
6011(e)(3)(A) is amended by striking “than” and insert-
ing “that”.
(e) Effective Date.—The amendments made by
this section shall apply to returns filed for taxable years
beginning after December 31, 2011.

SEC. 204. REQUIREMENT THAT ELECTRONICALLY PRE-
PARED PAPER RETURNS INCLUDE 2D
BARCODE.

(a) In General.—Subsection (e) of section 6011 is
amended by adding at the end the following new para-
graph:
“(5) Special rule for returns prepared
electronically and submitted on paper.—The
Secretary shall require that any return of tax which
is prepared electronically, but is printed and filed on
paper, bear a matrix code or 2D barcode which can,
when scanned, convert such return to electronic for-
mat.”.
(b) Conforming Amendment.—Paragraph (1) of
section 6011(e) is amended by striking “paragraph (3)”
and inserting “paragraphs (3) and (5)”.

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(c) Effective Date.—The amendments made by this section shall apply to returns of tax the due date for which (including extensions) is after December 31, 2012.

SEC. 205. AUTHORIZATION TO REQUIRE CERTAIN EMPLOYEE BENEFIT PLAN INFORMATION RETURNS AND REPORTS TO BE FILED ELECTRONICALLY.

(a) In General.—Paragraph (2) of section 6011(e), as amended by this Act, is amended by adding at the end the following new sentence: “Subparagraph (B) shall not apply in the case of a return or report required by section 6057, 6058, or 6059.”.

(b) Effective Date.—The amendment made by this section shall apply to plan years beginning after December 31, 2012.

TITLE III—ENHANCED INFORMATION REPORTING

SEC. 301. AUTOMATIC REPORTING ON CERTAIN GOVERNMENT PAYMENTS FOR PROPERTY AND SERVICES.

(a) In General.—Section 6041, as amended by the Comprehensive 1099 Taxpayer Protection and Repayment of Exhange Subsidy Overpayments Act of 2011, is amended by adding at the end the following new subsection:
“(h) Applications to Governmental Units.—

For purposes of this section—

“(1) Treated as Persons.—The term ‘person’ includes any governmental unit (and any agency or instrumentality thereof).

“(2) Special Rules.—In the case of any payment by a governmental entity or any agency or instrumentality thereof—

“(A) subsection (a) shall be applied without regard to the trade or business requirement contained therein, and

“(B) any return under this section shall be made by the officer or employee having control of the payment or appropriately designated for the purpose of making such return.

“(3) Exceptions.—This subsection shall not apply to such payments as the Secretary may specify in regulations prescribed after the date of the enactment of this subsection. Such regulations may include—

“(A) payments of interest,

“(B) payments for real property,

“(C) payments to entities exempt from tax or foreign governments,

“(D) intergovernmental payments,
“(E) payments made pursuant to classified or confidential contracts, including contracts described in section 6050M(e)(3) with respect to which the requirements of section 6050M(e)(2) are met, and

“(F) any other payment with respect to which reporting is required under another provision of this title.”.

(b) Conforming Amendments to Returns by Governments Regarding Payments of Remuneration for Services and Direct Sales to Corporations.—Paragraph (3) of section 6041A(d) is amended—

(1) by striking “BY FEDERAL EXECUTIVE AGENCIES’’ in the heading,

(2) by striking “by any Federal executive agency (as defined in section 6050M(b))’’ in subparagraph (A) and inserting “by any governmental entity or any agency or instrumentality thereof’, and

(3) by inserting “classified or confidential contracts, including” after “services under” in subparagraph (B)(i).

(c) Effective Date.—The amendments made by this section shall apply to payments made after December 31, 2012.
SEC. 302. ADDITIONAL INFORMATION ON RETURNS RELATING TO MORTGAGE INTEREST.

(a) In General.—Paragraph (2) of section 6050H(b) is amended by striking “and” at the end of subparagraph (C), by redesignating subparagraph (D) as subparagraph (G), and by inserting after subparagraph (C) the following new subparagraphs:

“(D) the unpaid balance with respect to such mortgage,

“(E) the address of the property securing such mortgage, and

“(F) information with respect to whether the mortgage is a refinancing that occurred in such calendar year.”.

