

117TH CONGRESS
1ST SESSION

S. 1788

To provide appropriations for the Internal Revenue Service to overhaul technology and strengthen enforcement, and for other purposes.

IN THE SENATE OF THE UNITED STATES

MAY 24, 2021

Ms. WARREN introduced the following bill; which was read twice and referred to the Committee on Finance

A BILL

To provide appropriations for the Internal Revenue Service to overhaul technology and strengthen enforcement, 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.**

4 This Act may be cited as the “Restoring the IRS
5 Act”.

6 **SEC. 2. SENSE OF CONGRESS.**

7 It is the sense of Congress that—

8 (1) the Internal Revenue Service should be
9 given resources to increase audits and enforcement
10 of tax compliance of high-income, high-wealth indi-

1 viduals and corporations, with an emphasis on the
2 auditing and enforcement of tax compliance by indi-
3 viduals with gross income of not less than
4 \$1,000,000 and of large corporations;

5 (2) priorities for actions and resources to im-
6 prove compliance with tax laws should be guided by
7 the relative revenue loss from non-compliance;

8 (3) the Internal Revenue Service should ensure
9 there are not racial disparities in its enforcement ac-
10 tivities;

11 (4) it should be the goal of the Internal Rev-
12 enue service that, by the tenth tax year after the
13 date of the enactment of this Act, the net tax gap
14 should be reduced by at least one-third, as compared
15 with the fraction estimated in the most recently In-
16 ternal Revenue Service study prior to such date of
17 enactment; and

18 (5) it should be the goal of the Internal Rev-
19 enue Service to provide quality, timely, and accurate
20 assistance to all taxpayers interacting with the In-
21 ternal Revenue Service.

22 **SEC. 3. INTERNAL REVENUE SERVICE APPROPRIATIONS.**

23 (a) IN GENERAL.—There is hereby appropriated to
24 each fiscal year ending after fiscal year 2021, out of any
25 moneys in the Treasury not otherwise appropriated,

1 \$31,500,000,000, for necessary expenses for activities of
2 the Internal Revenue Service related to the following ac-
3 tivities:

4 (1) To provide taxpayer services, including pre-
5 filing assistance and education, filing and account
6 services, taxpayer advocacy services, other services
7 as authorized by 5 U.S.C. 3109, at such rates as
8 may be determined by the Commissioner, and other
9 related expenses, including the Tax Counseling for
10 the Elderly Program, low-income taxpayer clinic
11 grants, and the Taxpayer Advocate Service.

12 (2) Tax enforcement activities to determine and
13 collect owed taxes, to provide legal and litigation
14 support, to conduct criminal investigations, to en-
15 force criminal statutes related to violations of inter-
16 nal revenue laws and other financial crimes, to pur-
17 chase and hire passenger motor vehicles (31 U.S.C.
18 1343(b)), to increase audits of high-income tax-
19 payers, and to provide other services as authorized
20 by 5 U.S.C. 3109, at such rates as may be deter-
21 mined by the Commissioner.

22 (3) To support taxpayer services and enforce-
23 ment programs and activities, including rent pay-
24 ments; facilities services; printing; postage; physical
25 security; headquarters and other IRS-wide adminis-

1 tration activities; research and statistics of income;
2 telecommunications; information technology develop-
3 ment and support, enhancement, operations, mainte-
4 nance, and security; the hire of passenger motor ve-
5 hicles (31 U.S.C. 1343(b)); the operations of the In-
6 ternal Revenue Service Oversight Board; and other
7 services as authorized by 5 U.S.C. 3109, at such
8 rates as may be determined by the Commissioner.

9 (4) For the business systems modernization
10 program for the capital asset acquisition of informa-
11 tion technology systems, including management and
12 related contractual costs of said acquisitions, includ-
13 ing related Internal Revenue Service labor costs, and
14 contractual costs associated with operations author-
15 ized by 5 U.S.C. 3109.

