

**MISC-LEG-DOC, 2008ARD 072-14, House Ways and Means  
Committee Summary of HR 5719, the Taxpayer Assistance and  
Simplification Act of 2008, , (April 10, 2008)**  
House Ways and Means Committee Summary of HR 5719, the Taxpayer Assistance and  
Simplification Act of 2008

April 10, 2008

110th Congress

*H.R. \_\_\_\_\_*

***Taxpayer Assistance and Simplification Act of 2008***

**April 8, 2008**

**Modification of penalty on understatement of taxpayer's liability by tax return preparer.**

The bill would conform the penalty standards for return preparers with the standards for taxpayers. For undisclosed positions, the penalty standard for return preparers is reduced to substantial authority. For disclosed positions, a return preparer generally must have a reasonable basis for the position. For positions involving tax shelters and certain reportable transactions, a return preparer must have a reasonable belief that the position would more likely than not be sustained on the merits. *This proposal is estimated to cost \$22 million over ten years.*

**Removal of cellular telephones (or similar telecommunications equipment) from listed property.**

The bill would eliminate the special requirements for individuals to keep detailed records of calls made on employer-provided cell phones to substantiate business use of such devices. *This proposal is estimated to cost \$237 million over ten years.*

**Delay of application of withholding requirement on certain governmental payments for goods and services.**

The bill would delay for one year the imposition of a three-percent withholding requirement on government payments for goods and services made after December 31, 2010. *This proposal is estimated to cost \$316 million over ten years.*

**Elderly and disabled individuals receiving in-home care under certain government programs not subject to employment tax provisions.**

The bill would make the administrators of state and local government programs liable for paying the employment taxes on amounts paid by government programs to in-home care workers provided to elderly and disabled persons. The bill would not apply to amounts paid by elderly and disabled individuals to home care workers. *This proposal is estimated to have a negligible revenue effect.*

**Referrals to low income taxpayer clinics permitted.** The bill would allow IRS employees to refer taxpayers needing assistance with tax cases to qualified low-income taxpayer clinics. *This proposal is estimated to have a negligible revenue effect.*

**Programs for the benefit of low-income taxpayers.** The bill would authorize an annual \$10 million grant for Volunteer Income Tax Assistance ("VITA") programs. The bill also would increase the annual aggregate limitation authorized on grants to qualified low-income taxpayer

clinics to \$10 million. *This proposal is estimated to have no revenue effect.*

**Earned Income Tax Credit (EITC) outreach.** The bill would require the IRS, to the extent possible, to notify taxpayers: (1) of potential eligibility for the credit for all open tax years and (2) who have not filed a return but may be eligible for the credit based on other return or return information. *The proposal is estimated to have no revenue effect.*

**Prohibition on IRS debt indicators for predatory refund anticipation loans.** The bill would prohibit the Secretary of Treasury (e.g., IRS) from providing debt indicators to private parties if it is determined that the resulting refund anticipation loan plus related fees are predatory. *This proposal is estimated to have no revenue effect.*

**Study on delivery tax refunds.** The bill would require a one-year study by Treasury of the feasibility of providing tax refunds on debit cards. *This proposal is estimated to have no revenue effect.*

**Extension of time for return of property for wrongful levy .** The bill would increase the time from nine months to two years for returning property that has been wrongfully levied and the period for bringing action for wrongful levy. *The proposal is estimated to have a negligible revenue effect.*

**Individuals held harmless on wrongful levy, etc., on individual retirement plan .** The bill would allow an individual to contribute back to an IRA amounts that were levied and returned by the IRS (and interest if applicable) within 60 days without the normal limitations on IRA contributions. *The proposal is estimated to have a negligible revenue effect.*

**Taxpayer notification of suspected identity theft.** The bill would require the Secretary of Treasury (e.g., the IRS), to the extent permitted by law, to notify taxpayers if it determines that there may have been an unauthorized use of the identity of a taxpayer or the taxpayer's dependent. *This proposal is estimated to have no revenue effect.*

**Repeal of authority to enter into private debt collection contracts.** The bill would repeal the IRS's statutory authority to use private debt collection companies to locate and contact taxpayers owing federal taxes and to arrange payment of such taxes. *This proposal is estimated to cost \$578 million over ten years.*

