

118TH CONGRESS
1ST SESSION

H. R. 2556

To amend the Internal Revenue Code of 1986 to improve and promote transparency, efficiency and operational integrity of the Internal Revenue Service, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

APRIL 10, 2023

Mrs. HARSHBARGER introduced the following bill; which was referred to the Committee on Ways and Means, and in addition to the Committees on Financial Services, and Oversight and Accountability, for a period to be subsequently determined by the Speaker, in each case for consideration of such provisions as fall within the jurisdiction of the committee concerned

A BILL

To amend the Internal Revenue Code of 1986 to improve and promote transparency, efficiency and operational integrity of the Internal Revenue Service, 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 “Simplify, Don’t Am-
5 plify the IRS Act”.

1 **TITLE I—PROVISIONS RELATING**
2 **TO TAX ADMINISTRATION**
3 **AND TAXPAYER PROTECTION**

4 **SEC. 101. PREVENTING WEAPONIZATION OF THE INTERNAL**
5 **REVENUE SERVICE.**

6 (a) ORGANIZATIONS EXEMPT FROM REPORTING.—

7 (1) GROSS RECEIPTS THRESHOLD.—Clause (ii)
8 of section 6033(a)(3)(A) of the Internal Revenue
9 Code of 1986 is amended by striking “\$5,000” and
10 inserting “\$50,000”.

11 (2) ORGANIZATIONS DESCRIBED.—Subpara-
12 graph (C) of section 6033(a)(3) of the Internal Rev-
13 enue Code of 1986 is amended—

14 (A) by striking “and” at the end of clause
15 (v),

16 (B) by striking the period at the end of
17 clause (vi) and inserting a semicolon, and

18 (C) by adding at the end the following new
19 clauses:

20 “(vii) any other organization described
21 in section 501(c) (other than a private
22 foundation or a supporting organization
23 described in section 509(a)(3)); and

24 “(viii) any organization (other than a
25 private foundation or a supporting organi-

1 zation described in section 509(a)(3))
2 which is not described in section
3 170(e)(2)(A), or which is created or orga-
4 nized in a possession of the United States,
5 which has no significant activity (including
6 lobbying and political activity and the op-
7 eration of a trade or business) other than
8 investment activity in the United States.”.

9 (3) EFFECTIVE DATE.—The amendments made
10 by this subsection shall apply to taxable years end-
11 ing after the date of the enactment of this Act.

12 (b) CLARIFICATION OF APPLICATION TO SECTION
13 527 ORGANIZATIONS.—

14 (1) IN GENERAL.—Paragraph (1) of section
15 6033(g) of the Internal Revenue Code of 1986 is
16 amended—

17 (A) by striking “This section” and insert-
18 ing “Except as otherwise provided by this sub-
19 section, this section”, and

20 (B) by striking “for the taxable year.” and
21 inserting “for the taxable year in the same
22 manner as to an organization exempt from tax-
23 ation under section 501(a).”.

1 (2) EFFECTIVE DATE.—The amendments made
2 by this subsection shall apply to taxable years end-
3 ing after the date of the enactment of this Act.

4 (c) REPORTING OF NAMES AND ADDRESSES OF CON-
5 TRIBUTORS.—

6 (1) IN GENERAL.—Paragraph (1) of section
7 6033(a) of the Internal Revenue Code of 1986 is
8 amended by adding at the end the following: “Ex-
9 cept as provided in subsections (b)(5) and (g)(2)(B),
10 such annual return shall not be required to include
11 the names and addresses of contributors to the orga-
12 nization.”.

13 (2) APPLICATION TO SECTION 527 ORGANIZA-
14 TIONS.—Paragraph (2) of section 6033(g) of the In-
15 ternal Revenue Code of 1986 is amended—

16 (A) by striking “and” at the end of sub-
17 paragraph (A),

18 (B) by redesignating subparagraph (B) as
19 subparagraph (C), and

20 (C) by inserting after subparagraph (A)
21 the following new subparagraph:

22 “(B) containing the names and addresses
23 of all substantial contributors, and”.

1 (3) EFFECTIVE DATE.—The amendments made
2 by this subsection shall apply to taxable years end-
3 ing after the date of the enactment of this Act.

