

117TH CONGRESS
1ST SESSION

S. 1857

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 26, 2021

Mr. KING (for himself, Mr. BROWN, and Mr. KAINE) 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 “Stop Corporations and
5 High Earners from Avoiding Taxes and Enforce the Rules
6 Strictly Act” or the “Stop CHEATERS Act”.

7 **SEC. 2. POLICY OF CONGRESS.**

8 It is the policy of Congress that—

9 (1) tax compliance, to raise revenue for national
10 needs, restore fairness, and protect the integrity of

1 the tax system, high-income United States citizens
2 and corporations should pay all of the taxes they
3 owe,

4 (2) tax compliance, as indicated by the fraction
5 of taxes due that are reported and paid, should be
6 comparable among groups of taxpayers regardless of
7 the legal entity,

8 (3) the Internal Revenue Service should be
9 given resources to increase audits and enforcement
10 of tax compliance of high-income individuals to re-
11 duce the tax gap, with an emphasis on the auditing
12 and enforcement of tax compliance by individuals
13 with gross income of not less than \$1,000,000 and
14 of large corporations, and to modernize its tech-
15 nology in order to better serve taxpayers and enforce
16 the tax laws,

17 (4) pursuing non-filers is one of the most effi-
18 cient enforcement strategies of the Internal Revenue
19 Service because issuing non-filer notices can be a
20 cost-effective tool that requires little more than auto-
21 mated notices,

22 (5) priorities for actions and resources to im-
23 prove compliance should be guided by the relative
24 revenue loss from non-compliance,

1 (6) it should be the goal of the Internal Rev-
 2 enue Service that, by the tenth tax year after the ef-
 3 fective date of this statute, the net tax gap, as meas-
 4 ured by the fraction of taxes that are due that are
 5 not reported and paid, should be reduced by at least
 6 one-third, as compared with the fraction estimated
 7 in the most recent Internal Revenue Service study
 8 prior to enactment of this statute, and

9 (7) it should be the goal of the Internal Rev-
 10 enue Service to provide quality, timely, and accurate
 11 assistance to all taxpayers interacting with the In-
 12 ternal Revenue Service.

13 **SEC. 3. ADDITIONAL APPROPRIATIONS FOR THE INTERNAL**
 14 **REVENUE SERVICE.**

15 (a) ENFORCEMENT.—

16 (1) IN GENERAL.—In addition to other
 17 amounts, there is appropriated the following
 18 amounts for necessary expenses to strengthen the
 19 enforcement capacity of the Internal Revenue Serv-
 20 ice by increasing audits annually to meet the audit
 21 goals described in paragraph (2):

22 (A) For fiscal year 2022, \$1,600,000,000.

23 (B) For fiscal year 2023, \$3,200,000,000.

24 (C) For fiscal year 2024, \$4,000,000,000.

25 (D) For fiscal year 2025, \$6,400,000,000.

1 (E) For fiscal year 2026, \$6,800,000,000.

2 (F) For fiscal year 2027, \$6,800,000,000.

3 (G) For fiscal year 2028, \$6,800,000,000.

4 (H) For fiscal year 2029, \$6,800,000,000.

5 (I) For fiscal year 2030, \$6,800,000,000.

6 (J) For fiscal year 2031, \$6,800,000,000.

7 (2) GOALS.—The goals described in this sub-
8 paragraph are to annually audit by 2025 and each
9 year thereafter—

10 (A) in the case of the income tax returns
11 of individuals—

12 (i) 20 percent of such returns report-
13 ing an adjusted gross income of not less
14 than \$1,000,000 but less than \$5,000,000;

15 (ii) 33 percent of such returns report-
16 ing an adjusted gross income of not less
17 than \$5,000,000 but less than
18 \$10,000,000 and

19 (iii) 50 percent of such returns report-
20 ing an adjusted gross income of not less
21 than \$10,000,000;

22 (B) 95 percent of the income tax returns
23 of corporations reporting more than
24 \$20,000,000,000 in assets;

1 (C) 40 percent of the estate tax returns
2 having a gross estate valued at more than
3 \$10,000,000;

4 (D) 1.2 percent of gift tax returns; and

5 (E) 0.22 percent of employment tax re-
6 turns filed by employers with respect to the
7 taxes imposed under chapters 21 or 22 of the
8 Internal Revenue Code of 1986.