16 (b) INFLATION ADJUSTMENT.—

17 (1) IN GENERAL.—In the case of any fiscal
18 year beginning after fiscal year 2022, the dollar
19 amount in subsection (a) shall be increased by an
20 amount equal to—

21 (A) such dollar amount, multiplied by

22 (B) the cost-of-living adjustment deter-
23 mined under section 1(f)(3) of the Internal
24 Revenue Code of 1986 for the calendar year in
25 which such fiscal year begins by substituting

1 “calendar year 2021” for “calendar year 2016”
2 in subparagraph (A)(ii) thereof.

3 (2) ROUNDING.—Any increase determined
4 under paragraph (1) shall be rounded to the nearest
5 multiple of \$100.

6 (c) LIMITATION.—Of the amounts appropriated
7 under subsection (a)—

8 (1) not less than 50 percent of funds made
9 available for any fiscal year shall be used for pur-
10 poses described in subsection (a)(2) (or for activities
11 described in subsection (a)(3) that are related to ac-
12 tivities described in subsection (a)(2); and

13 (2) not less than 15 percent of funds made
14 available for any fiscal year shall be used for pur-
15 poses described in subsection (a)(1).

16 (d) ADMINISTRATIVE PROVISIONS.—None of the
17 funds made available in this section may be used to enter
18 into, renew, extend, administer, implement, or enforce any
19 qualified tax collection contract (as defined in section
20 6306 of the Internal Revenue Code of 1986).

21 **SEC. 4. RETURNS RELATING TO CERTAIN BUSINESS TRANS-**
22 **ACTIONS.**

23 (a) IN GENERAL.—

24 (1) RETURN REQUIREMENT.—Subpart B of
25 part III of subchapter A of chapter 61 of the Inter-

1 nal Revenue Code of 1986 is amended by adding at
 2 the end the following new section:

3 **“SEC. 6050Z. RETURNS RELATING TO ACCOUNT TRANS-**
 4 **ACTIONS.**

5 “(a) **REQUIREMENT OF REPORTING.**—Any covered
 6 financial institution shall make the information return de-
 7 scribed in subsection (b) at such time as the Secretary
 8 may by regulations prescribe.

9 “(b) **RETURN.**—A return is described in this sub-
 10 section if such return—

11 “(1) is in such form as the Secretary may pre-
 12 scribe, and

13 “(2) contains, with respect to each account
 14 maintained by the covered financial institution—

15 “(A) the name, address, and TIN of the
 16 person on whose behalf the account is main-
 17 tained,

18 “(B) the monthly gross inflows and out-
 19 flows with respect to such account,

20 “(C) in the case of an account that is not
 21 related to a trade or business, the amount of
 22 such inflows and outflows that are related to—

23 “(i) cash transactions,

24 “(ii) foreign transactions, and

1 “(iii) transfers to related accounts,
2 and

3 “(D) such other information as the Sec-
4 retary may require for tax administration and
5 enforcement purposes.

6 “(c) STATEMENT TO BE FURNISHED TO TAXPAYERS
7 WITH RESPECT TO WHOM INFORMATION IS REQUIRED.—

8 “(1) IN GENERAL.—Every covered financial in-
9 stitution that is required to make a return under
10 subsection (a) shall furnish to each person whose
11 identity is required to be set forth in such return a
12 written statement showing—

13 “(A) the name, address, and phone num-
14 ber of the information contact of the covered fi-
15 nancial institution required to make such a re-
16 turn, and

17 “(B) the information required to be shown
18 on such return with respect to such person.

19 “(2) FURNISHING OF INFORMATION.—The
20 written statement required under paragraph (1)
21 shall be furnished to the person on or before Janu-
22 ary 31 of the year following the calendar year for
23 which the return under subsection (a) is required to
24 be made.

1 “(d) COVERED FINANCIAL INSTITUTION.—For pur-
2 poses of this section, the term ‘covered financial institu-
3 tion’ means any financial institution (as determined under
4 regulations provided by the Secretary) which maintains an
5 account on behalf of another person.”.

6 (2) REGULATIONS.—

7 (A) IN GENERAL.—Not later than 12
8 months after the date of the enactment of this
9 Act, the Secretary of the Treasury (or the Sec-
10 retary’s delegate) shall issue regulations on in-
11 formation reporting required under section
12 6050Z of the Internal Revenue Code of 1986
13 (as added by paragraph (1)), including regula-
14 tions specifying any other information required
15 to be reported under such section for purposes
16 of closing the tax gap (as defined in section
17 4(a)(2)).