**Clarification of IRS unclaimed refund authority.** The bill would provide that the IRS may disclose taxpayer identity information, for unclaimed refund notification purposes, by any "means of mass communication," which would include on the website [www.irs.gov](http://www.irs.gov). *The proposal is estimated to have no revenue effect.*

**Prohibition on misuse of Department of the Treasury names and symbols.** The bill would clarify that Internet domain names using the Department of Treasury and associated agencies (e.g., IRS.com, IRS.net, IRS.org) are misleading within the meaning of law, and clarify that mass Internet email communications ("phishing") that mislead the public into believing the sender is the IRS are subject to the higher civil/criminal penalties available under current law (i.e., \$25,000/\$50,000). *This proposal is estimated to have no revenue effect.*

**Substantiation of amounts paid or distributed out of health savings accounts.** The bill would provide that distributions from a health savings account for qualified medical expenses would be excluded from gross income only to the extent substantiated. The bill also would require trustees to report expenses not substantiated. *This proposal is estimated to raise \$485 million over ten years.*

**Increase in information return penalties.** The bill would increase per-return penalties on failures to provide information returns (1099s) from \$50 to \$100 and increase the annual cap from

\$250,000 to \$600,000. *This proposal is estimated to raise \$347 million over ten years.*

**Increase in penalty for failure to file partnership returns.** The bill generally would increase the per-partner penalty for failure to file a partnership return from \$85 to \$100. *The proposal is estimated to raise \$172 million over ten years.*

**Increase in penalty for failure to file S corporation return.** The bill would increase the pershareholder penalty for failure to file an S corporation return from \$85 to \$100. *This proposal is estimated to raise \$158 million over ten years.*

**Time for payment of corporate estimated tax payment.** The bill would temporarily increase, for three months in 2013, required estimated tax payments for certain large corporations. *The proposal is estimated to have no effect on revenue over ten years.*

**PROP-LEG, HR 5719, Taxpayer Assistance and Simplification Act  
of 2008, , (April 10, 2008)  
Taxpayer Assistance and Simplification Act of 2008**

April 10, 2008

110th Congress

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**(Original Signature of Member)**

**110TH CONGRESS**

**2D SESSION**

**H. R. \_\_\_\_\_**

To amend the Internal Revenue Code of 1986 to conform return preparer penalty standards, delay implementation of withholding taxes on government contractors, enhance taxpayer protections, assist low-income taxpayers, and for other purposes.

**IN THE HOUSE OF REPRESENTATIVES**

Mr. RANGEL introduced the following bill; which was referred to the Committee on \_\_\_\_\_

**A BILL**

To amend the Internal Revenue Code of 1986 to conform return preparer penalty standards, delay implementation of withholding taxes on government contractors, enhance taxpayer protections, assist low-income taxpayers, 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 Assistance and Simplification Act of 2008".

(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 of this Act is as follows:

**Sec. 1. Short title, etc.**

**Sec. 2. Modification of penalty on understatement of taxpayer's liability by tax return preparer.**

**Sec. 3. Removal of cellular telephones (or similar telecommunications equipment) from listed property.**

**Sec. 4. Delay of application of withholding requirement on certain governmental payments for goods and services.**

**Sec. 5. Elderly and disabled individuals receiving in-home care under certain government programs not subject to employment tax provisions.**