(b) Payee Statements.—Subsection (d) of section 6050H is amended by striking “and” at the end of paragraph (1), by striking the period at the end of paragraph (2) and inserting “, and”, and by inserting after paragraph (2) the following new paragraph:

“(3) the information required to be included on the return under subparagraphs (D), (E), and (F) of subsection (b)(2).”.

(c) Effective Date.—The amendments made by this section shall apply to returns and statements the due date for which (determined without regard for extensions) is after December 31, 2012.
SEC. 303. IMPROVED INFORMATION REPORTING ON UNREPORTED AND UNDERREPORTED FINANCIAL ACCOUNTS.

(a) Elimination of Minimum Interest Requirement.—

(1) In general.—Section 6049(a) is amended by striking “aggregating $10 or more” each place it appears.

(2) Conforming amendments.—Subparagraph (C) of section 6049(d)(5) is amended—

(A) by striking “which involves the payment of $10 or more of interest”, and

(B) by striking “IN THE CASE OF TRANSACTIONS INVOLVING $10 OR MORE” in the heading.

(3) Effective date.—The amendments made by this subsection shall apply to returns filed after December 31, 2012.

(b) Reporting of Non-Interest Bearing Deposits.—

(1) In general.—Subpart B of part III of subchapter A of chapter 61 is amended by inserting after section 6049 the following new section:
SEC. 6049A. RETURNS REGARDING NON-INTEREST BEARING DEPOSITS.

“(a) Requirement of Reporting.—Every person who holds a reportable deposit during any calendar year shall make a return according to the forms or regulations prescribed by the Secretary, setting forth the name and address of the person for whom such deposit was held.

“(b) Reportable Deposit.—For purposes of this section—

“(1) In general.—The term ‘reportable deposit’ means—

“(A) any amount on deposit with—

“(i) a person carrying on the banking business,

“(ii) a mutual savings bank, a savings and loan association, a building and loan association, a cooperative bank, a homestead association, a credit union, an industrial loan association or bank, or any similar organization,

“(iii) a broker (as defined in section 6045(e)), or

“(iv) any other person provided in regulations prescribed by the Secretary, or

“(B) to the extent provided by the Secretary in regulations, any amount held by an
insurance company, an investment company (as defined in section 3 of the Investment Company Act of 1940), or held in other pooled funds or trusts.

“(2) EXCEPTIONS.—Such term shall not include—

“(A) any amount with respect to which a report is made under section 6049,

“(B) any amount on deposit with or held by a natural person,

“(C) except to the extent provided in regulations, any amount—

“(i) held with respect to a person described in section 6049(b)(4),

“(ii) with respect to which section 6049(b)(5) would apply if a payment were made with respect to such amount, or

“(iii) on deposit with or held by a person described in section 6049(b)(2)(C), or

“(D) any amount for which the Secretary determines there is already sufficient reporting.

“(c) STATEMENTS TO BE FURNISHED TO PERSONS WITH RESPECT TO WHOM INFORMATION IS REQUIRED.—

“(1) IN GENERAL.—Every person required to make a return under subsection (a) shall furnish to
each person whose name is required to be set forth
in such return a written statement showing—

“(A) the name, address, and phone num-
ber of the information contact of the person re-
quired to make such return, and

“(B) the reportable account with respect to
which such return was made.

“(2) TIME AND FORM OF STATEMENT.—The
written statement under paragraph (1)—

“(A) shall be furnished at a time and in a
manner similar to the time and manner that
statements are required to be filed under sec-
tion 6049(c)(2), and

“(B) shall be in such form as the Sec-
retary may prescribe by regulations.

“(d) PERSON.—For purposes of this section, the term
‘person’, when referring to the person for whom a deposit
is held, includes any governmental unit and any agency
or instrumentality thereof and any international organiza-
tion and any agency or instrumentality thereof.”.