18 (B) AVOIDANCE OF ADDITIONAL BUR-
19 DEN.—The regulations established under sub-
20 paragraph (A) shall minimize additional report-
21 ing burdens on taxpayers.

22 (b) PENALTIES.—

23 (1) RETURNS.—Section 6724(d)(1)(B) of the
24 Internal Revenue Code of 1986 is amended by strik-
25 ing “or” at the end of clause (xxv), by striking

1 “and” at the end of clause (xxvi), and by inserting
2 after clause (xxvi) the following new clause:

3 “(xxvii) section 6050Z (relating to in-
4 formation with respect to account trans-
5 actions),”.

6 (2) STATEMENTS.—Section 6724(d)(2) of such
7 Code is amended—

8 (A) by striking “or” at the end of subpara-
9 graph (II),

10 (B) by striking the period at the end of the
11 first subparagraph (JJ) (relating to section
12 6035) and inserting a comma,

13 (C) by redesignating the second subpara-
14 graph (JJ) (relating to section 6050Y) as sub-
15 paragraph (KK),

16 (D) by striking the period at the end of
17 subparagraph (KK) (as redesignated by sub-
18 paragraph (C)) and inserting “, or”, and

19 (E) by inserting after subparagraph (KK)
20 (as so redesignated) the following new subpara-
21 graph:

22 “(LL) section 6050Z
23 (relating to information with
24 respect to account trans-
25 actions).”.

1 (c) CLERICAL AMENDMENT.—The table of sections
 2 for subpart B of part III of subchapter A of chapter 61
 3 of such Code is amended by adding at the end the fol-
 4 lowing new item:

“Sec. 6050Z. Returns relating to account transactions.”.

5 (d) EFFECTIVE DATE.—The amendments made by
 6 this section shall apply to taxable years beginning after
 7 December 31, 2022.

8 **SEC. 5. REPORTS TO CONGRESS.**

9 Not later than 1 year after the date of the enactment
 10 of this Act and annually thereafter, the Commissioner of
 11 the Internal Revenue Service, after consultation with the
 12 Comptroller General, shall submit to Congress a report
 13 containing the following:

14 (1) AUDIT PLAN.—A comprehensive description
 15 of—

16 (A) a plan to—

17 (i) shift more of the auditing and en-
 18 forcement assets of the Internal Revenue
 19 Service toward high-income, high-wealth
 20 tax filers and corporations, and

21 (ii) recruit and retain auditors with
 22 the skills essential to audit high-income in-
 23 dividuals, and

24 (B) the progress made in implementing
 25 such plan.

1 (2) TAX GAP ANALYSIS.—

2 (A) IN GENERAL.—A comprehensive de-
3 scription of the tax gap, including—

4 (i) the amount attributed to high-in-
5 come, high-wealth tax filers and corpora-
6 tions, and

7 (ii) how other information reporting
8 improvements could reduce the tax gap, in-
9 cluding strengthened third-party reporting
10 on ownership of C-corporations and ulti-
11 mate ownership of partnerships.

12 (B) TAX GAP.—For purposes of this para-
13 graph, the term “tax gap” means, with respect
14 to any tax year, the difference between—

15 (i) the amount of taxes owed by tax-
16 payers under the Internal Revenue Code of
17 1986 for such tax year, and

18 (ii) the amount of revenue paid volun-
19 tarily and timely by taxpayers under such
20 Code for such tax year.

21 (3) RACIAL DISPARITIES ANALYSIS.—A com-
22 prehensive analysis and description of whether there
23 exist any racial disparities in the Internal Revenue
24 Service’s enforcement activities, including audits,
25 based on gross income, including a comprehensive

1 description of any plans the Internal Revenue Serv-
2 ice has to address any such disparities in the coming
3 fiscal year.

