

112TH CONGRESS  
1ST SESSION

# S. 1289

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

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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

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## A BILL

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

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

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

4 (a) **SHORT TITLE.**—This Act may be cited as the  
5 “Taxpayer Advocacy and Government Accountability Pro-  
6 motion Act of 2011” or the “TAX GAP Act of 2011”.

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

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

3 (c) TABLE OF CONTENTS.—The table of contents for  
 4 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 SIMPLIFICA-** 2 **TION, PROTECTION, AND** 3 **FAIRNESS**

### 4 **SEC. 101. TAXPAYER ASSISTANCE AND TAX SIMPLIFICA-** 5 **TION REPORT.**

6 (a) IN GENERAL.—Not later than 2 years after the  
 7 date of the enactment of this Act, the Secretary of the  
 8 Treasury, in consultation with the Commissioner of the  
 9 Internal Revenue Service, shall submit to Congress a re-  
 10 port on taxpayer assistance and tax simplification.

11 (b) MATTERS INCLUDED.—The report required  
 12 under subsection (a) shall be based on examinations of tax

1 policy and of tax compliance enforcement and shall include  
2 the following:

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

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

14 (B) requiring or encouraging the Internal  
15 Revenue Service, to the maximum extent pos-  
16 sible, to test its forms and publications on ac-  
17 tual taxpayers prior to publication.

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

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

23 (B) to reduce the time between receipt of  
24 a manually filed tax return and the issuance of  
25 a refund.

1           (3) An assessment of the efforts of the Internal  
2 Revenue Service to induce voluntary compliance by  
3 individual taxpayers and sole proprietor taxpayers,  
4 with a particular focus on current efforts to reduce  
5 administrative and compliance burdens. Such assess-  
6 ment shall include specific recommendations on how  
7 voluntary compliance may be improved or expanded  
8 upon, particularly in an environment where most  
9 taxpayers use paid preparers or tax preparation soft-  
10 ware.

11           (4) An assessment of the current efforts of the  
12 Internal Revenue Service to improve taxpayer serv-  
13 ice, including through outreach programs, taxpayer  
14 education, preparer education, tax software industry  
15 coordination, and expanded availability of online,  
16 Internet-based tax information and filing services of-  
17 fered by the Internal Revenue Service. Such assess-  
18 ment shall include specific recommendations on how  
19 these or additional efforts may be improved or ex-  
20 panded upon.

21           (5) An assessment of the efficacy of previous  
22 Internal Revenue Service efforts with respect to set-  
23 tlement initiatives, including the effect of such initia-  
24 tives on improving compliance and reducing current  
25 and future revenues lost due to tax evasion. Such as-



1 other consideration under any such contract for  
2 the use of credit, debit, or charge cards for the  
3 payment of taxes imposed by subtitle A.

4 “(B) SERVICES PROVIDED BY FINANCIAL  
5 AGENTS OF THE GOVERNMENT.—The Secretary  
6 is authorized to utilize services provided by a fi-  
7 nancial agent of the Government to receive pay-  
8 ment of delinquent tax liability made by credit,  
9 debit, or charge card, and to pay such financial  
10 agent any contracted fees or other consideration  
11 for the acceptance and processing of card trans-  
12 actions in connection with such services.”.

13 (b) EFFECTIVE DATE.—The amendment made by  
14 this section shall apply to payments made after the date  
15 of the enactment of this Act.

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

18 (a) IN GENERAL.—Section 7122 is amended by strik-  
19 ing subsection (c) and by redesignating subsections (d),  
20 (e), (f), and (g) as subsections (c), (d), (e), and (f), respec-  
21 tively.

22 (b) CONFORMING AMENDMENTS.—

23 (1) Paragraph (3) of section 7122(c), as redesi-  
24 gnated by subsection (a), is amended by striking  
25 subparagraph (C), by striking “, and” at the end of

1 subparagraph (B) and inserting a period, and by  
2 adding “and” at the end of subparagraph (A).

3 (2) Subsection (f) of section 6159 is amended  
4 by striking “section 7122(e)” and inserting “section  
5 7122(d)”.

6 (c) EFFECTIVE DATE.—The amendments made by  
7 this section shall apply to offers-in-compromise submitted  
8 after the date of the enactment of this Act.

9 **SEC. 104. ELIMINATION OF SPECIAL RULES MODIFYING**  
10 **AMOUNT OF ESTIMATED TAX PAYMENTS BY**  
11 **CORPORATION.**

12 The Corporate Estimated Tax Shift Act of 2009 (and  
13 any modification of such section contained in any other  
14 provision of law) and section 561 of the Hiring Incentives  
15 to Restore Employment Act (and any modification of such  
16 section contained in any other provision of law) shall not  
17 apply with respect to any installment of corporate esti-  
18 mated tax for any taxable year beginning after December  
19 31, 2013.

20 **SEC. 105. REPEAL OF SPECIAL ESTIMATED TAX PAYMENT**  
21 **PROVISION FOR CERTAIN INSURANCE COM-**  
22 **PANIES.**

23 (a) IN GENERAL.—Section 847 is repealed, effective  
24 for taxable years beginning after December 31, 2012.

25 (b) TRANSITION RULES.—



1           (1) EXISTING SPECIAL LOSS DISCOUNT AC-  
2           COUNTS.—

3           (A) IN GENERAL.—In the case of a com-  
4           pany that has a special loss discount account  
5           (within the meaning of section 847(a)(3) of the  
6           Internal Revenue Code of 1986, as in effect on  
7           the date of the enactment of this Act) on De-  
8           cember 31, 2012, the entire amount of such ac-  
9           count shall be subtracted from such account  
10          and, unless the company makes the election  
11          under subparagraph (B), shall be included in  
12          gross income for such company's first taxable  
13          year beginning after such date.