**Sec. 6. Referrals to low income taxpayer clinics permitted.**

**Sec. 7. Programs for the benefit of low-income taxpayers.**

**Sec. 8. EITC outreach.**

**Sec. 9. Prohibition on IRS debt indicators for predatory refund anticipation loans.**

**Sec. 10. Study on delivery of tax refunds.**

**Sec. 11. Extension of time for return of property for wrongful levy.**

**Sec. 12. Individuals held harmless on wrongful levy, etc., on individual retirement plan.**

**Sec. 13. Taxpayer notification of suspected identity theft.**

**Sec. 14. Repeal of authority to enter into private debt collection contracts.**

**Sec. 15. Clarification of IRS unclaimed refund authority.**

**Sec. 16. Prohibition on misuse of Department of the Treasury names and symbols.**

**Sec. 17. Substantiation of amounts paid or distributed out of health savings account.**

**Sec. 18. Increase in information return penalties.**

**Sec. 19. Increase in penalty for failure to file partnership returns.**

**Sec. 20. Increase in penalty for failure to file S corporation return.**

**Sec. 21. Time for payment of corporate estimated tax.**

**SEC. 2. MODIFICATION OF PENALTY ON UNDERSTATEMENT OF TAXPAYER'S LIABILITY BY TAX RETURN PREPARER.**

(a) IN GENERAL. --Subsection (a) of section 6694 (relating to understatement due to unreasonable positions) is amended to read as follows:

"(a) UNDERSTATEMENT DUE TO UNREASONABLE POSITIONS. --

"(1) IN GENERAL. --If a tax return preparer --

"(A) prepares any return or claim of refund with respect to which any part of an understatement of liability is due to a position described in paragraph (2), and

"(B) knew (or reasonably should have known) of the position, such tax return preparer shall pay a penalty with respect to each such return or claim in an amount equal to the greater of \$1,000 or 50 percent of the income derived (or to be derived) by the tax return preparer with respect to the

return or claim.

"(2) UNREASONABLE POSITION. --

"(A) IN GENERAL. --Except as otherwise provided in this paragraph, a position is described in this paragraph unless there is or was substantial authority for the position.

"(B) DISCLOSED POSITIONS. --If the position was disclosed as provided in section 6662(d)(2)(B)(ii)(I) and is not a position to which subparagraph (C) applies, the position is described in this paragraph unless there is a reasonable basis for the position.

"(C) TAX SHELTERS AND REPORTABLE TRANSACTIONS. --If the position is with respect to a tax shelter (as defined in section 6662(d)(2)(C)(ii)) or a reportable transaction to which section 6662A applies, the position is described in this paragraph unless it is reasonable to believe that the position would more likely than not be sustained on its merits.

"(3) REASONABLE CAUSE EXCEPTION. --No penalty shall be imposed under this subsection if it is shown that there is reasonable cause for the understatement and the tax return preparer acted in good faith."

(b) EFFECTIVE DATE. --The amendment made by this section shall apply --

(1) in the case of a position described in subparagraph (A) or (B) of section 6694(a)(2) of the Internal Revenue Code of 1986 (as amended by this section), to returns prepared after May 25, 2007, and

(2) in the case of a position described in subparagraph (C) of such section (as amended by this section), to returns prepared for taxable years ending after the date of the enactment of this Act.

### **SEC. 3. REMOVAL OF CELLULAR TELEPHONES (OR SIMILAR TELECOMMUNICATIONS EQUIPMENT) FROM LISTED PROPERTY.**

(a) IN GENERAL. --Subparagraph (A) of section 280F(d)(4) (defining listed property) is amended by inserting "and" at the end of clause (iv), by striking clause (v), and by redesignating clause (vi) as clause (v).

(b) EFFECTIVE DATE. --The amendment made by subsection (a) shall apply to taxable years beginning after December 31, 2008.

### **SEC. 4. DELAY OF APPLICATION OF WITHHOLDING REQUIREMENT ON CERTAIN GOVERNMENTAL PAYMENTS FOR GOODS AND SERVICES.**

(a) IN GENERAL. --Subsection (b) of section 511 of the Tax Increase Prevention and Reconciliation Act of 2005 is amended by striking "December 31, 2010" and inserting "December 31, 2011".

(b) REPORT TO CONGRESS. --Not later than 6 months after the date of the enactment of this Act, the Secretary of the Treasury shall submit to the Committee on Ways and Means of the House of Representatives and the Committee on Finance of the Senate a report with respect to the withholding requirements of section 3402(t) of the Internal Revenue Code of 1986, including a detailed analysis of --

(1) the problems, if any, which are anticipated in administering and complying with such requirements,

(2) the burdens, if any, that such requirements will place on governments and businesses (taking into account such mechanisms as may be necessary to administer such requirements), and

(3) the application of such requirements to small expenditures for services and goods by governments.