9 (b) TAXPAYER SERVICES.—In addition to other
10 amounts, there are appropriated the following amounts to
11 provide taxpayer services, including pre-filing assistance
12 and education, filing and account services, taxpayer advo-
13 cacy services, and services related to the reporting re-
14 quired under section 6050Z of the Internal Revenue Code
15 of 1986 (as added by section 4):

16 (1) For fiscal year 2022, \$800,000,000.

17 (2) For fiscal year 2023, \$800,000,000.

18 (3) For fiscal year 2024, \$800,000,000.

19 (4) For fiscal year 2025, \$2,000,000,000.

20 (5) For fiscal year 2026, \$2,000,000,000.

21 (6) For fiscal year 2027, \$2,000,000,000.

22 (7) For fiscal year 2028, \$2,000,000,000.

23 (8) For fiscal year 2029, \$2,000,000,000.

24 (9) For fiscal year 2030, \$2,000,000,000.

25 (10) For fiscal year 2031, \$2,000,000,000.

1 (c) OPERATIONS SUPPORT.—There are appropriated
 2 the following additional amounts for the “Department of
 3 the Treasury—Internal Revenue Service—Operations
 4 Support” account to overhaul outdated technology of the
 5 Internal Revenue Service and improve the capacity of the
 6 Internal Revenue Service to detect fraud related to income
 7 from a trade or business:

8 (1) For fiscal year 2022, \$800,000,000.

9 (2) For fiscal year 2023, \$800,000,000.

10 (3) For fiscal year 2024, \$800,000,000.

11 (4) For fiscal year 2025, \$800,000,000.

12 (5) For fiscal year 2026, \$800,000,000.

13 (6) For fiscal year 2027, \$800,000,000.

14 (7) For fiscal year 2028, \$800,000,000.

15 (8) For fiscal year 2029, \$800,000,000.

16 (9) For fiscal year 2030, \$800,000,000.

17 (10) For fiscal year 2031, \$800,000,000.

18 (d) AVAILABILITY.—Each additional amount appro-
 19 priated by this section shall remain available until ex-
 20 pended.

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

23 (a) IN GENERAL.—Subpart B of part III of sub-
 24 chapter A of chapter 61 of the Internal Revenue Code of

1 1986 is amended by adding at the end the following new
2 section:

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

5 “(a) REQUIREMENT OF REPORTING.—Any covered
6 financial service provider shall make the information re-
7 turn described in subsection (b) at such time as the Sec-
8 retary 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 service pro-
15 vider—

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

19 “(B) a summary report of total deposits
20 received and total withdrawals made in such ac-
21 count, and

22 “(C) such other information as the Sec-
23 retary may require.

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

1 “(1) IN GENERAL.—Every covered financial
2 service provider that is required to make a return
3 under subsection (a) shall furnish to each person
4 whose identity is required to be set forth in such re-
5 turn a written statement showing—

6 “(A) the name, address, and phone num-
7 ber of the information contact of the covered fi-
8 nancial service provider required to make such
9 a return, and

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

12 “(2) FURNISHING OF INFORMATION.—The
13 written statement required under paragraph (1)
14 shall be furnished to the person on or before Janu-
15 ary 31 of the year following the calendar year for
16 which the return under subsection (a) is required to
17 be made.

18 “(d) COVERED FINANCIAL SERVICE PROVIDER.—
19 For purposes of this section, the term ‘covered financial
20 service provider’ means any financial service provider (as
21 determined under regulations provided by the Secretary)
22 which maintains an account on behalf of another person.

23 “(e) REGULATIONS AND GUIDANCE.—The Secretary
24 may prescribe such regulations and other guidance as may

1 be appropriate or necessary to carry out the purposes of
2 this section.”.