14          (B) ELECTION TO INCLUDE AMOUNTS RAT-  
15          ABLY OVER 4 YEARS.—If a company makes the  
16          election under this subparagraph, in such time  
17          and manner as the Secretary may prescribe, the  
18          amount of such company's special loss discount  
19          account which is subtracted from such account  
20          by reason of subparagraph (A) shall be included  
21          in gross income ratably over the 4-taxable-year  
22          period beginning with such company's first tax-  
23          able year beginning after December 31, 2012.

24          (2) ACCUMULATED SPECIAL ESTIMATED TAX  
25          PAYMENTS.—

1           (A) IN GENERAL.—Unless the company  
2 makes the election under paragraph (1)(B), the  
3 amount of any special estimated tax payments  
4 made by such company under section 847 of  
5 the Internal Revenue Code of 1986 in taxable  
6 years beginning before December 31, 2012,  
7 which have not previously been applied to re-  
8 duce tax liability shall be applied to reduce any  
9 additional tax liability resulting from the appli-  
10 cation of paragraph (1)(A) for the company’s  
11 first taxable year beginning after December 31,  
12 2012.

13           (B) COMPANIES ELECTING 4-YEAR INCOME  
14 INCLUSION.—In the case of a company that  
15 makes the election under paragraph (1)(B), the  
16 amount of any special estimated tax payments  
17 made by such company under section 847 of  
18 such Code in taxable years beginning before  
19 December 31, 2012, which have not previously  
20 been applied to reduce tax liability shall be ap-  
21 plied on a year-by-year basis to reduce any ad-  
22 ditional tax liability resulting from the applica-  
23 tion of paragraph (1)(B) for the taxable years  
24 in the 4-taxable-year period under such para-  
25 graph.

1 (C) EXCESS SPECIAL ESTIMATED TAX PAY-  
2 MENTS.—If the amount of special estimated tax  
3 payments to which subparagraph (A) or (B) ap-  
4 plies exceeds—

5 (i) the additional tax liability resulting  
6 from the application of paragraph (1)(A)  
7 for the company’s first taxable year begin-  
8 ning after December 31, 2012, or

9 (ii) the total additional tax liability re-  
10 sulting from the application of paragraph  
11 (1)(B) for the company’s first 4 taxable  
12 years beginning after such date,

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

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

23 (a) IN GENERAL.—Section 351 is amended by strik-  
24 ing subsection (g) and by redesignating subsection (h) as  
25 subsection (g).

1 (b) CONFORMING AMENDMENTS.—

2 (1) Section 45D(b)(6)(A) is amended by strik-  
3 ing “(other than nonqualified preferred stock as de-  
4 fined in section 351(g)(2))”.

5 (2) Section 354(a)(2) is amended—

6 (A) by striking “(including nonqualified  
7 preferred stock, as defined in section  
8 351(g)(2))” in subparagraph (B), and

9 (B) by striking subparagraph (C).

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

12 (4) Section 355(a)(3) is amended—

13 (A) by striking “(including nonqualified  
14 preferred stock, as defined in section  
15 351(g)(2))” in subparagraph (C), and

16 (B) by striking subparagraph (D).

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

19 (6) Section 356 is amended by striking sub-  
20 section (e) and by redesignating subsections (f) and  
21 (g) as subsections (e) and (f), respectively.

22 (7) Section 1036 is amended by striking sub-  
23 section (b) and by redesignating subsection (c) as  
24 subsection (b).

1 (c) EFFECTIVE DATE.—The amendments made by  
2 this section shall apply to transactions after December 31,  
3 2012.

4 **SEC. 107. DE MINIMIS APOLOGY PAYMENTS PILOT PRO-**  
5 **GRAM.**

6 (a) IN GENERAL.—Section 7811(b) is amended by  
7 striking “or” at the end of paragraph (1), by striking the  
8 period and inserting “, or” at the end of paragraph  
9 (2)(D), and adding at the end the following new para-  
10 graph:

11 “(3) to make an apology payment under sub-  
12 section (h) in the case of any order issued during  
13 2012 or 2013, upon the determination that such  
14 order—

15 “(A) has been accepted, or

16 “(B) if challenged, has been administra-  
17 tively sustained.”.

18 (b) APOLOGY PAYMENT.—Section 7811 is amended  
19 by adding at the end the following new subsection:

20 “(h) APOLOGY PAYMENT PROGRAM.—

21 “(1) IN GENERAL.—A taxpayer assistance order  
22 may require the Secretary to provide an apology  
23 payment on behalf of the Internal Revenue Service  
24 to the taxpayer under this subsection in any case in  
25 which the National Taxpayer Advocate determines

1 that any action or inaction by the Internal Revenue  
2 Service has caused excess expense or undue burden  
3 on a taxpayer.

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

7 “(A) such payment shall not be less than  
8 \$100, and

9 “(B) such payment shall not exceed  
10 \$1,000.

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

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

20 “(XI) contain a summary of all  
21 Taxpayer Assistance Orders which re-  
22 quire an apology payment under sec-  
23 tion 7811(h), and”.

24 (d) EXCLUSION OF APOLOGY PAYMENTS FROM  
25 GROSS INCOME.—

1           (1) IN GENERAL.—Part III of subchapter B of  
2           chapter 1 is amended by inserting before section 140  
3           the following new section:

4   **“SEC. 139F. INTERNAL REVENUE SERVICE APOLOGY PAY-**  
5                                   **MENTS.**

6           “Gross income shall not include any apology payment  
7           received by a taxpayer as a result of a Taxpayer Assist-  
8           ance Order described in section 7811(h).”.