4 **SEC. 102. LIMITATION ON TAXPAYER FUNDED UNION OFFI-**
5 **CIAL TIME FOR INTERNAL REVENUE SERV-**
6 **ICE EMPLOYEES.**

7 (a) IN GENERAL.—Section 7131 of title 5, United
8 States Code, is amended by adding at the end the fol-
9 lowing:

10 “(e) The authority provided under subsection (d)
11 shall not apply with respect to the Internal Revenue Serv-
12 ice, or an employee of the Internal Revenue Service, dur-
13 ing the period each year beginning on February 12 and
14 ending on April 15.”.

15 (b) CONFORMING AMENDMENT.—Section 7131(d) of
16 title 5, United States Code, is amended, in the matter pre-
17 ceding paragraph (1), by striking “preceding” and insert-
18 ing “other”.

19 (c) APPLICATION.—The amendments made by sub-
20 sections (a) and (b) shall apply to any collective bar-
21 gaining agreement entered into after the date of enact-
22 ment of this section.

23 **SEC. 103. PROTECTING TAXPAYER PRIVACY.**

24 (a) INCREASE OF PENALTY FOR UNAUTHORIZED
25 DISCLOSURE OF TAXPAYER INFORMATION.—

1 (1) IN GENERAL.—Paragraph (1) of section
2 7213(a) of the Internal Revenue Code of 1986 is
3 amended by striking “\$5,000” and inserting
4 “\$250,000”.

5 (2) DISCLOSURES BY TAX RETURN PRE-
6 PARERS.—Subsection (a) of section 7216 of the In-
7 ternal Revenue Code of 1986 is amended by striking
8 “\$1,000 (\$100,000 in the case of a disclosure or use
9 to which section 6713(b) applies)” and inserting
10 “\$250,000”.

11 (3) EFFECTIVE DATE.—The amendments made
12 by this subsection shall apply to disclosures made on
13 or after the date of the enactment of this Act.

14 (b) REMOVAL.—

15 (1) IN GENERAL.—Section 7701(c)(1)(A) of
16 title 5, United States Code, is amended by inserting
17 “or in the case of an action involving a removal from
18 the service for an alleged violation of section
19 7213(a)(1) of the Internal Revenue Code of 1986,”
20 after “described in section 4303,”.

21 (2) RULE OF CONSTRUCTION.—The amend-
22 ments made by paragraph (1) may not be construed
23 to permit an officer or employee of the United
24 States to submit an appeal to the Merit Systems
25 Protection Board if that individual is dismissed from

1 office or discharged from employment upon convic-
2 tion for a violation of section 7213(a)(1) of the In-
3 ternal Revenue Code of 1986.

4 **TITLE II—RESTRAINTS ON IRS** 5 **ENFORCEMENT**

6 **SEC. 201. TAX GAP PROJECTION.**

7 (a) IN GENERAL.—Not later than 180 days after the
8 date of the enactment of this section, and no later than
9 July 31 annually thereafter, the Commissioner of Internal
10 Revenue shall submit to Congress a projection detailing
11 the tax gap estimate for the most recent taxable year as
12 is practicable using the most recently available data, and
13 including identification and detailed descriptions of the
14 data used for such projection and clear identification of
15 the amount of the projected tax gap associated with non-
16 filing, underreporting, and underpayment (including iden-
17 tifying the amount subject to collection actions).

18 (b) USE OF ARTIFICIAL INTELLIGENCE.—To the ex-
19 tent practicable, for purposes of reducing the burden on
20 taxpayers subject to National Research Program audits,
21 the Commissioner shall use artificial intelligence, including
22 neural machine learning, and other available data analysis
23 tools, including commercial analytic data providers, to cal-
24 culate a projection described in subsection (a).

1 (c) NATIONAL RESEARCH PROGRAM AUDITS.—In
2 calculating a projection described in subsection (a), the
3 Commissioner of Internal Revenue shall not undertake
4 more National Research Program audits in any one fiscal
5 year than are undertaken in fiscal year 2022.