4 **SEC. 6. UNDERPAYMENT PENALTIES INCREASED FOR CER-**
5 **TAIN TAXPAYERS.**

6 (a) IN GENERAL.—Subsection (a) of section 6662 of
7 the Internal Revenue Code of 1986 is amended to read
8 as follows:

9 “(a) IMPOSITION OF PENALTY.—

10 “(1) IN GENERAL.—If this section applies to
11 any portion of an underpayment of tax required to
12 be shown on a return, there shall be added to the
13 tax an amount equal to the applicable percentage of
14 the portion of the underpayment to which this sec-
15 tion applies.

16 “(2) APPLICABLE PERCENTAGE.—For purposes
17 of paragraph (1), the term ‘applicable percentage’
18 means—

19 “(A) in the case of a taxpayer with a tax-
20 able income of less than \$2 million, 20 percent,

21 “(B) in the case of a taxpayer with a tax-
22 able income greater than \$2 million but less
23 than \$5 million, 30 percent, and

1 “(C) in the case of a taxpayer with a tax-
2 able income greater than \$5 million, 40 per-
3 cent.”.

4 (b) CONFORMING AMENDMENTS.—

5 (1) GROSS VALUATION MISSTATEMENTS.—Sec-
6 tion 6662(h)(1) of such Code is amended by striking
7 “with respect to such portion by substituting” and
8 all that follows and inserting “with respect to such
9 portion—

10 “(A) by substituting ‘40 percent’ for ‘20
11 percent’ in paragraph (2)(A) thereof,

12 “(B) by substituting ‘45 percent’ for ‘30
13 percent’ in paragraph (2)(B) thereof, and

14 “(C) by substituting ‘50 percent’ for ‘40
15 percent’ in paragraph (2)(C) thereof.”.

16 (2) NONDISCLOSED NONECONOMIC SUBSTANCE
17 TRANSACTIONS.—Section 6662(i)(1) of such Code is
18 amended by striking “with respect to such portion
19 by substituting” and all that follows and inserting
20 “with respect to such portion—

21 “(A) by substituting ‘40 percent’ for ‘20
22 percent’ in paragraph (2)(A) thereof,

23 “(B) by substituting ‘45 percent’ for ‘30
24 percent’ in paragraph (2)(B) thereof, and

1 “(C) by substituting ‘50 percent’ for ‘40
2 percent’ in paragraph (2)(C) thereof.”.

3 (3) UNDISCLOSED FOREIGN FINANCIAL ASSET
4 UNDERSTATEMENTS.—Section 6662(j)(3) of such
5 Code is amended by striking “with respect to such
6 portion by substituting” and all that follows and in-
7 serting “with respect to such portion—

8 “(A) by substituting ‘40 percent’ for ‘20
9 percent’ in paragraph (2)(A) thereof,

10 “(B) by substituting ‘45 percent’ for ‘30
11 percent’ in paragraph (2)(B) thereof, and

12 “(C) by substituting ‘50 percent’ for ‘40
13 percent’ in paragraph (2)(C) thereof.”.

14 (c) EFFECTIVE DATE.—The amendments made by
15 this section shall apply to returns on the due date which
16 (determined without regard to extensions) is after Decem-
17 ber 31, 2022.

18 **SEC. 7. APPLICATION OF FALSE CLAIMS RULES TO THE TAX**

19 **CLAIMS.**

20 (a) IN GENERAL.—Subsection (d) of section 3729 of
21 title 31, United States Code is amended to read as follows:

22 “(d) INTERNAL REVENUE CODE.—

23 “(1) GENERAL EXCLUSION.—Except as pro-
24 vided under paragraph (2), this section does not

1 apply to claims, records, or statements made under
2 the Internal Revenue Code of 1986.

3 “(2) EXCEPTION.—This section shall apply to
4 any claims, records, or statements made under the
5 Internal Revenue Code of 1986 if—

6 “(A) the gross income of the person mak-
7 ing the claim equals or exceeds \$10,000,000 for
8 the taxable year with respect to which the claim
9 is made; and

10 “(B) the damages sustained by the Gov-
11 ernment because of the act of the person exceed
12 \$1,000,000.”.

13 (b) EFFECTIVE DATE.—The amendments made by
14 this section shall apply to claims, records, or statements
15 made after the date of the enactment of this Act.

○