3 (b) PENALTIES.—

4 (1) RETURNS.—Section 6724(d)(1)(B) of the
5 Internal Revenue Code of 1986 is amended by strik-
6 ing “or” at the end of clause (xxv), by striking
7 “and” at the end of clause (xxvi), and by inserting
8 after clause (xxvi) the following new clause:

9 “(xxvii) section 6050Z (relating to in-
10 formation with respect to certain trans-
11 actions),”.

12 (2) STATEMENTS.—Section 6724(d)(2) of such
13 Code is amended—

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

16 (B) by striking the period at the end of the
17 first subparagraph (JJ) (relating to section
18 6035) and inserting a comma,

19 (C) by redesignating the second subpara-
20 graph (JJ) (relating to section 6050Y) as sub-
21 paragraph (KK),

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

1 (E) by inserting after subparagraph (KK)
 2 (as so redesignated) the following new subpara-
 3 graph:

4 “(LL) section 6050Z
 5 (relating to information with
 6 respect to certain trans-
 7 actions).”.

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

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

12 (d) EFFECTIVE DATE.—The amendments made by
 13 this section shall apply to calendar years beginning after
 14 December 31, 2021.

15 **SEC. 5. REPORTS TO CONGRESS.**

16 Not later than 1 year after the date of the enactment
 17 of this Act and every 2 years thereafter, the Commissioner
 18 of the Internal Revenue Service, after consultation with
 19 the Comptroller General, shall submit to Congress a report
 20 containing—

21 (1) a comprehensive description of—

22 (A) a plan to—

23 (i) shift more of the auditing and en-
 24 forcement assets of the Internal Revenue
 25 Service toward high-income tax filers, and

1 (ii) recruit and retain auditors with
2 the skills essential to audit high-income in-
3 dividuals, and

4 (B) the progress made in implementing
5 such plan,

6 (2) an estimate of revenue loss from offshore
7 tax evasion, and

8 (3) information with respect to revenue loss due
9 to such tax evasion, organized by groups of tax-
10 payers arranged by the true income level of such
11 taxpayers, as determined by the Secretary.

12 **SEC. 6. IRS ENFORCEMENT PENALTIES INCREASED FOR**
13 **CERTAIN TAXPAYERS.**

14 (a) IN GENERAL.—Subsection (a) of section 6662 of
15 the Internal Revenue Code of 1986 is amended to read
16 as follows:

17 “(a) IMPOSITION OF PENALTY.—

18 “(1) IN GENERAL.—If this section applies to
19 any portion of an underpayment of tax required to
20 be shown on a return, there shall be added to the
21 tax an amount equal to the applicable percentage of
22 the portion of the underpayment to which this sec-
23 tion applies.

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

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

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

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

12 (b) CONFORMING AMENDMENTS.—

13 (1) GROSS VALUATION MISSTATEMENTS.—Sec-
14 tion 6662(h)(1) of such Code is amended by striking
15 “with respect to such portion by substituting” and
16 all that follows and inserting “with respect to such
17 portion—

18 “(A) by substituting ‘40 percent’ for ‘20
19 percent’ in paragraph (2)(A) thereof, and

20 “(B) by substituting ‘40 percent’ for ‘30
21 percent’ in paragraph (2)(B) thereof.”.

22 (2) NONDISCLOSED NONECONOMIC SUBSTANCE
23 TRANSACTIONS.—Section 6662(i)(1) of such Code is
24 amended by striking “with respect to such portion

1 by substituting” and all that follows and inserting
2 “with respect to such portion—

3 “(A) by substituting ‘40 percent’ for ‘20
4 percent’ in paragraph (2)(A) thereof, and

5 “(B) by substituting ‘40 percent’ for ‘30
6 percent’ in paragraph (2)(B) thereof.”.

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

12 “(A) by substituting ‘40 percent’ for ‘20
13 percent’ in paragraph (2)(A) thereof, and

14 “(B) by substituting ‘40 percent’ for ‘30
15 percent’ in paragraph (2)(B) thereof.”.

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

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