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Taxpayer Bill of Rights 2000: H.R. 4163

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Summary

On April 11, 2000, the House of Representatives unanimously passed the Taxpayer Bill of Rights 2000, H.R. 4163. The House-passed version of the bill is identical to that adopted by the Committee on Ways and Means. The bill would simplify interest and penalty provisions, clarify what information the IRS may disclose publicly, improve communications from IRS to taxpayers, and require a number of reports from the Treasury Inspector General for Tax Administration.

The House-passed version of the Taxpayer Bill of Rights 2000, H.R. 4163, is divided into three titles. The first deals with simplifying provisions relating to interest and penalties, the second clarifies what information the IRS may disclose publicly, and the third contains miscellaneous provisions including such topics as church tax audits, and requires a number of reports from the Treasury Inspector General for Tax Administration. For a more complete description of each of the provisions, see the Joint Committee on Taxation website [http://www.house.gov/jct/].

Title I of the Taxpayer Bill of Rights 2000 contains provisions designed to simplify the payment of interest and penalties. Among the issues addressed by Title I are proposals to simplify payment of estimated taxes. These proposals include converting the penalty for underpaying estimated taxes into an interest provision; raising the safe harbor for underpaying estimated taxes *for taxpayers subject to wage withholding* from $1,000 to $2,000 (other taxpayers would potentially remain liable for the entire amount of any underpayment unless other safe harbors applied); amending the interest rate calculations so that the interest rate on the underpayment would remain constant for a taxpayer even if the federal interest rate changed during the middle of a quarter; permitting taxpayers to cumulate their underpayments rather than having to do a separate calculation for each quarter of underpayment; and deeming every year to have 365 days so that interest calculations do not differ for leap years and non-leap years. Title I also proposes permitting taxpayers who overpaid their taxes to exclude from income any interest paid to them by the IRS on the overpayment, providing the taxpayer did not deliberately overpay the taxes in order to be paid tax-free interest. A third part of title I covers penalties for failing to pay tax on time. These are proposed to be eliminated for taxpayers keeping current on an installment agreement; and penalties for other taxpayers would be reduced by half. Taxpayers entering installment agreements which permit automated payments from their bank accounts would not have to pay the present-law fee ($43) to implement the installment agreement. A fourth part of title I proposes to expand the Secretary's authority to abate interest in a number of situations including: where gross injustice would otherwise result; when the delay is attributable to unreasonable IRS error or delay; when the taxpayer is repaying an excessive refund; and when the taxpayer has relied on written statements of the IRS.

A fifth part of title I would set up a mechanism whereby taxpayers could make deposits to a qualified dispute reserve fund in order to stop the running of interest while trying to resolve a dispute. This mechanism would permit taxpayers to still have access to the Tax Court.

Title II covers disclosure by the IRS. It would clarify that the Internal Revenue Code, and not the Privacy Act, governs the disclosure and inspection of income tax returns. It would expand the types of IRS internal advice that would be available for public disclosure; permit former spouses to make oral requests to get copies of joint income tax returns which they filed; prohibit the IRS from inspecting the return of a taxpayer's lawyer or accountant just because the IRS is examining the taxpayer's return; limit the amount of disclosure made of non-party tax returns in judicial or administrative tax proceedings; keep the taxpayer's address and identification number confidential when making public accepted offers-in-compromise; tighten up the rules for consenting to disclosure of tax returns; require that States certify that their contractors comply with non-disclosure provisions; require the IRS to notify taxpayers whose tax returns were inspected or disclosed without authorization; and permit the IRS to list taxpayers it is unable to locate who are due refunds on the internet.

Title III would permit the IRS to notify churches about laws governing tax-exempt organizations without having to comply with the church tax inquiry procedures. Tax-exempt organizations which do not obtain a determination of exempt status from the IRS within 270 days would be permitted to sue for a declaratory judgment as to their exempt status. Title III would require the Treasury Inspector General for Tax Administration to prepare a number of additional reports, including requirements to list by category the 10 most common complaints of IRS employee misconduct and the number of such common complaints; to publish annually statistics on the number of payments of damages and attorneys fees made because of employee misconduct; to report annually to Congress on penalty abatements and the criteria used for abatements; and to make a one-time report evaluating whether the IRS could use email and faxes to communicate with taxpayers and eliminate some of the inherent delays and lost communications when using mail or the telephone. Title III would raise the threshold for Joint Committee review of large refunds from $1 million to $2 million. Finally, title III would require the IRS to revise Publication 1, *Your Rights as a Taxpayer*, in order to clearly spell out how the statute of limitations affect a taxpayer's ability to receive a refund when taxpayers fail to file their returns on time.