**SEC. 5. ELDERLY AND DISABLED INDIVIDUALS RECEIVING IN-HOME CARE UNDER CERTAIN GOVERNMENT PROGRAMS NOT SUBJECT TO EMPLOYMENT TAX PROVISIONS.**

(a) IN GENERAL. --Chapter 25 (relating to general provisions relating to employment taxes) is amended by adding at the end the following new section:

**"SEC. 3511. ELDERLY AND DISABLED INDIVIDUALS RECEIVING IN-HOME CARE UNDER CERTAIN GOVERNMENT PROGRAMS.**

"(a) IN GENERAL. --In the case of amounts paid under a home care service program to a home care service provider by the fiscal administrator of such program --

"(1) the home care service recipient shall not be liable for the payment of any taxes imposed under this subtitle with respect to amounts paid for the provision of services under such program, and

"(2) the fiscal administrator shall be so liable.

"(b) DEFINITIONS. --For purposes of this section --

"(1) HOME CARE SERVICE PROGRAM. --The term `home care service program' means a State or local government program --

"(A) any portion of which is funded with Federal funds, and

"(B) under which domestic services are provided to elderly or disabled individuals in their homes.

Such term shall not include any program to the extent home care service recipients make payments to the home care service providers for such in-home domestic services.

"(2) HOME CARE SERVICE PROVIDER. --The term `home care service provider' means any individual who provides domestic services to a home care service recipient under a home care service program.

"(3) HOME CARE SERVICE RECIPIENT. --The term `home care service recipient' means any individual receiving domestic services under a home care service program.

"(4) FISCAL ADMINISTRATOR. --The term `fiscal administrator' means any person or governmental entity who pays amounts under a home care service program to home care service providers for the provision of domestic services under such program.

"(c) RETURNS BY FISCAL ADMINISTRATOR. --For purposes of this section --

"(1) IN GENERAL. --Returns relating to taxes imposed or amounts required to be withheld under this subtitle shall be made under the identifying number of the fiscal administrator.

"(2) IDENTIFICATION OF SERVICE RECIPIENT. --The fiscal administrator shall, to the extent required under regulations prescribed by the Secretary, make a return setting forth --

"(A) the name, address, and identifying number of each home care service recipient for whom amounts are paid by such fiscal administrator under the home care services program, and

"(B) such other information as the Secretary may require.

"(d) REGULATIONS. --The Secretary may prescribe such regulations or other guidance as may be necessary to carry out the purposes of this section, including requiring deposits of any tax imposed under this subtitle."

(b) SERVICE RECIPIENT IDENTIFICATION RETURN TREATED AS INFORMATION RETURN. --Paragraph (3) of section 6724(d) is amended by striking "and" at the end of subparagraph (C)(ii), by striking the period at the end of subparagraph (D)(ii) and inserting ", and", and by adding at the end the following new subparagraph:

"(E) any requirement under section 3511(c)(2)."

(c) CLERICAL AMENDMENT. --The table of sections for chapter 25 is amended by adding at the end the following new item:

**"Sec. 3511. Elderly and disabled individuals receiving in-home care under certain government programs."**

(d) EFFECTIVE DATE. --The amendments made by this section shall apply to amounts paid after December 31, 2008.

**SEC. 6. REFERRALS TO LOW INCOME TAXPAYER CLINICS PERMITTED.**

(a) IN GENERAL. --Subsection (c) of section 7526 of the Internal Revenue Code of 1986 is amended by adding at the end the following new paragraph:

"(6) TREASURY EMPLOYEES PERMITTED TO REFER TAXPAYERS TO QUALIFIED LOW-INCOME TAXPAYER CLINICS. --Notwithstanding any other provision of law, officers and employees of the Department of the Treasury may refer taxpayers for advice and assistance to qualified low-income taxpayer clinics receiving funding under this section."

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

**SEC. 7. PROGRAMS FOR THE BENEFIT OF LOW-INCOME TAXPAYERS.**

(a) VOLUNTEER INCOME TAX ASSISTANCE PROGRAMS. --Chapter 77 (relating to miscellaneous provisions) is amended by inserting after section 7526 the following new section:

**"SEC. 7526A. VOLUNTEER INCOME TAX ASSISTANCE PROGRAMS.**

"(a) IN GENERAL. --The Secretary may, subject to the availability of appropriated funds, make grants to provide matching funds for the development, expansion, or continuation of volunteer income tax assistance programs.