9           (2) CLERICAL AMENDMENT.—The table of sec-  
10          tions for part III of subchapter B of chapter 1 is  
11          amended by inserting before the item relating to sec-  
12          tion 140 the following new item:

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

13          (e) EFFECTIVE DATES.—

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

17           (2) REPORTS.—The amendments made by sub-  
18          section (c) shall apply to reports required to be sub-  
19          mitted after December 31, 2011.

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

23          (f) STUDY AND REPORT ON APOLOGY PAYMENTS  
24          PROGRAM.—Not later than December 31, 2013, the Sec-  
25          retary of the Treasury shall submit to Congress a report

1 on the apology payments program under the amendments  
2 made by this section. Such report shall contain—

3 (1) an evaluation of—

4 (A) the merits and effects of such program  
5 on—

6 (i) taxpayers who received payments  
7 under section 7811(h), and

8 (ii) the Internal Revenue Service, and

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

11 (2) recommendations whether the program  
12 should be extended, and, if so, whether and how it  
13 should be improved.

14 **TITLE II—CLARIFICATION OF**  
15 **TAX FORMS AND FILING RE-**  
16 **QUIREMENTS**

17 **SEC. 201. CLARIFICATION OF INFORMATION ON SCHEDULE**

18 **c.**

19 (a) REVISION OF SCHEDULE C.—Not later than De-  
20 cember 31, 2012, the Secretary of the Treasury shall re-  
21 vise Schedule C to Form 1040 (hereafter in this section  
22 referred to as “Schedule C”) to require that taxpayers en-  
23 gaged in a trade or business provide the information re-  
24 quired under this subsection.



1           (1) ADDITIONAL GROSS RECEIPTS INFORMA-  
2           TION.—With respect to the gross receipts of the tax-  
3           payer from any trade or business, Schedule C shall  
4           require the taxpayer to provide the following:

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

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

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

17                   (A) The total of amounts reported by the  
18                   taxpayer through payee statements (as so de-  
19                   fined).

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

22                   (C) Such other information as required by  
23                   the Secretary with respect to payments in con-  
24                   nection with—

25                           (i) goods, and

1 (ii) services.

2 (b) REPORT ON IMPROVING VOLUNTARY COMPLI-  
3 ANCE BY SOLE PROPRIETORS.—

4 (1) IN GENERAL.—Not later than 3 years after  
5 the date of the enactment of this Act, the Secretary  
6 of the Treasury shall submit to Congress a report  
7 setting forth recommendations on—

8 (A) whether the Internal Revenue Service  
9 should provide additional assistance to first-  
10 time Schedule C filers by means of regular com-  
11 munications, a small business hotline, a pub-  
12 lished resource guide, or automatic or com-  
13 puter-generated “soft” notices,

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

21 (C) ways to clarify the instructions for  
22 Schedule C to indicate that information returns  
23 may be required to be filed by sole proprietors  
24 who deduct expenses for wages, fees, and com-  
25 missions,

1 (D) suggested changes to the Internal Rev-  
2 enue Service's electronic and computer-based  
3 system for filing information returns to accom-  
4 modate those filing information returns on pay-  
5 ments made to sole proprietors, including  
6 whether the Internal Revenue Service should  
7 develop an Internet-based system for filing in-  
8 formation returns,

9 (E) identification and analysis of the best  
10 practices that are utilized by States and by for-  
11 eign governments with respect to encouraging  
12 voluntary tax compliance by sole proprietors,  
13 and ways these best practices may be adopted  
14 by the Internal Revenue Service,

15 (F) whether, in the case of tax returns  
16 containing income from a trade or business, the  
17 inclusion of a checkbox or other indicator indi-  
18 cating whether the taxpayer had a 1099-MISC  
19 filing requirement would affect voluntary com-  
20 pliance by taxpayers, and

21 (G) such other improvements with respect  
22 to improving voluntary compliance by sole pro-  
23 prietors as the Secretary determines is appro-  
24 priate.

1           (2) USE OF DATA.—The recommendations sub-  
2           mitted in the report under paragraph (1) shall,  
3           wherever possible, be based on empirical data, agen-  
4           cy-conducted tests, and quantitative evidence.

5 **SEC. 202. INCREASED ELECTRONIC FILING OF RETURNS.**

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

8           (1) by redesignating subparagraphs (A) and  
9           (B) as subparagraphs (B) and (C), respectively,  
10          (2) by inserting before subparagraph (B), as so  
11          redesignated, the following new subparagraph:

12                   “(A) shall require any corporation or part-  
13                   nership that has assets in excess of  
14                   \$10,000,000 on the last day of the taxable year  
15                   to file returns on magnetic media,” and

16          (3) by inserting “except as provided in subpara-  
17          graph (A),” before “shall not require” in subpara-  
18          graph (B), as so redesignated.

19          (b) REDUCTION OF THRESHOLD.—Subparagraph  
20 (B) of section 6011(e)(2), as redesignated by subsection  
21 (a), is amended by striking “at least 250 returns” and  
22 inserting “more than a de minimis number of returns (as  
23 determined by the Secretary)”.

1 (c) EFFECTIVE DATE.—The amendments made by  
2 this section shall apply to taxable years ending after De-  
3 cember 31, 2012.

4 **SEC. 203. CLARIFICATION OF ELECTRONIC FILING RE-**  
5 **QUIREMENTS FOR PAID PREPARERS.**

6 (a) LOWER THRESHOLD FOR PAID PREPARERS.—  
7 Section 6011(e)(3)(B) is amended by striking “10” and  
8 inserting “5”.