6 (d) TAX GAP.—For purposes of this section, the term
7 “tax gap” means the difference between tax liabilities
8 owed to the United States under the Internal Revenue
9 Code of 1986 and those liabilities actually collected by the
10 Internal Revenue Service.

11 **SEC. 202. JCT REPORT.**

12 (a) IN GENERAL.—Not later than 180 days after the
13 submission of the first tax gap projection to Congress
14 under section 201, and not later than 90 days after the
15 submission of each successive submission, the Chief of
16 Staff of the Joint Committee on Taxation shall submit to
17 the Committee on Ways and Means of the House of Rep-
18 resentatives and the Committee on Finance of the Senate
19 a report analyzing such projection, including—

- 20 (1) identification of methodologies used,
- 21 (2) any statistical or methodological uncertain-
22 ties,
- 23 (3) the effect of outdated data, if any, on the
24 accuracy of such projection, and

1 (4) such additional information as the Joint
2 Committee on Taxation determines is useful for
3 Congress to use to assess and analyze the tax gap
4 projections provided by the Commissioner of Inter-
5 nal Revenue.

6 (b) **RELEASE OF INFORMATION.**—For purposes of fa-
7 cilitating the report described in subsection (a), the Sec-
8 retary of the Treasury shall, in a timely manner, provide
9 to the Joint Committee on Taxation such information as
10 such committee requests.

11 **SEC. 203. RESTRICTION ON INCREASED ENFORCEMENT**
12 **FUNDS.**

13 (a) **IN GENERAL.**—Notwithstanding any other provi-
14 sion of law, no funds appropriated to the Department of
15 the Treasury for audit and enforcement purposes in excess
16 of the levels appropriated for such purposes in fiscal year
17 2022 may be expended for such purposes, including for
18 salaries, expenses, and enforcement activities, until 180
19 days after the Internal Revenue Service publishes an up-
20 dated tax gap projection pursuant to, and compliant with,
21 section 201.

22 (b) **SUNSET.**—The provisions of subsection (a) shall
23 not apply after the date which is one year after the date
24 of the enactment of this section.

1 **SEC. 204. RESTRICTION ON INCREASED FUNDING FOR**
2 **OTHER SPECIFIED PURPOSES.**

3 (a) **IN GENERAL.**—Notwithstanding any other provi-
4 sion of law, no funds appropriated to the Department of
5 the Treasury in excess of the levels appropriated for speci-
6 fied purposes in fiscal year 2022 may be expended for
7 specified purposes.

8 (b) **SPECIFIED PURPOSES.**—For purposes of sub-
9 section (a), the term “specified purposes” means—

10 (1) the implementation of new information re-
11 porting requirements on flows of deposits and with-
12 draws in individual and small-business banking ac-
13 counts and other financial accounts,

14 (2) the targeting of United States citizens in re-
15 sponse to the exercise by such citizens of any legally
16 protected or recognized right guaranteed under the
17 First Amendment to the United States Constitution,

18 (3) the targeting of a group for regulatory scru-
19 tiny based on the ideological beliefs of such group,

20 (4) the auditing of individual taxpayers with an
21 adjusted gross income of less than \$400,000, and

22 (5) the hiring under an agreement pursuant to
23 the Intragovernmental Personnel Act of 1970 (sec-
24 tions 3371 et seq. of title 5, United States Code) or
25 any other authority of an authorized researcher who
26 is not a full time Federal employee to access data

1 subject to privacy protections afforded by section
2 6103 of the Internal Revenue Code of 1986.

3 **SEC. 205. EFFICIENT USE OF EXISTING IRS RESOURCES.**

4 For purposes of increasing enforcement actions in
5 areas of high noncompliance and reducing the corporate
6 audit no-change rate of the Internal Revenue Service to
7 below 20 percent by 2024—

8 (1) the Secretary (or the Secretary’s delegate)
9 shall, not later than 180 days after the date of the
10 enactment of this section—

11 (A) update the methodology that is used
12 for the selection of corporate returns for audit,
13 and

14 (B) reassign resources of the Internal Rev-
15 enue Service such that the majority of high-in-
16 come nonfilers are subject to enforcement ac-
17 tions, and

18 (2) the Comptroller General of the United
19 States shall, within one year after the date of the
20 enactment of this section, issue a comprehensive re-
21 port to Congress on information returns and data
22 collected by the Internal Revenue Service that could
23 be deployed for compliance activities but that are
24 not currently used for such activities.