"(b) VOLUNTEER INCOME TAX ASSISTANCE PROGRAM. --For purposes of this section, the term `volunteer income tax assistance program' means a program --

"(1) which does not charge taxpayers for its return preparation services,

"(2) which operates programs to assist low and moderate-income (as determined by the Secretary) taxpayers in preparing and filing their Federal income tax returns, and

"(3) in which all of the volunteers who assist in the preparation of Federal income tax returns meet the requirements prescribed by the Secretary.

"(c) SPECIAL RULES AND LIMITATIONS. --

"(1) AGGREGATE LIMITATION. --Unless otherwise provided by specific appropriation, the Secretary shall not allocate more than \$10,000,000 per year (exclusive of costs of administering the program) to grants under this section.

"(2) OTHER APPLICABLE RULES. --Rules similar to the rules under paragraphs (2) through (6) of section 7526(c) shall apply with respect to the awarding of grants to volunteer income tax assistance programs."

(b) INCREASE IN AUTHORIZED GRANTS FOR LOW-INCOME TAXPAYER CLINICS. -- Paragraph (1) of section 7526(c) (relating to aggregate limitation) is amended by striking "\$6,000,000" and inserting "\$10,000,000".

(c) CLERICAL AMENDMENTS. --

(1) Section 7526(c)(5) is amended by striking the last sentence by inserting "qualified" before "low-income".

(2) The table of sections for chapter 77 is amended by inserting after the item relating to section 7526 the following new item:

**"Sec. 7526A. Volunteer income tax assistance program."**

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

**SEC. 8. EITC OUTREACH.**

(a) IN GENERAL. --Section 32 (relating to earned income) is amended by adding at the end the following new subsection:

"(n) NOTIFICATION OF POTENTIAL ELIGIBILITY FOR CREDIT AND REFUND. --

"(1) IN GENERAL. --To the extent possible and on an annual basis, the Secretary shall provide to each taxpayer who --

"(A) for any preceding taxable year for which credit or refund is not precluded by section 6511, and

"(B) did not claim the credit under subsection (a) but may be allowed such credit for any such taxable year based on return or return information (as defined in section 6103(b)) available to the Secretary,

notice that such taxpayer may be eligible to claim such credit and a refund for such taxable year.

"(2) NOTICE. --Notice provided under paragraph (1) shall be in writing and sent to the last known address of the taxpayer."

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

#### **SEC. 9. PROHIBITION ON IRS DEBT INDICATORS FOR PREDATORY REFUND ANTICIPATION LOANS.**

(a) IN GENERAL. --Subsection (f) of section 6011 (relating to promotion of electronic filing) is amended by adding at the end the following new paragraph:

"(3) PROHIBITION ON IRS DEBT INDICATORS FOR PREDATORY REFUND ANTICIPATION LOANS. --

"(A) IN GENERAL. --In carrying out any program under this subsection, the Secretary shall not provide a debt indicator to any person with respect to any refund anticipation loan if the Secretary determines that the business practices of such person involve refund anticipation loans and related charges and fees that are predatory.

"(B) REFUND ANTICIPATION LOAN. --For purposes of this paragraph, the term 'refund anticipation loan' means a loan of money or of any other thing of value to a taxpayer secured by the taxpayer's anticipated receipt of a Federal tax refund.

"(C) IRS DEBT INDICATOR. --For purposes of this paragraph, the term 'debt indicator' means a notification provided through a tax return's acknowledgment file that a refund will be offset to repay debts for delinquent Federal or State taxes, student loans, child support, or other Federal agency debt."

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

#### **SEC. 10. STUDY ON DELIVERY OF TAX REFUNDS.**

(a) IN GENERAL. --The Secretary of the Treasury, in consultation with the National Taxpayer Advocate, shall conduct a study on the feasibility of delivering tax refunds on debit cards, prepaid cards, and other electronic means to assist individuals that do not have access to financial accounts or institutions.