9 (b) THRESHOLD BASED ON RETURNS PREPARED.—  
10 Paragraph (3) of section 6011(e) is amended—

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

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

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

17 “(h) FAILURE TO FILE RETURN ON MAGNETIC  
18 MEDIA.—Any person who is a tax return preparer with  
19 respect to any individual income tax return and who must  
20 file such return on magnetic media pursuant to the re-  
21 quirement of section 6011(e)(3) and fails to comply with  
22 the requirements of section 6011(e)(3) shall pay a penalty  
23 of \$50 for such failure unless it is shown that such failure  
24 is due to reasonable cause and not due to willful neglect.  
25 The maximum penalty imposed under this subsection on

1 any person with respect to individual income tax returns  
2 filed during any calendar year shall not exceed \$25,000.”.

3 (d) TECHNICAL AMENDMENT.—Section  
4 6011(e)(3)(A) is amended by striking “than” and insert-  
5 ing “that”.

6 (e) EFFECTIVE DATE.—The amendments made by  
7 this section shall apply to returns filed for taxable years  
8 beginning after December 31, 2011.

9 **SEC. 204. REQUIREMENT THAT ELECTRONICALLY PRE-**  
10 **PARED PAPER RETURNS INCLUDE 2D**  
11 **BARCODE.**

12 (a) IN GENERAL.—Subsection (e) of section 6011 is  
13 amended by adding at the end the following new para-  
14 graph:

15 “(5) SPECIAL RULE FOR RETURNS PREPARED  
16 ELECTRONICALLY AND SUBMITTED ON PAPER.—The  
17 Secretary shall require that any return of tax which  
18 is prepared electronically, but is printed and filed on  
19 paper, bear a matrix code or 2D barcode which can,  
20 when scanned, convert such return to electronic for-  
21 mat.”.

22 (b) CONFORMING AMENDMENT.—Paragraph (1) of  
23 section 6011(e) is amended by striking “paragraph (3)”  
24 and inserting “paragraphs (3) and (5)”.

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

4 **SEC. 205. AUTHORIZATION TO REQUIRE CERTAIN EM-**  
 5 **PLOYEE BENEFIT PLAN INFORMATION RE-**  
 6 **TURNS AND REPORTS TO BE FILED ELEC-**  
 7 **TRONICALLY.**

8 (a) IN GENERAL.—Paragraph (2) of section 6011(e),  
 9 as amended by this Act, is amended by adding at the end  
 10 the following new sentence: “Subparagraph (B) shall not  
 11 apply in the case of a return or report required by section  
 12 6057, 6058, or 6059.”.

13 (b) EFFECTIVE DATE.—The amendment made by  
 14 this section shall apply to plan years beginning after De-  
 15 cember 31, 2012.

16 **TITLE III—ENHANCED**  
 17 **INFORMATION REPORTING**

18 **SEC. 301. AUTOMATIC REPORTING ON CERTAIN GOVERN-**  
 19 **MENT PAYMENTS FOR PROPERTY AND SERV-**  
 20 **ICES.**

21 (a) IN GENERAL.—Section 6041, as amended by the  
 22 Comprehensive 1099 Taxpayer Protection and Repayment  
 23 of Exchange Subsidy Overpayments Act of 2011, is  
 24 amended by adding at the end the following new sub-  
 25 section:

1       “(h) APPLICATIONS TO GOVERNMENTAL UNITS.—

2 For purposes of this section—

3           “(1) TREATED AS PERSONS.—The term ‘per-  
4 son’ includes any governmental unit (and any agency  
5 or instrumentality thereof).

6           “(2) SPECIAL RULES.—In the case of any pay-  
7 ment by a governmental entity or any agency or in-  
8 strumentality thereof—

9           “(A) subsection (a) shall be applied with-  
10 out regard to the trade or business requirement  
11 contained therein, and

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

16           “(3) EXCEPTIONS.—This subsection shall not  
17 apply to such payments as the Secretary may specify  
18 in regulations prescribed after the date of the enact-  
19 ment of this subsection. Such regulations may in-  
20 clude—

21           “(A) payments of interest,

22           “(B) payments for real property,

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

25           “(D) intergovernmental payments,



1           “(E) payments made pursuant to classified  
2           or confidential contracts, including contracts  
3           described in section 6050M(e)(3) with respect  
4           to which the requirements of section  
5           6050M(e)(2) are met, and

6           “(F) any other payment with respect to  
7           which reporting is required under another pro-  
8           vision of this title.”.

9           (b) CONFORMING AMENDMENTS TO RETURNS BY  
10          GOVERNMENTS REGARDING PAYMENTS OF REMUNERA-  
11          TION FOR SERVICES AND DIRECT SALES TO CORPORA-  
12          TIONS.—Paragraph (3) of section 6041A(d) is amended—

13                 (1) by striking “BY FEDERAL EXECUTIVE  
14                 AGENCIES” in the heading,

15                 (2) by striking “by any Federal executive agen-  
16                 cy (as defined in section 6050M(b))” in subpara-  
17                 graph (A) and inserting “by any governmental entity  
18                 or any agency or instrumentality thereof”, and

19                 (3) by inserting “classified or confidential con-  
20                 tracts, including” after “services under” in subpara-  
21                 graph (B)(i).

22           (c) EFFECTIVE DATE.—The amendments made by  
23          this section shall apply to payments made after December  
24          31, 2012.

1 **SEC. 302. ADDITIONAL INFORMATION ON RETURNS RELAT-**  
2 **ING TO MORTGAGE INTEREST.**

3 (a) IN GENERAL.—Paragraph (2) of section  
4 6050H(b) is amended by striking “and” at the end of sub-  
5 paragraph (C), by redesignating subparagraph (D) as sub-  
6 paragraph (G), and by inserting after subparagraph (C)  
7 the following new subparagraphs:

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

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

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

15 (b) PAYEE STATEMENTS.—Subsection (d) of section  
16 6050H is amended by striking “and” at the end of para-  
17 graph (1), by striking the period at the end of paragraph  
18 (2) and inserting “, and”, and by inserting after para-  
19 graph (2) the following new paragraph:

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

23 (c) EFFECTIVE DATE.—The amendments made by  
24 this section shall apply to returns and statements the due  
25 date for which (determined without regard for extensions)  
26 is after December 31, 2012.