(2) ASSESSABLE PENALTIES.—

(A) FAILURE TO FILE RETURN.—Subpara-
graph (B) of section 6724(d)(1) is amended by
striking “or” at the end of clause (xxii), by
striking “and” at the end of clause (xxiv) and
inserting “or”, and by inserting after clause (xxiv) the following new clause:

“(xxvi) section 6049A (relating to returns regarding non-interest bearing deposits), and”.

(B) FAILURE TO FILE PAYEE STATEMENT.—Paragraph (2) of section 6724(d) is amended by striking “or” at the end of subparagraph (GG), by striking the period at the end of subparagraph (HH) and inserting “, or” and by inserting after subparagraph (HH) the following new subparagraph:

“(II) section 6049A(c) (relating to returns regarding non-interest bearing deposits).”.

(3) CLERICAL AMENDMENT.—The table of section for subpart B of part III of subchapter A of chapter 61 is amended by inserting after the item relating to section 6049 the following new item:

“Sec. 6049A. Returns regarding non-interest bearing deposits.”.

(4) EFFECTIVE DATE.—The amendments made by this subsection shall apply to returns filed after December 31, 2012.
TITLE IV—PAYMENTS TO CERTAIN CONTRACTORS

SEC. 401. REQUIREMENTS FOR WITHHOLDING WITH RESPECT TO PAYMENTS TO CONTRACTORS.

(a) In General.—

(1) Requirement.—Paragraph (1) of section 3406(a) is amended by striking “or” at the end of subparagraph (C), by inserting “or” at the end of subparagraph (D), and by inserting after subparagraph (D) the following new subparagraph:

“(E) the Secretary has not provided verification to the payor that the TIN furnished by the payee is correct.”.

(2) Application only to certain transactions.—Subsection (a) of section 3406 is amended by adding at the end the following new paragraph:

“(3) Subparagraph (E) of paragraph (1) applies only to certain other reportable payments.—Subparagraph (E) of paragraph (1) shall only apply to other reportable payments described in subparagraph (B) of subsection (b)(3).”.

(3) Period of withholding.—

(A) In general.—Section 3406(c) is amended by redesignating paragraph (5) as...
paragraph (6) and by inserting after paragraph (4) the following new paragraph:

“(5) NO MATCHING TIN.—In any case in which the Secretary has not provided verification to the payor that the TIN furnished by the payee is correct pursuant to subsection (a)(1)(E), subsection (a) shall apply to such payment and any subsequent such payment made by the payor after the date such TIN was submitted to the Secretary for verification until the payee furnishes another TIN in the manner required and such TIN is verified by the Secretary as correct.”.

(B) CONFORMING AMENDMENT.—Paragraph (2) of section 3406(e) is amended by inserting “pursuant to subsection (a)(1)(B),” after “is incorrect”.

(b) VOLUNTARY WITHHOLDING.—Section 3402(p) is amended by redesignating paragraph (3) as paragraph (4) and by inserting after paragraph (2) the following new paragraph:

“(3) CERTAIN PAYMENTS TO CONTRACTORS.—

“(A) IN GENERAL.—If, at the time of any specified payment to any person, a request by such person is in effect that such payment be subject to withholding under this chapter, the
person making such payment shall deduct and
withhold from such payment an amount equal
to the rate in effect under such request.

“(B) SPECIFIED PAYMENT.—For purposes
of this paragraph, the term ‘specified payment’
means any payment described in subparagraph
(A) or (B) of section 3406(b)(3).

“(C) REQUEST.—A request to subject a
specified payment to withholding shall be made
at such time and in such manner as the Sec-
retary may by regulations prescribe, and shall
specify a uniform percentage of withholding
which is equal to any rate at which tax is im-
posed under subsection (a), (b), (c), or (d) of
section 1, as appropriate.”.

(e) EFFECTIVE DATE.—

(1) IN GENERAL.—Except as provided in para-
graph (2), the amendments made by this section
shall apply to payments made after December 31,
2012.

