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House passes the Taxpayer First Act

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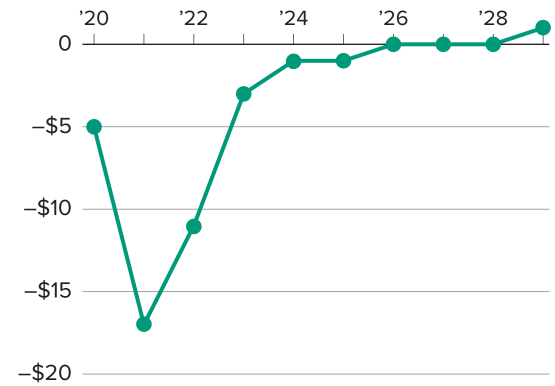
On June 10, the House passed H.R. 3151, the Taxpayer First Act, which would instate a number of reforms at the IRS, including making the Office of Appeals an independent office and creating a C-suite role to manage information technology. Additional, larger reforms require the Treasury secretary to submit a reorganization plan for the IRS and to develop a customer service strategy.

An analysis by the Congressional Budget Office shows the legislation would reduce the budget deficit by $36 million from 2019 through 2029. The primary savings would come in the first years after passage, while the effect on the deficit in 2029 would be an increase of $1 million. CBO also estimates that from 2019 to 2029, the bill would reduce federal revenues by $198 million, and reduce direct spending by $234 million.

Annual effect of H.R. 3151 on the deficit

IN MILLIONS OF DOLLARS



Provisions of H.R. 3151, the Taxpayer First Act

Restructuring

Measures that create new offices within the IRS, require the IRS to develop new organizational processes, and so forth

Accountability

Measures that increase regulatory requirements for how the IRS interacts with taxpayers, that increase reporting, or that adjust taxpayers' filing processes

Affordability

Measures to assist low-income and other taxpayers in filing or paying taxes

Taxpayer protections

Measures to protect taxpayers' rights to privacy and to prevent fraud and ID theft

Title I: Putting Taxpayers First

Subtitle A: Independent Appeals Process

1001: Creates the IRS Independent Office of Appeals to resolve taxpayer disputes, headed by a chief of appeals. The chief would be required to have experience in tax law, a "broad range" of compliance cases and management.

Title I: Putting Taxpayers First

	Restructuring	Accountability	Affordability	Taxpayer protections
Subtitle B: Improved Service	**1101:** The IRS will have one year to draft a customer service strategy, including “appropriate” private sector best practices.		**1102:** Codifies IRS’ ability to waive certain low income filers’ application fee for offers in compromise.	
Subtitle C: Sensible Enforcement		**1201:** The IRS can seize property under Section 5324 only if it was derived from an illegal source or “structured” to conceal violation of criminal law or regulation. The IRS must make a good-faith effort to find all with ownership interest in the seized property. **1202:** If a court orders the seized funds be returned, interest paid by the federal government is not subject to income tax; **1204:** John Doe summons must be tailored to specific tax law violations; **1207:** Certain officials must sign off on corporate summons; the IRS must show reasonable requests for the information were made prior to the summons.	**1205:** IRS cannot send certain low-income filers to tax collection. The IRS must wait until two years after debt assessment to refer taxpayers to collection; taxpayers are allowed to make seven-year installment agreements with collectors; **1206:** IRS must notify filers between 45 days to a year prior to contacting third parties in the event of an audit.	**1203:** IRS Tax Court can redetermine joint liability of couples filing jointly, if one is innocent; **1208:** Restricts access to tax returns and records – only IRS employees can look at returns and records, unless providing expert advice, and only IRS employees or employees of the Office of the Chief Counsel can question witnesses providing such advice under oath.
Subtitle D: Organizational Modernization	**1302:** The Treasury secretary must submit to Congress an IRS reorganization plan by Sept. 30, 2020, to address changes made by this legislation, to prioritize taxpayer services, and more.	**1301:** The IRS commissioner or deputy commissioner must respond to Taxpayer Advocate Directives within 90 days. The National Taxpayer Advocate may appeal to the commissioner if the deputy modifies or rescinds the directive.		