(b) REPORT. --Not later than 1 year after the date of the enactment of this Act, the Secretary of the Treasury shall submit a report to Congress containing the results of the study conducted under subsection (a).

#### **SEC. 11. EXTENSION OF TIME FOR RETURN OF PROPERTY FOR WRONGFUL LEVY.**

(a) EXTENSION OF TIME FOR RETURN OF PROPERTY SUBJECT TO LEVY. --Subsection (b) of section 6343 (relating to return of property) is amended by striking "9 months" and inserting "2 years".

(b) PERIOD OF LIMITATION ON SUITS. --Subsection (c) of section 6532 (relating to suits by persons other than taxpayers) is amended --

(1) in paragraph (1) by striking "9 months" and inserting "2 years", and

(2) in paragraph (2) by striking "9-month" and inserting "2-year".

(c) EFFECTIVE DATE. --The amendments made by this section shall apply to --

(1) levies made after the date of the enactment of this Act, and

(2) levies made on or before such date if the 9-month period has not expired under section 6343(b) of the Internal Revenue Code of 1986 (without regard to this section) as of such date.

#### **SEC. 12. INDIVIDUALS HELD HARMLESS ON WRONGFUL LEVY, ETC., ON INDIVIDUAL RETIREMENT PLAN.**

(a) IN GENERAL. --Section 6343 (relating to authority to release levy and return property) is amended by adding at the end the following new subsection:

"(f) INDIVIDUALS HELD HARMLESS ON WRONGFUL LEVY, ETC. ON INDIVIDUAL RETIREMENT PLAN. --

"(1) IN GENERAL. --If the Secretary determines that an individual retirement plan has been levied upon in a case to which subsection (b) or (d)(2)(A) applies, an amount equal to the sum of --

"(A) the amount of money returned by the Secretary on account of such levy, and

"(B) interest paid under subsection (c) on such amount of money,

may be deposited into such individual retirement plan or any other individual retirement plan (other than an endowment contract) to which a rollover from the plan levied upon is permitted. An amount may not be deposited into a Roth IRA under the preceding sentence unless the individual retirement plan levied upon was a Roth IRA at the time of such levy.

"(2) TREATMENT AS ROLLOVER. --If amounts are deposited into an individual retirement plan under paragraph (1) not later than the 60th day after the date on which the individual receives the amounts under paragraph (1) --

"(A) such deposit shall be treated as a rollover described in section 408(d)(3)(A)(i),

"(B) to the extent the deposit includes interest paid under subsection (c), such interest shall not

be includible in gross income, and

"(C) such deposit shall not be taken into account under section 408(d)(3)(B).

For purposes of subparagraph (B), an amount shall be treated as interest only to the extent that the amount deposited exceeds the amount of the levy.

"(3) REFUND, ETC., OF INCOME TAX ON LEVY. --If any amount is includible in gross income for a taxable year by reason of a levy referred to in paragraph (1) and any portion of such amount is treated as a rollover under paragraph (2), any tax imposed by chapter 1 on such portion shall not be assessed, and if assessed shall be abated, and if collected shall be credited or refunded as an overpayment made on the due date for filing the return of tax for such taxable year.

"(4) INTEREST. --Notwithstanding subsection (d), interest shall be allowed under subsection (c) in a case in which the Secretary makes a determination described in subsection (d)(2)(A) with respect to a levy upon an individual retirement plan."

(b) EFFECTIVE DATE. --The amendment made by this section shall apply to amounts paid under subsections (b), (c), and (d)(2)(A) of section 6343 of the Internal Revenue Code of 1986 after the date of the enactment of this Act.

### **SEC. 13. TAXPAYER NOTIFICATION OF SUSPECTED IDENTITY THEFT.**

(a) IN GENERAL. --Chapter 77 (relating to miscellaneous provisions) is amended by adding at the end the following new section:

#### **"SEC. 7529. NOTIFICATION OF SUSPECTED IDENTITY THEFT.**

"If, in the course of an investigation under the internal revenue laws, the Secretary determines that there was or may have been an unauthorized use of the identity of the taxpayer or a dependent of the taxpayer, the Secretary shall, to the extent permitted by law --

"(1) as soon as practicable and without jeopardizing such investigation, notify the taxpayer of such determination, and

"(2) if any person is criminally charged by indictment or information with respect to such unauthorized use, notify such taxpayer as soon as practicable of such charge."