(2) CERTIFICATION.—The amendments made
by subsection (a) shall not take effect before the
date on which the Secretary of the Treasury has cer-
tified that there is a system in place to provide noti-
fications in an accurate and timely manner regard-
ing the verification of taxpayer identification num-
ers submitted pursuant to section 3406(a)(1)(E) of
the Internal Revenue Code of 1986 (as added by
subsection (a)).

SEC. 402. CONTINUOUS LEVY ON PAYMENTS TO MEDICAID
     PROVIDERS AND SUPPLIERS.
     (a) IN GENERAL.—Section 6331(h)(2) is amended by
striking “and” at the end of subparagraph (B), by striking
the period at the end of subparagraph (C) and inserting
“, and”, and by adding at the end the following new sub-
paragraph:

“(D) any payment to any Medicaid pro-
vider or supplier under a State plan under title
XIX of the Social Security Act.”.

(b) EFFECTIVE DATE.—The amendments made by
this section shall apply to levies issued after December 31,
2012.

SEC. 403. LEVY AUTHORITY FOR PAYMENTS TO MEDICARE
     PROVIDERS WITH DELINQUENT TAX DEBT.
     (a) IN GENERAL.—Section 6331(h)(2), as amended
by this Act, is amended by striking “and” at the end of
subparagraph (C), by striking the period at the end of
subparagraph (D) and inserting “, and”, and by adding
at the end the following new subparagraph:
“(E) any payment to any Medicare provider or supplier under title XVIII of the Social Security Act.”.

(b) 100 PERCENT LEVY.—Section 6331(h)(3) is amended by inserting “or to a provider or supplier described in paragraph (2)(E)” after “Government”.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to payments after the date of the enactment of this Act.

SEC. 404. 100 PERCENT LEVY FOR PAYMENTS TO FEDERAL VENDORS RELATING TO PROPERTY.

(a) IN GENERAL.—Section 6331(h)(3) is amended by striking “goods or services” and inserting “property, goods, or services”.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to levies issued after the date of the enactment of this Act.

TITLE V—IMPROVED TAX ADMINISTRATION AND COORDINATION

SEC. 501. REQUIREMENT FOR PRISONS LOCATED IN U.S. TO PROVIDE INFORMATION FOR TAX ADMINISTRATION.

(a) IN GENERAL.—Subchapter B of chapter 61 is amended by redesignating section 6116 as section 6117.
and by inserting after section 6115 the following new section:

"SEC. 6116. REQUIREMENT FOR PRISONS LOCATED IN UNITED STATES TO PROVIDE INFORMATION FOR TAX ADMINISTRATION.

"(a) IN GENERAL.—Not later than September 15, 2011, and annually thereafter, the head of the Federal Bureau of Prisons and the head of any State agency charged with the responsibility for administration of prisons shall provide to the Secretary in electronic format a list with the information described in subsection (b) of all the inmates incarcerated within the prison system for any part of the prior 2 calendar years or the current calendar year through August 31.

"(b) INFORMATION.—The information with respect to each inmate is—

"(1) first, middle, and last name,

"(2) date of birth,

"(3) institution of current incarceration or, for released inmates, most recent incarceration,

"(4) prison assigned inmate number,

"(5) the date of incarceration,

"(6) the date of release or anticipated date of release,

"(7) the date of work release,
“(8) taxpayer identification number and whether the prison has verified such number,
“(9) last known address, and
“(10) any additional information as the Secretary may provide.
“(c) FORMAT.—The Secretary shall determine the electronic format of the information described in subsection (b).”.

(b) Clerical Amendment.—The table of sections for such subchapter is amended by striking the item relating to section 6116 and by adding at the end the following new items:

“Sec. 6116. Requirement for prisons located in United States to provide information for tax administration.
“Sec. 6117. Cross reference.”.

SEC. 502. FACILITATION OF TAX COMPLIANCE WITH INDIAN TRIBAL GOVERNMENTS.