1 **SEC. 206. IRS FELLOWSHIP PROGRAM.**

2 (a) ESTABLISHMENT.—Not later than September 30,
3 2024, the Commissioner of Internal Revenue (hereinafter
4 known as the “Commissioner”) after consultation with the
5 Chief Counsel of the Internal Revenue Service (hereinafter
6 known as the “Chief Counsel”), shall establish within the
7 Internal Revenue Service a fellowship program (herein-
8 after known as the “program”) to recruit private sector
9 tax experts to join the Internal Revenue Service to create
10 and participate in the audit task force established under
11 subsection (e).

12 (b) OBJECTIVE.—The Commissioner, after consulta-
13 tion with the Chief Counsel, shall design the program in
14 a manner such that the program—

15 (1) addresses such tax cases handled by the In-
16 ternal Revenue Service as the Commissioner deter-
17 mines—

18 (A) are the most complex, or

19 (B) include new and emerging issues, and

20 (2) recruits and retains outstanding and quali-
21 fied tax experts.

22 (c) ADVERTISEMENT OF PROGRAM.—The Commis-
23 sioner shall advertise the program in such a way as to
24 attract mid-career tax professionals, including certified
25 public accountants, tax attorneys, and such other tax pro-

1 fessionals as the Commissioner determines are appro-
2 priately qualified to handle the most complex tax cases.

3 (d) STRUCTURE.—

4 (1) IN GENERAL.—The program shall be
5 staffed by not fewer than 30 fellows at the discretion
6 of the Commissioner based on needs of the Internal
7 Revenue Service and the availability of qualified can-
8 didates.

9 (2) TERM OF SERVICE.—

10 (A) IN GENERAL.—Each fellow shall be
11 hired for a 2-, 3-, or 4-year term of service.

12 (B) EXTENSIONS.—

13 (i) IN GENERAL.—A fellow may apply
14 for, and the Commissioner may grant, a 1-
15 year extension of the fellowship.

16 (ii) NO LIMIT ON NUMBER OF EXTEN-
17 SIONS.—There shall be no limit on the
18 number of extensions under clause (i).

19 (3) FELLOWSHIP VACANCIES.—The Commis-
20 sioner, after consultation with the Chief Counsel,
21 shall fill vacant fellowships—

22 (A) in such a manner as to ensure that the
23 program is staffed with no fewer than 15 fel-
24 lows, and

1 (B) as soon as practicable after the va-
2 cancy arises.

3 (4) HIRING AUTHORITY.—The Commissioner
4 shall have authority to permanently hire a fellow at
5 the end of the term of service for such fellow.

6 (e) TASK FORCE.—Not later than the date on which
7 the first fellowship is awarded under this section, the Com-
8 missioner shall establish a task force within the Internal
9 Revenue Service and the office of the Chief Counsel in
10 both national and regional office placements that includes
11 the fellows hired pursuant to subsection (d), the purpose
12 of which is to—

13 (1) perform audit case selection,

14 (2) educate Internal Revenue Service employees
15 on emerging issues,

16 (3) audit selected taxpayers,

17 (4) address offshore tax evasion and issues im-
18 plicating the Foreign Account Tax Compliance Act,
19 and

20 (5) identify, mentor, and train junior employees
21 from the Internal Revenue Service with respect to
22 audits.

23 (f) COMPOSITION.—The task force established under
24 subsection (e) may be composed of both—

25 (1) fellows, and

1 (2) permanent employees of the Internal Rev-
2 enue Service.

3 (g) PAY OF FELLOWS.—

4 (1) IN GENERAL.—The Secretary of the Treas-
5 ury (or the Secretary’s delegate) shall determine,
6 subject to the provisions of this subsection, the pay
7 of fellows recruited under subsection (a).