Title I: Putting Taxpayers First

	Restructuring	Accountability	Affordability	Taxpayer protections
Subtitle E: Other Provisions		**1404:** Only perishable goods may be auctioned the same day they are seized; **1405:** Whistleblower measures including: the IRS can provide whistleblowers information, and must provide status updates; prohibits whistleblowers from publicly disclosing IRS-provided information, and expands other protections.	**1401:** Permanently authorizes the matching grant program for Volunteer Income Tax Assistance; **1402:** IRS employees may inform taxpayers about low-income taxpayer clinics; **1403:** IRS must provide at least 90 days' notice before closing a Taxpayer Assistance Center.	**1406:** Customers on hold with the IRS will get information about avoiding ID theft and tax scams; **1407:** Requires the IRS to develop a remedial process for taxpayers to address misdirected tax refund deposits.

Title II: 21st Century IRS

	Restructuring	Accountability	Affordability	Taxpayer protections
Subtitle A: Cybersecurity and Identity Protection	**2003:** The IRS may participate in an information sharing and analysis center to address identity theft tax refund fraud; **2008:** The IRS has one year to establish and implement guidelines for addressing identity refund fraud that reduce the burden on the victim.	**2002:** The Electronic Tax Administration Advisory Committee must study and provide recommendations on combating identity theft tax refund fraud; **2006:** Taxpayers whose returns are delayed due to or affected by ID theft will have a single point of contact at the IRS through the processing of their case.		**2001:** The IRS will work in public-private partnerships to prevent identity theft refund fraud; **2004:** The IRS cannot share taxpayer information with contractors unless the contractor has appropriate confidentiality protections in place; **2005:** Taxpayers may use an identity protection PIN when filing taxes; **2007:** The IRS must notify filers of any suspected ID theft and provide information including how to file a report with law, and actions the IRS takes; **2009:** Increases penalty for tax preparers whose clients' identities are disclosed and stolen.

Title II: 21st Century IRS

	Restructuring	Accountability	Affordability	Taxpayer protections
Subtitle B: Development of Information Technology	**2101:** Codifies role of the IRS chief information officer, who must develop a plan for IRS IT needs; **2103:** Streamlines critical pay authority for IT positions, to attract top talent.	**2102:** By 2023, the IRS must provide an online portal for filing, preparing and maintaining records of 1099s.		
Subtitle C: Modernization of Consent-Based Income Verification	**2201:** IRS will implement a plan to automate the Consent-Based Income Verification System and facilitate disclosure as close to real time as is "practicable."			**2202:** Persons who have the taxpayer's authorization to receive return information may only use that information for the purpose for which consent was granted, and can't disclose the information to anyone else without express permission from the taxpayer.
Subtitle D: Expanded Use of Electronic Systems		**2301:** Filers submitting more than 10 returns must do so electronically (lowers threshold); **2303:** IRS would be allowed to directly process tax payments made with debit and credit cards.		**2302:** IRS must release electronic signature guidelines on how taxpayers can authorize preparers to access return information; **2304:** IRS must verify a user's identity before they are allowed to use e-services tools.
Subtitle E: Other Provisions	**2401:** Repeals some streamlining and reporting requirements currently in effect.	**2402:** The IRS has one year to come up with an annual training plan for employees, including on taxpayer rights and technology training.		

Title III: Miscellaneous Provisions

	Restructuring	Accountability	Affordability	Taxpayer protections
Subtitle A: Reform of Laws Governing IRS Employees	**3001:** IRS employees fired for misconduct cannot be rehired.			**3002:** The IRS must notify taxpayers if an IRS employee looked at or disclosed tax records without authorization.
Subtitle B: Provisions Relating to Exempt Organizations		**3101:** Tax-exempt organizations that file forms in Series 990 or Form 8872 must do so electronically, and the IRS must make these filings publicly available as soon as possible; **3102:** The IRS must notify a tax-exempt organization if it fails to file an information return or notice for two consecutive years, so that the organization has time to refile before losing status.		
Subtitle C: Revenue Provision		**3201:** The penalty for failure to file on time will increase to $330 from $205.		

Sources: U.S. Congress, Congressional Budget Office, POLITICO Pro Legislative Compass, Bloomberg Tax, HuffPost, Accounting Today