(a) In General.—Paragraph (5) of section 6103(b) is amended—
(1) by striking “and” at the end of clause (ii)(III),
(2) by striking the period at the end of clause (iii)(II) and inserting “, and”, and
(3) by adding at the end the following new clause:
“(iv) for purposes of subsections (d)(1) and (p), any Indian tribal govern-
ment which imposes a tax on any income, wages, or other activity or transaction which is also taxed under any chapter of this title described in such subsection.”.

(b) EFFECTIVE DATE.—The amendments made by this section shall apply to disclosures made after the date of the enactment of this Act.

SEC. 503. IMPROVEMENT IN ACCESS TO INFORMATION IN THE NATIONAL DIRECTORY OF NEW HIRES FOR TAX ADMINISTRATION PURPOSES.

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

“(3) ADMINISTRATION OF FEDERAL TAX LAWS.—The Secretary of the Treasury shall have access to the information in the National Directory of New Hires for purposes of administering the Internal Revenue Code of 1986.”.

(b) EFFECTIVE DATE.—The amendment made by this section shall take effect on the date of the enactment of this Act.
SEC. 504. CLARIFICATION OF TAXPAYER PRIVACY BY IMPROVEMENT OF INVESTIGATIVE DISCLOSURE STATUTE.

(a) In General.—Paragraph (6) of section 6103(k) is amended—

(1) by inserting “(A) In General.—” before “An internal revenue officer”, and

(2) by adding at the end the following new subparagraph:

“(B) Identity disclosure.—Nothing in this section shall be construed to prohibit agents of the Department of the Treasury from identifying themselves, their organizational affiliation, the identity of the subject of an investigation, and the nature of such investigation when contacting third parties either in writing or otherwise.”.

(b) Effective Date.—The amendments made by this section shall apply to disclosures after the date of the enactment of this Act.

SEC. 505. AUTHORIZATION FOR FINANCIAL MANAGEMENT SERVICE RETENTION OF TRANSACTION FEES FROM LEVIED AMOUNTS.

Notwithstanding any other provision of law, the Financial Management Service may charge the Internal Revenue Service, and the Internal Revenue Service may pay the Financial Management Service, a fee sufficient to
cover the full cost of implementing a continuous levy pro-
gram under subsection (h) of section 6331 of the Internal
Revenue Code of 1986. Any such fee shall be based on
actual levies made and shall be collected by the Financial
Management Service by the retention of a portion of
amounts collected by levy pursuant to that subsection.
Amounts received by the Financial Management Service
as fees under that subsection shall be deposited into the
account of the Department of the Treasury under section
3711(g)(7) of title 31, United States Code, and shall be
collected and accounted for in accordance with the provi-
sions of that section.

TITLE VI—CLARIFICATION OF
PENALTIES AND LIABILITIES

SEC. 601. CLARIFICATION OF PENALTY FOR FAILURE TO
COMPLY WITH ELECTRONIC FILING RE-
QUIREMENTS.

(a) In General.—Part I of subchapter B of chapter
68 is amended by inserting after section 6720C the fol-
lowing new section:

“SEC. 6720D. FAILURE TO FILE CERTAIN RETURNS ELEC-
TRONICALLY.

“(a) In General.—Any person who fails to file a
return described in section 6651 or 6652(c)(1) in elec-
tronic form as required under section 6011(e) shall pay a penalty equal to—

“(1) $5,000, in the case of an organization required to file the return described in section 6033(a)(1), and

“(2) $25,000, in any other case.

“(b) NO PENALTY FOR ADDITIONAL FAILURES.—No person shall pay more than one penalty under this section in a taxable year.

“(c) EXCEPTION WHERE NO RETURN FILED.—If a penalty is imposed under section 6651(a)(1) or 6652(c)(1) with respect any failure, the penalty under subsection (a) shall not apply.

“(d) DEFICIENCY PROCEDURES NOT TO APPLY.—Subchapter B of chapter 63 shall not apply in respect of the assessment or collection of any penalty imposed by this section.”.