(b) CLERICAL AMENDMENT. --The table of sections for chapter 77 is amended by adding at the end the following new item:

#### **"Sec. 7529. Notification of suspected identity theft."**

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

### **SEC. 14. REPEAL OF AUTHORITY TO ENTER INTO PRIVATE DEBT COLLECTION CONTRACTS.**

(a) IN GENERAL. --Subchapter A of chapter 64 is amended by striking section 6306.

(b) CONFORMING AMENDMENTS. --

(1) Subchapter B of chapter 76 is amended by striking section 7433A.

(2) Section 7811 is amended by striking subsection (g).

(3) Section 1203 of the Internal Revenue Service Restructuring Act of 1998 is amended by striking subsection (e).

(4) The table of sections for subchapter A of chapter 64 is amended by striking the item relating to section 6306.

(5) The table of sections for subchapter B of chapter 76 is amended by striking the item relating to section 7433A.

(c) EFFECTIVE DATE. --

(1) IN GENERAL. --Except as otherwise provided in this subsection, the amendments made by this section shall take effect on the date of the enactment of this Act.

(2) EXCEPTION FOR EXISTING CONTRACTS, ETC. --The amendments made by this section shall not apply to any contract which was entered into before July 18, 2007, and is not renewed or extended on or after March 1, 2008.

(3) UNAUTHORIZED CONTRACTS AND EXTENSIONS TREATED AS VOID. --Any qualified tax collection contract (as defined in section 6306 of the Internal Revenue Code of 1986, as in effect before its repeal) which is entered into on or after July 18, 2007, and any extension or renewal on or after March 1, 2008, of any qualified tax collection contract (as so defined) shall be void.

## **SEC. 15. CLARIFICATION OF IRS UNCLAIMED REFUND AUTHORITY.**

Paragraph (1) of section 6103(m) (relating to tax refunds) is amended by inserting ", and through any other means of mass communication," after "media".

## **SEC. 16. PROHIBITION ON MISUSE OF DEPARTMENT OF THE TREASURY NAMES AND SYMBOLS.**

(a) IN GENERAL. --Subsection (a) of section 333 of title 31, United States Code, is amended by inserting "Internet domain address," after "solicitation," both places it appears.

(b) PENALTY FOR MISUSE BY ELECTRONIC MEANS. --Subsections (c)(2) and (d)(1) of section 333 of such Code are each amended by inserting "or any other mass communications by electronic means," after "telecast,".

(c) EFFECTIVE DATE. --The amendments made by this section shall apply with respect to violations occurring after the date of the enactment of this Act.

**SEC. 17. SUBSTANTIATION OF AMOUNTS PAID OR DISTRIBUTED OUT OF HEALTH SAVINGS ACCOUNT.**

(a) IN GENERAL. --Paragraph (1) of section 223(f) (relating to amounts used for qualified medical expenses) is amended by inserting "(and substantiated in a manner similar to the substantiation required for flexible spending arrangements)" after "account beneficiary".

(b) REPORTS. --Subsection (h) of section 223 (relating to reports) is amended --

(1) by redesignating paragraphs (1) and (2) as subparagraphs (A) and (B), respectively,

(2) by moving the text of subparagraphs (A) and (B) (as so redesignated) and the last sentence 2 ems to the right,

(3) by striking "(h) REPORTS. --The Secretary may require --" and inserting the following:

"(h) REPORTS. --

"(1) IN GENERAL. --The Secretary may require --", and

(4) by adding at the end the following new paragraph:

"(2) RELATING TO SUBSTANTIATION. --Not later than January 15 of each calendar year, the trustee of a health savings account shall make a report regarding such account to the Secretary and the account beneficiary setting forth --

"(A) the name, address, and identifying number of the account beneficiary, and

"(B) the amount paid or distributed out of such account for the preceding calendar year not substantiated in accordance with subsection (f)(1).".