1 **SEC. 303. IMPROVED INFORMATION REPORTING ON UNRE-**  
2 **PORTED AND UNDERREPORTED FINANCIAL**  
3 **ACCOUNTS.**

4 (a) **ELIMINATION OF MINIMUM INTEREST REQUIRE-**  
5 **MENT.—**

6 (1) **IN GENERAL.—**Section 6049(a) is amended  
7 by striking “aggregating \$10 or more” each place it  
8 appears.

9 (2) **CONFORMING AMENDMENTS.—**Subpara-  
10 graph (C) of section 6049(d)(5) is amended—

11 (A) by striking “which involves the pay-  
12 ment of \$10 or more of interest”, and

13 (B) by striking “**IN THE CASE OF TRANS-**  
14 **ACTIONS INVOLVING \$10 OR MORE**” in the head-  
15 ing.

16 (3) **EFFECTIVE DATE.—**The amendments made  
17 by this subsection shall apply to returns filed after  
18 December 31, 2012.

19 (b) **REPORTING OF NON-INTEREST BEARING DEPOS-**  
20 **ITS.—**

21 (1) **IN GENERAL.—**Subpart B of part III of  
22 subchapter A of chapter 61 is amended by inserting  
23 after section 6049 the following new section:

1 **“SEC. 6049A. RETURNS REGARDING NON-INTEREST BEAR-**  
2 **ING DEPOSITS.**

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

8 “(b) REPORTABLE DEPOSIT.—For purposes of this  
9 section—

10 “(1) IN GENERAL.—The term ‘reportable de-  
11 posit’ means—

12 “(A) any amount on deposit with—

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

15 “(ii) a mutual savings bank, a savings  
16 and loan association, a building and loan  
17 association, a cooperative bank, a home-  
18 stead association, a credit union, an indus-  
19 trial loan association or bank, or any simi-  
20 lar organization,

21 “(iii) a broker (as defined in section  
22 6045(c)), or

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

25 “(B) to the extent provided by the Sec-  
26 retary in regulations, any amount held by an

1 insurance company, an investment company (as  
 2 defined in section 3 of the Investment Company  
 3 Act of 1940), or held in other pooled funds or  
 4 trusts.

5 “(2) EXCEPTIONS.—Such term shall not in-  
 6 clude—

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

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

11 “(C) except to the extent provided in regu-  
 12 lations, any amount—

13 “(i) held with respect to a person de-  
 14 scribed in section 6049(b)(4),

15 “(ii) with respect to which section  
 16 6049(b)(5) would apply if a payment were  
 17 made with respect to such amount, or

18 “(iii) on deposit with or held by a per-  
 19 son described in section 6049(b)(2)(C), or

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

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

24 “(1) IN GENERAL.—Every person required to  
 25 make a return under subsection (a) shall furnish to

1 each person whose name is required to be set forth  
2 in such return a written statement showing—

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

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

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

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

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

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

21 (2) ASSESSABLE PENALTIES.—

22 (A) FAILURE TO FILE RETURN.—Subpara-  
23 graph (B) of section 6724(d)(1) is amended by  
24 striking “or” at the end of clause (xxii), by  
25 striking “and” at the end of clause (xxiv) and

1 inserting “or”, and by inserting after clause  
2 (xxiv) the following new clause:

3 “(xxvi) section 6049A (relating to re-  
4 turns regarding non-interest bearing de-  
5 posits), and”.

6 (B) FAILURE TO FILE PAYEE STATE-  
7 MENT.—Paragraph (2) of section 6724(d) is  
8 amended by striking “or” at the end of sub-  
9 paragraph (GG), by striking the period at the  
10 end of subparagraph (HH) and inserting “, or”  
11 and by inserting after subparagraph (HH) the  
12 following new subparagraph:

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

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

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

19 (4) EFFECTIVE DATE.—The amendments made  
20 by this subsection shall apply to returns filed after  
21 December 31, 2012.

1           **TITLE IV—PAYMENTS TO**  
2           **CERTAIN CONTRACTORS**

3   **SEC. 401. REQUIREMENTS FOR WITHHOLDING WITH RE-**  
4           **SPECT TO PAYMENTS TO CONTRACTORS.**

5           (a) IN GENERAL.—

6                 (1) REQUIREMENT.—Paragraph (1) of section  
7           3406(a) is amended by striking “or” at the end of  
8           subparagraph (C), by inserting “or” at the end of  
9           subparagraph (D), and by inserting after subpara-  
10          graph (D) the following new subparagraph:

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

14                 (2) APPLICATION ONLY TO CERTAIN TRANS-  
15          ACTIONS.—Subsection (a) of section 3406 is amend-  
16          ed by adding at the end the following new para-  
17          graph:

18                         “(3) SUBPARAGRAPH (E) OF PARAGRAPH (1)  
19          APPLIES ONLY TO CERTAIN OTHER REPORTABLE  
20          PAYMENTS.—Subparagraph (E) of paragraph (1)  
21          shall only apply to other reportable payments de-  
22          scribed in subparagraph (B) of subsection (b)(3).”.

23                 (3) PERIOD OF WITHHOLDING.—

24                         (A) IN GENERAL.—Section 3406(e) is  
25                         amended by redesignating paragraph (5) as



1 paragraph (6) and by inserting after paragraph  
2 (4) the following new paragraph:

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

13 (B) CONFORMING AMENDMENT.—Para-  
14 graph (2) of section 3406(e) is amended by in-  
15 serting “pursuant to subsection (a)(1)(B),”  
16 after “is incorrect”.