8 (2) PAY SCALE.—For purposes of paragraph
9 (1), the pay of a fellow shall not be less than the
10 minimum rate payable for GS–15 of the General
11 Schedule and shall not exceed the amount of annual
12 compensation (excluding expenses) specified in sec-
13 tion 102 of title 3, United States Code.

14 (h) ADMINISTRATION OF PROGRAM.—The Secretary
15 may appoint a lead program officer to administer and ad-
16 vertise the program.

17 (i) ANNUAL REVIEW AND REPORT.—Not later than
18 1 year after the date on which the first fellowship is
19 awarded under this section, and annually thereafter, the
20 Commissioner shall submit to Congress a report con-
21 taining—

22 (1) an analysis of the effects of the program,

23 (2) an analysis of the return on investment of
24 the program, including calculations of all costs in-

1 curred and all tax revenue and penalties collected
2 due to the work of the task force,

3 (3) a description of the total number of fellows
4 who apply each year, and

5 (4) recommendations for changes to the pro-
6 gram, if any.

7 (j) RULES AND REGULATIONS.—The Commissioner,
8 with the approval of the Secretary of the Treasury (or the
9 Secretary’s delegate, other than the Commissioner), shall
10 promulgate such rules and regulations as may be nec-
11 essary for the efficient administration of the program.

12 **TITLE III—PROVISIONS TO RE-**
13 **DUCE IMPROPER TAX PAY-**
14 **MENTS**

15 **SEC. 301. FINDINGS AND PURPOSE.**

16 (a) FINDINGS.—Congress finds that when the Inter-
17 nal Revenue Service makes payments to taxpayers, the In-
18 ternal Revenue Services must make every effort to confirm
19 that the right recipient is receiving the right payment for
20 the right reason at the right time.

21 (b) PURPOSE.—The purpose of this title is to—

22 (1) reduce improper tax payments by the Inter-
23 nal Revenue Service—

24 (A) by intensifying efforts to eliminate
25 payment error, waste, fraud, and abuse; and

1 (B) by continuing to ensure that the Inter-
2 nal Revenue Service provides accessible tax-
3 payer services;

4 (2) adopt a comprehensive set of policies, in-
5 cluding—

6 (A) transparency of significant improper
7 tax payments; and

8 (B) accountability for reducing improper
9 tax payments; and

10 (3) protect taxpayer services.

11 **SEC. 302. IMPROPER TAX PAYMENT DEFINED.**

12 For purposes of this title, the term “improper tax
13 payment” means any credit or refund of an overpayment
14 of a tax imposed under the Internal Revenue Code of 1986
15 that should not have been made or that was made in an
16 incorrect amount.

17 **SEC. 303. TRANSPARENCY.**

18 (a) IN GENERAL.—Not later than 90 days after the
19 date of enactment of this section, the Secretary of the
20 Treasury shall establish, in coordination with the Commis-
21 sioner of Internal Revenue, annual targets for reducing
22 improper tax payments made by the Internal Revenue
23 Service.

24 (b) PUBLISHED INFORMATION.—

1 (1) IN GENERAL.—Not later than 180 days
2 after the date of enactment of this section, and an-
3 nually thereafter, the Secretary of the Treasury shall
4 publish on the internet information about improper
5 tax payments made by the Internal Revenue Service.

6 (2) CONTENTS.—The information published
7 under paragraph (1) shall include, subject to Fed-
8 eral privacy policies and to the extent permitted by
9 law—

10 (A) the name of the accountable official
11 designated under section 304(a);

12 (B) rates and amounts as of the date of
13 enactment of this section, and historical rates
14 and amounts, of improper tax payments made
15 by the Internal Revenue Service, including, if
16 known and appropriate, the causes of the im-
17 proper tax payments;

18 (C) rates and amounts as of the date of
19 enactment of this section, and historical rates
20 and amounts, of the recovery of improper tax
21 payments (estimated on the basis of applicable
22 samples where appropriate); and

23 (D) the annual targets for reducing im-
24 proper tax payments.

1 (c) **METHODOLOGY.**—The methodology used for iden-
2 tifying and measuring improper tax payments under this
3 section shall meet the requirement of section
4 3352(c)(1)(A) of title 31, United States Code.