(c) EFFECTIVE DATE. --The amendments made by this section shall apply with respect to amounts paid or distributed out of health savings accounts after December 31, 2008.

**SEC. 18. INCREASE IN INFORMATION RETURN PENALTIES.**

(a) FAILURE TO FILE CORRECT INFORMATION RETURNS. --

(1) IN GENERAL. --Subsections (a)(1), (b)(1)(A), and (b)(2)(A) of section 6721 are each amended by striking "\$50" and inserting "\$100".

(2) AGGREGATE ANNUAL LIMITATION. --Subsections (a)(1), (d)(1)(A), and (e)(3)(A) of section 6721 are each amended by striking "\$250,000" and inserting "\$1,500,000".

(b) REDUCTION WHERE CORRECTION WITHIN 30 DAYS. --

(1) IN GENERAL. --Subparagraph (A) of section 6721(b)(1) is amended by striking "\$15" and inserting "\$25".

(2) AGGREGATE ANNUAL LIMITATION. --Subsections (b)(1)(B) and (d)(1)(B) of section 6721 are each amended by striking "\$75,000" and inserting "\$250,000".

(c) REDUCTION WHERE CORRECTION ON OR BEFORE AUGUST 1. --

(1) IN GENERAL. --Subparagraph (A) of section 6721(b)(2) is amended by striking "\$30" and inserting "\$60".

(2) AGGREGATE ANNUAL LIMITATION. --Subsections (b)(2)(B) and (d)(1)(C) of section 6721 are each amended by striking "\$150,000" and inserting "\$500,000".

(d) AGGREGATE ANNUAL LIMITATIONS FOR PERSONS WITH GROSS RECEIPTS OF NOT MORE THAN \$5,000,000. --Paragraph (1) of section 6721(d) is amended --

(1) by striking "\$100,000" in subparagraph (A) and inserting "\$500,000",

(2) by striking "\$25,000" in subparagraph (B) and inserting "\$75,000", and

(3) by striking "\$50,000" in subparagraph (C) and inserting "\$200,000".

(e) PENALTY IN CASE OF INTENTIONAL DISREGARD. --Paragraph (2) of section 6721(e) is amended by striking "\$100" and inserting "\$250".

(f) FAILURE TO FURNISH CORRECT PAYEE STATEMENTS. --

(1) IN GENERAL. --Subsection (a) of section 6722 is amended by striking "\$50" and inserting "\$100".

(2) AGGREGATE ANNUAL LIMITATION. --Subsections (a) and (c)(2)(A) of section 6722 are each amended by striking "\$100,000" and inserting "\$1,500,000".

(3) PENALTY IN CASE OF INTENTIONAL DISREGARD. --Paragraph (1) of section 6722(c) is amended by striking "\$100" and inserting "\$250".

(g) FAILURE TO COMPLY WITH OTHER INFORMATION REPORTING REQUIREMENTS. --Section 6723 is amended --

(1) by striking "\$50" and inserting "\$100", and

(2) by striking "\$100,000" and inserting "\$1,500,000".

(h) EFFECTIVE DATE. --The amendments made by this section shall apply with respect to information returns required to be filed after December 31, 2008.

## **SEC. 19. INCREASE IN PENALTY FOR FAILURE TO FILE PARTNERSHIP RETURNS.**

Section 6698 is amended by adding at the end the following new subsection:

"(e) MODIFICATIONS. --In the case of any return required to be filed after December 31, 2008, the dollar amount in effect under subsection (b)(1) shall be increased by \$15.".

## **SEC. 20. INCREASE IN PENALTY FOR FAILURE TO FILE S CORPORATION RETURN.**

Section 6699 is amended by adding at the end the following new subsection:

"(e) MODIFICATIONS. --In the case of any return required to be filed after December 31, 2008, the dollar amount in effect under subsection (b)(1) shall be increased by \$15.".

**SEC. 21. TIME FOR PAYMENT OF CORPORATE ESTIMATED TAX.**

The percentage under subparagraph (C) of section 401(1) of the Tax Increase Prevention and Reconciliation Act of 2005 in effect on the date of the enactment of this Act is increased by 0.25 percentage points.