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

21 “(3) CERTAIN PAYMENTS TO CONTRACTORS.—  
22 “(A) IN GENERAL.—If, at the time of any  
23 specified payment to any person, a request by  
24 such person is in effect that such payment be  
25 subject to withholding under this chapter, the

1 person making such payment shall deduct and  
2 withhold from such payment an amount equal  
3 to the rate in effect under such request.

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

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

16 (c) EFFECTIVE DATE.—

17 (1) IN GENERAL.—Except as provided in para-  
18 graph (2), the amendments made by this section  
19 shall apply to payments made after December 31,  
20 2012.

21 (2) CERTIFICATION.—The amendments made  
22 by subsection (a) shall not take effect before the  
23 date on which the Secretary of the Treasury has cer-  
24 tified that there is a system in place to provide noti-  
25 fications in an accurate and timely manner regard-

1       ing the verification of taxpayer identification num-  
2       bers submitted pursuant to section 3406(a)(1)(E) of  
3       the Internal Revenue Code of 1986 (as added by  
4       subsection (a)).

5       **SEC. 402. CONTINUOUS LEVY ON PAYMENTS TO MEDICAID**  
6                                   **PROVIDERS AND SUPPLIERS.**

7       (a) IN GENERAL.—Section 6331(h)(2) is amended by  
8       striking “and” at the end of subparagraph (B), by striking  
9       the period at the end of subparagraph (C) and inserting  
10      “, and”, and by adding at the end the following new sub-  
11      paragraph:

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

15      (b) EFFECTIVE DATE.—The amendments made by  
16      this section shall apply to levies issued after December 31,  
17      2012.

18      **SEC. 403. LEVY AUTHORITY FOR PAYMENTS TO MEDICARE**  
19                                   **PROVIDERS WITH DELINQUENT TAX DEBT.**

20      (a) IN GENERAL.—Section 6331(h)(2), as amended  
21      by this Act, is amended by striking “and” at the end of  
22      subparagraph (C), by striking the period at the end of  
23      subparagraph (D) and inserting “, and”, and by adding  
24      at the end the following new subparagraph:

1           “(E) any payment to any Medicare pro-  
2           vider or supplier under title XVIII of the Social  
3           Security Act.”.

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

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

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

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

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

18   **TITLE V—IMPROVED TAX AD-**  
19                                   **MINISTRATION AND COORDI-**  
20                                   **NATION**

21   **SEC. 501. REQUIREMENT FOR PRISONS LOCATED IN U.S. TO**  
22                                   **PROVIDE INFORMATION FOR TAX ADMINIS-**  
23                                   **TRATION.**

24           (a) IN GENERAL.—Subchapter B of chapter 61 is  
25           amended by redesignating section 6116 as section 6117

1 and by inserting after section 6115 the following new sec-  
2 tion:

3 **“SEC. 6116. REQUIREMENT FOR PRISONS LOCATED IN**  
4 **UNITED STATES TO PROVIDE INFORMATION**  
5 **FOR TAX ADMINISTRATION.**

6 “(a) IN GENERAL.—Not later than September 15,  
7 2011, and annually thereafter, the head of the Federal  
8 Bureau of Prisons and the head of any State agency  
9 charged with the responsibility for administration of pris-  
10 ons shall provide to the Secretary in electronic format a  
11 list with the information described in subsection (b) of all  
12 the inmates incarcerated within the prison system for any  
13 part of the prior 2 calendar years or the current calendar  
14 year through August 31.

15 “(b) INFORMATION.—The information with respect  
16 to each inmate is—

17 “(1) first, middle, and last name,

18 “(2) date of birth,

19 “(3) institution of current incarceration or, for  
20 released inmates, most recent incarceration,

21 “(4) prison assigned inmate number,

22 “(5) the date of incarceration,

23 “(6) the date of release or anticipated date of  
24 release,

25 “(7) the date of work release,



1                   ment which imposes a tax on any income,  
2                   wages, or other activity or transaction  
3                   which is also taxed under any chapter of  
4                   this title described in such subsection.”.

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

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

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

14                   “(3) ADMINISTRATION OF FEDERAL TAX  
15           LAWS.—The Secretary of the Treasury shall have  
16           access to the information in the National Directory  
17           of New Hires for purposes of administering the In-  
18           ternal Revenue Code of 1986.”.

19           (b) EFFECTIVE DATE.—The amendment made by  
20 this section shall take effect on the date of the enactment  
21 of this Act.

1 **SEC. 504. CLARIFICATION OF TAXPAYER PRIVACY BY IM-**  
2 **PROVEMENT OF INVESTIGATIVE DISCLO-**  
3 **SURE STATUTE.**

4 (a) IN GENERAL.—Paragraph (6) of section 6103(k)  
5 is amended—

6 (1) by inserting “(A) IN GENERAL.—” before  
7 “An internal revenue officer”, and

8 (2) by adding at the end the following new sub-  
9 paragraph:

10 “(B) IDENTITY DISCLOSURE.—Nothing in this  
11 section shall be construed to prohibit agents of the  
12 Department of the Treasury from identifying them-  
13 selves, their organizational affiliation, the identity of  
14 the subject of an investigation, and the nature of  
15 such investigation when contacting third parties ei-  
16 ther in writing or otherwise.”.