(b) CLERICAL AMENDMENT.—The table of sections for part I of subchapter B of chapter 68 is amended by inserting after the item relating to section 6720C the following new item:

“Sec. 6720D. Failure to file certain returns electronically.”.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to returns required to be filed on or after January 1, 2013.
SEC. 602. INCREASE IN PENALTY ON PAID PREPARERS WHO FAIL TO COMPLY WITH EARNED INCOME TAX CREDIT DUE DILIGENCE REQUIREMENTS.

(a) In General.—Section 6695(g) is amended by striking “$100” and inserting “$500”.

(b) Effective Date.—The amendment made by this section shall apply to returns required to be filed after December 31, 2012.

SEC. 603. INCREASE IN PENALTIES FOR REPEATED AND WILLFUL FAILURE TO FILE TAX RETURN.

(a) In General.—Section 7203 is amended—

(1) in the first sentence, by striking “Any person” and inserting the following:

“(a) In General.—Any person”,

(2) in the third sentence, by striking “section” and inserting “subsection”, and

(3) by adding at the end the following new subsection:

“(b) Aggravated Failure To File.—

“(1) In General.—In the case of any failure described in paragraph (2), the first sentence of subsection (a) shall be applied by substituting—

“(A) ‘felony’ for ‘misdemeanor’,

“(B) ‘$250,000 ($500,000’ for ‘$25,000 ($100,000’, and

“(C) ‘5 years’ for ‘1 year’.
“(2) FAILURE DESCRIBED.—A failure described
in this paragraph is—

“(A) a failure to make a return described
in subsection (a) for any 3 taxable years occur-
ing during any period of 5 consecutive taxable
years if the aggregate tax liability for such pe-
riod is not less than $50,000, or

“(B) a failure to make a return by any
person who has income attributable to conduct
punishable as a felony under State or Federal
law, where such income gives rise to a require-
ment to make a return.”.

(b) PENALTY MAY BE APPLIED IN ADDITION TO
OTHER PENALTIES.—Section 7204 is amended by strik-
ing “the penalty provided in section 6674” and inserting
“the penalties provided in sections 6674 and 7203(b)”.

(c) EFFECTIVE DATE.—The amendments made by
this section shall apply to returns required to be filed after
December 31, 2012.

SEC. 604. CLARIFICATION OF EMPLOYEE LEASING COMPA-
NIES LIABILITY FOR CLIENTS’ FEDERAL EM-
PLOYMENT TAXES.

With respect to employment tax returns required to
be filed with respect to wages paid on or after January
1, 2013, the Secretary of the Treasury shall issue regula-
tions establishing—

(1) standards for holding employee leasing com-
panies jointly and severally liable with their clients
for Federal employment taxes under chapters 21,
22, 23, and 24 of the Internal Revenue Code of
1986, and

(2) standards for holding such companies solely
liable for such taxes.

SEC. 605. EXTENSION OF STATUTE OF LIMITATIONS WHERE
STATE OR LOCAL ADJUSTMENT AFFECTS
FEDERAL TAX LIABILITY.

(a) IN GENERAL.—Subsection (c) of section 6501 is
amended by adding at the end the following new para-
graph:

“(11) STATE AND LOCAL TAX ADJUSTMENTS
AFFECTING FEDERAL TAX LIABILITY.—If any re-
turn, amended return, or other adjustment with re-
spect to State or local taxes results in an increase
of Federal tax liability for a taxable year (as re-
ported by the taxpayer in an amended Federal re-
turn or as determined by the Secretary on the basis
of information sharing with State or local revenue
authorities), the period for the assessment of such
increase shall not expire until the later of—
“(A) 1 year after the date the taxpayer first files an amended Federal return reflecting such increase, or

“(B) 2 years after the date the Secretary first receives information relating to such increase from State or local revenue authorities.

Any further amended returns or information sharing with respect to such increase shall not further extend the period specified in the preceding sentence.”.