5 (d) **LINKS.**—The Commissioner of Internal Revenue
6 shall prominently display on the homepage of the website
7 of the Internal Revenue Service a link to internet-based
8 resources for addressing improper tax payments, including
9 the information published under subsection (b)(1).

10 **SEC. 304. ACCOUNTABILITY AND COORDINATION.**

11 (a) **ACCOUNTABLE OFFICIALS.**—Not later than 120
12 days after the date of enactment of this section, the Com-
13 missioner of Internal Revenue shall designate an official
14 to be accountable for meeting the reduction targets under
15 section 303(a) without unduly burdening taxpayer serv-
16 ices.

17 (b) **REPORT.**—

18 (1) **IN GENERAL.**—Not later than 180 days
19 after the date of enactment of this section, and an-
20 nually thereafter, the official who is designated
21 under subsection (a) shall provide the Director of
22 the Office of Management and Budget and the ap-
23 propriate congressional committees a report that in-
24 cludes—

1 (A) the methodology used for identifying
2 and measuring improper tax payments under
3 section 303(c);

4 (B) the plans for meeting the reduction
5 targets under section 303(a); and

6 (C) the plans and supporting analysis for
7 ensuring that initiatives undertaken in accord-
8 ance with this title do not unduly burden tax-
9 payer services.

10 (2) APPROPRIATE CONGRESSIONAL COMMIT-
11 TEES.—For purposes of paragraph (1), the term
12 “appropriate congressional committees” means the
13 Committee on Finance of the Senate and the Com-
14 mittee on Ways and Means of the House of Rep-
15 resentatives.

16 (c) DUTIES OF INSPECTOR GENERAL.—Not later
17 than 60 days after the date on which the annual report
18 required under subsection (b) is submitted, the Treasury
19 Inspector General for Tax Administration shall—

20 (1) assess the level of risk for improper tax
21 payments by the Internal Revenue Service;

22 (2) determine the extent of oversight warranted
23 (in addition to oversight requirements under section
24 3353 of title 31, United States Code); and

1 (3) provide the Commissioner of Internal Rev-
2 enue with recommendations, if any, for modifying
3 the methodology, improper tax payment reduction
4 plans, or taxpayer services.

5 (d) AGENCY FAILURE.—

6 (1) IN GENERAL.—If the Internal Revenue
7 Service does not demonstrate an improvement in re-
8 ducing improper tax payments, fails to develop a
9 plan to meet reduction targets under subsection
10 (b)(1)(B), or fails to implement the plans described
11 in subsection (b)(1)(C) for not less than 2 consecu-
12 tive years, the official designated under subsection
13 (a) shall submit to the Commissioner of Internal
14 Revenue, the Treasury Inspector General for Tax
15 Administration, and the Chief Financial Officer of
16 the Internal Revenue Service a report that—

17 (A) describe the likely causes of the lack or
18 improvement or failure; and

19 (B) proposes a remedial plan.

20 (2) REVIEW.—Annually, the Commissioner of
21 Internal Revenue shall, with respect to a remedial
22 plan proposed under paragraph (1)(B)—

23 (A) review the remedial plan; and

24 (B) in consultation with the Treasury In-
25 spector General for Tax Administration and

1 Chief Financial Officer of the Internal Revenue
2 Service, forward the remedial plan and any ad-
3 ditional comments and analysis to the Director
4 of the Office of Management and Budget.

5 **SEC. 305. POLICY PROPOSALS.**

6 (a) IN GENERAL.—Not later than 180 days after the
7 date of enactment of this section, the Secretary of the
8 Treasury, in consultation with the Commissioner of Inter-
9 nal Revenue and the Treasury Inspector General for Tax
10 Administration, shall develop policy recommendations, in-
11 cluding potential legislative proposals, designed to reduce
12 improper tax payments, including improper tax payments
13 caused by error, waste, fraud, and abuse, made by the In-
14 ternal Revenue Service.

15 (b) INCLUSION.—The recommendations developed
16 under subsection (a) shall be included, as appropriate, in
17 the budget of the President under section 1105(a) of title
18 31, United States Code, for fiscal year 2024 and each fis-
19 cal year thereafter.

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