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

20 **SEC. 505. AUTHORIZATION FOR FINANCIAL MANAGEMENT**  
21 **SERVICE RETENTION OF TRANSACTION FEES**  
22 **FROM LEVIED AMOUNTS.**

23 Notwithstanding any other provision of law, the Fi-  
24 nancial Management Service may charge the Internal Rev-  
25 enue Service, and the Internal Revenue Service may pay  
26 the Financial Management Service, a fee sufficient to



1 cover the full cost of implementing a continuous levy pro-  
 2 gram under subsection (h) of section 6331 of the Internal  
 3 Revenue Code of 1986. Any such fee shall be based on  
 4 actual levies made and shall be collected by the Financial  
 5 Management Service by the retention of a portion of  
 6 amounts collected by levy pursuant to that subsection.  
 7 Amounts received by the Financial Management Service  
 8 as fees under that subsection shall be deposited into the  
 9 account of the Department of the Treasury under section  
 10 3711(g)(7) of title 31, United States Code, and shall be  
 11 collected and accounted for in accordance with the provi-  
 12 sions of that section.

13 **TITLE VI—CLARIFICATION OF**  
 14 **PENALTIES AND LIABILITIES**

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

18 (a) IN GENERAL.—Part I of subchapter B of chapter  
 19 68 is amended by inserting after section 6720C the fol-  
 20 lowing new section:

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

23 “(a) IN GENERAL.—Any person who fails to file a  
 24 return described in section 6651 or 6652(c)(1) in elec-

1 tronic form as required under section 6011(e) shall pay  
2 a penalty equal to—

3 “(1) \$5,000, in the case of an organization re-  
4 quired to file the return described in section  
5 6033(a)(1), and

6 “(2) \$25,000, in any other case.

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

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

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

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

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

22 (c) EFFECTIVE DATE.—The amendments made by  
23 this section shall apply to returns required to be filed on  
24 or after January 1, 2013.

1 **SEC. 602. INCREASE IN PENALTY ON PAID PREPARERS WHO**  
2 **FAIL TO COMPLY WITH EARNED INCOME TAX**  
3 **CREDIT DUE DILIGENCE REQUIREMENTS.**

4 (a) IN GENERAL.—Section 6695(g) is amended by  
5 striking “\$100” and inserting “\$500”.

6 (b) EFFECTIVE DATE.—The amendment made by  
7 this section shall apply to returns required to be filed after  
8 December 31, 2012.

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

11 (a) IN GENERAL.—Section 7203 is amended—

12 (1) in the first sentence, by striking “Any per-  
13 son” and inserting the following:

14 “(a) IN GENERAL.—Any person”,

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

17 (3) by adding at the end the following new sub-  
18 section:

19 “(b) AGGRAVATED FAILURE TO FILE.—

20 “(1) IN GENERAL.—In the case of any failure  
21 described in paragraph (2), the first sentence of sub-  
22 section (a) shall be applied by substituting—

23 “(A) ‘felony’ for ‘misdemeanor’,

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

26 “(C) ‘5 years’ for ‘1 year’.

1           “(2) FAILURE DESCRIBED.—A failure described  
2           in this paragraph is—

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

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

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

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

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

23           With respect to employment tax returns required to  
24           be filed with respect to wages paid on or after January

1 1, 2013, the Secretary of the Treasury shall issue regula-  
2 tions establishing—

3 (1) standards for holding employee leasing com-  
4 panies jointly and severally liable with their clients  
5 for Federal employment taxes under chapters 21,  
6 22, 23, and 24 of the Internal Revenue Code of  
7 1986, and

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

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

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

16 “(11) STATE AND LOCAL TAX ADJUSTMENTS  
17 AFFECTING FEDERAL TAX LIABILITY.—If any re-  
18 turn, amended return, or other adjustment with re-  
19 spect to State or local taxes results in an increase  
20 of Federal tax liability for a taxable year (as re-  
21 ported by the taxpayer in an amended Federal re-  
22 turn or as determined by the Secretary on the basis  
23 of information sharing with State or local revenue  
24 authorities), the period for the assessment of such  
25 increase shall not expire until the later of—

1           “(A) 1 year after the date the taxpayer  
2           first files an amended Federal return reflecting  
3           such increase, or

4           “(B) 2 years after the date the Secretary  
5           first receives information relating to such in-  
6           crease from State or local revenue authorities.

7           Any further amended returns or information sharing  
8           with respect to such increase shall not further ex-  
9           tend the period specified in the preceding sentence.”.

10          (b) CREDITS AND REFUNDS.—

11           (1) IN GENERAL.—Subsection (b) of section  
12          6511 is amended by adding at the end the following  
13          new paragraph:

14           “(3) STATE AND LOCAL TAX ADJUSTMENTS AF-  
15          FFECTING FEDERAL TAX LIABILITY.—If any return,  
16          amended return, or other adjustment with respect to  
17          State or local taxes results in an increase of Federal  
18          tax liability for a taxable year (as reported by the  
19          taxpayer in an amended Federal return or as deter-  
20          mined by the Secretary on the basis of information  
21          sharing with State or local revenue authorities), the  
22          period during which the taxpayer may claim a credit  
23          or refund offsetting such increase shall not expire  
24          until the later of—



1 (b) ELIMINATION OF 10-YEAR RESTRICTION.—Sub-  
2 paragraph (B) of section 6402(e)(5) is amended—

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

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

6 (c) EFFECTIVE DATE.—The amendments made by  
7 this section shall apply to refunds payable for taxable  
8 years ending after the date of the enactment of this Act.

## 9 **TITLE VII—UNDERSTANDING** 10 **THE TAX GAP**

### 11 **SEC. 701. TAX GAP STRATEGY AND REPORTS.**

12 (a) COMPREHENSIVE STRATEGY FOR REDUCING THE  
13 TAX GAP.—

14 (1) IN GENERAL.—The Secretary of the Treas-  
15 ury shall submit to Congress comprehensive and de-  
16 tailed reports on a strategy for reducing the tax gap.  
17 Such reports shall include—

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

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

22 (2) TIME FOR SUBMITTING REPORTS.—

23 (A) INITIAL REPORT.—The first report re-  
24 quired under paragraph (1) shall be submitted  
25 not later than December 31, 2012.