(b) CREDITS AND REFUNDS.—

(1) IN GENERAL.—Subsection (b) of section 6511 is amended by adding at the end the following new paragraph:

“(3) STATE AND LOCAL TAX ADJUSTMENTS AFFECTING FEDERAL TAX LIABILITY.—If any return, amended return, or other adjustment with respect to State or local taxes results in an increase of Federal tax liability for a taxable year (as reported by the taxpayer in an amended Federal return or as determined by the Secretary on the basis of information sharing with State or local revenue authorities), the period during which the taxpayer may claim a credit or refund offsetting such increase shall not expire until the later of—
“(A) 1 year after the date the taxpayer first files an amended Federal return reflecting such increase and stipulating that such amendment relates to an adjustment with respect to State or local tax, or

“(B) 2 years after the date the Secretary first receives information relating to such increase from State or local revenue authorities.

Any further amended returns or information sharing with respect to such increase shall not further extend the period specified in the preceding sentence.”.

(2) CONFORMING AMENDMENT.—Paragraph (1) of section 6511(b) is amended by striking “No credit” and inserting “Except as provided in paragraph (3), no credit”.

(e) EFFECTIVE DATE.—The amendments made by this section shall apply to returns the due date for which is after December 31, 2012.

SEC. 606. ELIMINATION OF RESTRICTION ON OFFSETTING REFUNDS FROM FORMER RESIDENTS.

(a) IN GENERAL.—Section 6402(e) (relating to collection of past-due, legally enforceable State income tax obligations) is amended by striking paragraph (2) and by redesignating paragraphs (3), (4), (5), (6), and (7) as paragraphs (2), (3), (4), (5), and (6), respectively.
(b) Elimination of 10-Year Restriction.—Sub-
paragraph (B) of section 6402(e)(5) is amended—

(1) by striking “, and which has not been delin-
quent for more than 10 years”, and

(2) by inserting “and” after “not collected,”.

c) Effective Date.—The amendments made by
this section shall apply to refunds payable for taxable
years ending after the date of the enactment of this Act.

TITLE VII—UNDERSTANDING
THE TAX GAP

SEC. 701. TAX GAP STRATEGY AND REPORTS.

(a) Comprehensive Strategy for Reducing the
Tax Gap.—

(1) In general.—The Secretary of the Treas-
ury shall submit to Congress comprehensive and de-
tailed reports on a strategy for reducing the tax gap.
Such reports shall include—

(A) a detailed assessment of the major
sources and causes of the tax gap, and

(B) a goal for reducing the tax gap and
components of the tax gap.

(2) Time for submitting reports.—

(A) Initial report.—The first report re-
quired under paragraph (1) shall be submitted
not later than December 31, 2012.
(B) Subsequent reports.—The Secretary of the Treasury shall submit additional reports under paragraph (1) not later than 5 years after the date on which the most recent preceding report was submitted under paragraph (1).

(3) Use of data.—Any report submitted under this subsection shall, wherever possible, be based on empirical data, agency-conducted tests, and quantitative evidence.

(b) Annual Tax Gap Report.—

(1) In general.—Not later than December 31 of each year beginning after 2012, the Secretary of the Treasury shall submit to Congress a report on the most recent estimates of the tax gap.

(2) Matters included.—The report submitted under paragraph (1) shall include—

(A) an update on any studies and pilot projects of the Internal Revenue Service associated with specific areas of the tax gap,

(B) an assessment of how the Internal Revenue Service has aligned its enforcement and compliance efforts with the goals and recommendations set forth in the most recent report submitted under subsection (a),
(C) a detailed assessment of how effectively the Internal Revenue Service is making full use of the collected information to determine the causes of, and potential solutions for, the tax gap,

(D) a detailed assessment of the benefits gained from the tax gap estimation and analysis efforts, including service and enforcement improvements, regulatory changes, and statutory changes resulting from those efforts, and

(E) an update and detailed assessment of enforcement initiatives of the Internal Revenue Service, including information sharing between the Internal Revenue Service and State revenue agencies.