1           (B) SUBSEQUENT REPORTS.—The Sec-  
2           retary of the Treasury shall submit additional  
3           reports under paragraph (1) not later than 5  
4           years after the date on which the most recent  
5           preceding report was submitted under para-  
6           graph (1).

7           (3) USE OF DATA.—Any report submitted  
8           under this subsection shall, wherever possible, be  
9           based on empirical data, agency-conducted tests, and  
10          quantitative evidence.

11         (b) ANNUAL TAX GAP REPORT.—

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

16           (2) MATTERS INCLUDED.—The report sub-  
17           mitted under paragraph (1) shall include—

18           (A) an update on any studies and pilot  
19           projects of the Internal Revenue Service associ-  
20           ated with specific areas of the tax gap,

21           (B) an assessment of how the Internal  
22           Revenue Service has aligned its enforcement  
23           and compliance efforts with the goals and rec-  
24           ommendations set forth in the most recent re-  
25           port submitted under subsection (a),

1           (C) a detailed assessment of how effec-  
2           tively the Internal Revenue Service is making  
3           full use of the collected information to deter-  
4           mine the causes of, and potential solutions for,  
5           the tax gap,

6           (D) a detailed assessment of the benefits  
7           gained from the tax gap estimation and analysis  
8           efforts, including service and enforcement im-  
9           provements, regulatory changes, and statutory  
10          changes resulting from those efforts, and

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

16          (c) TAX GAP.—For purposes of this section, the term  
17          “tax gap” means, with respect to any tax year, the dif-  
18          ference between—

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

22               (2) the amount of revenue paid voluntarily and  
23               timely by taxpayers under such Code for such tax  
24               year.

1 **SEC. 702. STUDIES ON THE IMPACT OF TAX GAP LEGISLA-**  
2 **TION.**

3 (a) STUDY OF RETURN ON INVESTMENT.—

4 (1) MATTERS STUDIED.—

5 (A) IN GENERAL.—The Secretary of the  
6 Treasury shall conduct a study on—

7 (i) the revenue increases, and

8 (ii) the costs,

9 with respect to tax gap legislation.

10 (B) TAX GAP LEGISLATION.—For purposes  
11 of this section, the term “tax gap legislation”  
12 means the provisions of, and amendments made  
13 by—

14 (i) this Act,

15 (ii) section 403 of the Energy Im-  
16 provement and Extension Act of 2008 (re-  
17 lating to broker reporting of customer’s  
18 basis in securities transactions),

19 (iii) section 3091 of the Housing As-  
20 sistance Tax Act of 2008 (relating to re-  
21 turns relating to payments made in settle-  
22 ment of payment card and third party net-  
23 work transactions), and

24 (iv) such other Acts, as determined  
25 appropriate by the Secretary of the Treas-  
26 ury.

1           (2) REVENUE INCREASES.—The revenue in-  
2 creases considered in the study conducted under  
3 paragraph (1) shall include—

4           (A) revenue collected from enforcement ef-  
5 forts,

6           (B) revenue increases from voluntary com-  
7 pliance by taxpayers in response to tax gap leg-  
8 islation (including cases in which the Internal  
9 Revenue Service has not yet effectively or fully  
10 implemented a data matching system), and

11           (C) any other revenue, administrative, or  
12 other cost savings to the Government and to  
13 taxpayers.

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

16           (A) administrative and other costs of the  
17 Internal Revenue Service,

18           (B) compliance costs to taxpayers, and

19           (C) compliance costs to any affected third  
20 parties, such as persons required to file infor-  
21 mation returns.

22           (b) REPORTS.—

23           (1) INITIAL REPORT.—

24           (A) IN GENERAL.—Not later than 4 years  
25 after the date of the enactment of this Act, the

1 Secretary of the Treasury shall submit to Con-  
2 gress a report on the matters studied under  
3 subsection (a).

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

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

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

13 (2) FOLLOW-UP REPORT.—

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

20 (B) ASSESSMENT WITH RESPECT TO IM-  
21 PLEMENTATION OF RECOMMENDATIONS.—The  
22 report under subparagraph (A) shall include an  
23 assessment on the implementation of the rec-  
24 ommendations included in the report submitted  
25 under paragraph (1).

1 **SEC. 703. REPORTS ON WORKER MISCLASSIFICATION.**

2 (a) IN GENERAL.—The Secretary of the Treasury  
3 shall submit to Congress the following reports on worker  
4 misclassification:

5 (1) A report each fiscal year on worker classi-  
6 fication which shall include the total number of ex-  
7 aminations of employers initiated because of sus-  
8 pected worker classification issues, the total number  
9 of examinations that included determinations on  
10 worker classification issues, the amount of additional  
11 tax liabilities associated with worker classification  
12 enforcement actions, the number of workers reclassi-  
13 fied as a result of these actions, the number of re-  
14 quests for Determination of Worker Status (Form  
15 SS-8), and technical guidance on how to understand  
16 the data provided in the report.

17 (2) A report each fiscal year in which new sta-  
18 tistically valid data is compiled and interpreted on  
19 worker classification, prepared on the basis of infor-  
20 mation gathered during an Employment Tax Study  
21 conducted by the National Research Program (NRP)  
22 of the Internal Revenue Service. Such report shall  
23 provide statistical estimates of the number of em-  
24 ployers misclassifying workers, the number of work-  
25 ers misclassified, the industries involved, data inter-  
26 pretations and conclusions, and a description of the

1        impact of improper worker classification on the em-  
2        ployment tax gap.

3        (b) TIME FOR SUBMITTING REPORTS.—The first re-  
4        ports required under subsection (a) shall be submitted not  
5        later than 3 years after the date of the enactment of this  
6        Act.

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