(e) TAX GAP.—For purposes of this section, the term “tax gap” means, with respect to any tax year, the difference between—

(1) the amount of taxes owed by taxpayers under the Internal Revenue Code of 1986 for such tax year, and

(2) the amount of revenue paid voluntarily and timely by taxpayers under such Code for such tax year.
SEC. 702. STUDIES ON THE IMPACT OF TAX GAP LEGISLATION.

(a) Study of Return on Investment.—

(1) Matters studied.—

(A) In general.—The Secretary of the Treasury shall conduct a study on—

(i) the revenue increases, and

(ii) the costs,

with respect to tax gap legislation.

(B) Tax gap legislation.—For purposes of this section, the term “tax gap legislation” means the provisions of, and amendments made by—

(i) this Act,

(ii) section 403 of the Energy Improvement and Extension Act of 2008 (relating to broker reporting of customer’s basis in securities transactions),

(iii) section 3091 of the Housing Assistance Tax Act of 2008 (relating to returns relating to payments made in settlement of payment card and third party network transactions), and

(iv) such other Acts, as determined appropriate by the Secretary of the Treasury.
(2) Revenue Increases.—The revenue increases considered in the study conducted under paragraph (1) shall include—

(A) revenue collected from enforcement efforts,
(B) revenue increases from voluntary compliance by taxpayers in response to tax gap legislation (including cases in which the Internal Revenue Service has not yet effectively or fully implemented a data matching system), and
(C) any other revenue, administrative, or other cost savings to the Government and to taxpayers.

(3) Costs.—The costs considered in this study conducted under paragraph (1) shall include—

(A) administrative and other costs of the Internal Revenue Service,
(B) compliance costs to taxpayers, and
(C) compliance costs to any affected third parties, such as persons required to file information returns.

(b) Reports.—

(1) Initial report.—

(A) In general.—Not later than 4 years after the date of the enactment of this Act, the
Secretary of the Treasury shall submit to Congress a report on the matters studied under subsection (a).

(B) ASSESSMENT WITH RESPECT TO DATA LIMITATIONS.—The report under subparagraph (A) shall include—

(i) an assessment of the limitations of the Internal Revenue Service with respect to the collection of data used to assess the matters studied under subsection (a), and

(ii) recommendations regarding steps to overcome any such limitations.

(2) FOLLOW-UP REPORT.—

(A) IN GENERAL.—Not later than 3 years after the date on which the report under paragraph (1) is submitted, the Secretary of the Treasury shall submit to Congress a follow-up report on the matters studied under subsection (a).

(B) ASSESSMENT WITH RESPECT TO IMPLEMENTATION OF RECOMMENDATIONS.—The report under subparagraph (A) shall include an assessment on the implementation of the recommendations included in the report submitted under paragraph (1).
SEC. 703. REPORTS ON WORKER MISCLASSIFICATION.

(a) In general.—The Secretary of the Treasury shall submit to Congress the following reports on worker misclassification:

(1) A report each fiscal year on worker classification which shall include the total number of examinations of employers initiated because of suspected worker classification issues, the total number of examinations that included determinations on worker classification issues, the amount of additional tax liabilities associated with worker classification enforcement actions, the number of workers reclassified as a result of these actions, the number of requests for Determination of Worker Status (Form SS–8), and technical guidance on how to understand the data provided in the report.

(2) A report each fiscal year in which new statistically valid data is compiled and interpreted on worker classification, prepared on the basis of information gathered during an Employment Tax Study conducted by the National Research Program (NRP) of the Internal Revenue Service. Such report shall provide statistical estimates of the number of employers misclassifying workers, the number of workers misclassified, the industries involved, data interpretations and conclusions, and a description of the
impact of improper worker classification on the employment tax gap.

(b) Time for Submitting Reports.—The first reports required under subsection (a) shall be submitted not later than 3 years after the date of the enactment of this Act.