

117TH CONGRESS
1ST SESSION

H. R. 3738

To amend the Internal Revenue Code of 1986 to reduce taxpayer burdens and enhance taxpayer protections, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

JUNE 4, 2021

Mr. VELA introduced the following bill; which was referred to the Committee on Ways and Means

A BILL

To amend the Internal Revenue Code of 1986 to reduce taxpayer burdens and enhance taxpayer protections, 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; ETC.**

4 (a) SHORT TITLE.—This Act may be cited as the
5 “John Lewis Taxpayer Protection Act”.

6 (b) AMENDMENT OF 1986 CODE.—Except as other-
7 wise expressly provided, whenever in this Act an amend-
8 ment or repeal is expressed in terms of an amendment
9 to, or repeal of, a section or other provision, the reference

1 shall be considered to be made to a section or other provi-
 2 sion of the Internal Revenue Code of 1986, as amended.

3 (c) TABLE OF CONTENTS.—The table of contents for
 4 this Act is as follows:

Sec. 1. Short title; etc.

TITLE I—PROTECTION OF TAXPAYERS FROM ABUSIVE TAX
 COLLECTION PRACTICES

Sec. 101. Repeal of rules relating to tax collection contracts.

TITLE II—RELIEF FOR TAXPAYERS

Sec. 201. De minimis exclusion from gross income for discharge of indebtedness
 of individuals.

Sec. 202. Repeal suspension of statute of limitations during pending application
 for Taxpayer Assistance order.

Sec. 203. Limitation on levy on retirement savings.

Sec. 204. Tolling of limitation on levy recovery for disabled taxpayer.

Sec. 205. Extension of period to withdraw frivolous submission.

Sec. 206. Repeal of partial payment requirement on submissions of offers-in-
 compromise.

TITLE III—ASSISTANCE LOW-INCOME TAXPAYERS

Sec. 301. EITC outreach.

TITLE IV—ENSURE TAXPAYER ACCESS TO COMPETENT TAX
 RETURN PREPARERS

Sec. 401. Regulation of tax return preparers.

Sec. 402. Tax information disclosure relating to tax return preparer mis-
 conduct.

TITLE V—INCREASE FUNDING FOR SERVICES TO TAXPAYERS

Sec. 501. Low-income taxpayer clinics.

Sec. 502. Internal Revenue Service taxpayer services appropriations.

5 **TITLE I—PROTECTION OF TAX-**
 6 **PAYERS FROM ABUSIVE TAX**
 7 **COLLECTION PRACTICES**

8 **SEC. 101. REPEAL OF RULES RELATING TO TAX COLLEC-**
 9 **TION CONTRACTS.**

10 (a) IN GENERAL.—Sections 6306 and 6307 are here-
 11 by repealed, and the table of sections for subchapter A

1 of chapter 64 is amended by striking the items relating
2 to sections 6306 and 6307.

3 (b) CONFORMING AMENDMENTS.—

4 (1) Section 6103(k) is amended by striking
5 paragraph (12).

6 (2) Section 7433A(a) is amended by inserting
7 “, as in effect on the day before the date of the en-
8 actment of the John Lewis Taxpayer Protection
9 Act” after “as defined in section 6306(b)”.

10 (3) Section 7809(a) is amended by striking
11 “6306,”.

12 (4) Section 7811 is amended by striking sub-
13 section (g).

14 **TITLE II—RELIEF FOR** 15 **TAXPAYERS**

16 **SEC. 201. DE MINIMIS EXCLUSION FROM GROSS INCOME** 17 **FOR DISCHARGE OF INDEBTEDNESS OF INDI-** 18 **VIDUALS.**

19 (a) IN GENERAL.—Section 108(a)(1) is amended by
20 striking “or” at the end of subparagraph (D), by striking
21 the period at the end of subparagraph (E) and inserting
22 “, or”, and by adding at the end the following new sub-
23 paragraph:

24 “(F) the indebtedness discharged is quali-
25 fied individual indebtedness.”.

1 (b) QUALIFIED INDIVIDUAL INDEBTEDNESS.—Sec-
2 tion 108 is amended by adding at the end the following
3 new subsection:

4 “(j) SPECIAL RULES RELATING TO QUALIFIED INDI-
5 VIDUAL INDEBTEDNESS.—

6 “(1) QUALIFIED INDIVIDUAL INDEBTEDNESS
7 DEFINED.—For purposes of this section, the term
8 ‘qualified individual indebtedness’ means any indebt-
9 edness of an individual other than indebtedness
10 which is—

11 “(A) discharged on account of services per-
12 formed for the lender, or

13 “(B) held at any time by a person related
14 to such individual.

15 For purposes of subparagraph (B), a person shall be
16 treated as related to another person if the relation-
17 ship between such persons would result in a dis-
18 allowance of losses under section 267 or 707(b).

19 “(2) DOLLAR LIMITATION.—The amount of
20 qualified individual indebtedness excluded from gross
21 income under subsection (a)(1)(F) with respect to
22 any individual for any taxable year shall not exceed
23 the excess of—

24 “(A) \$10,000, over

1 “(B) the aggregate amount excluded from
2 the gross income of such individual under sub-
3 section (a)(1) for such taxable year and all
4 prior taxable years (determined without regard
5 to any amount excludable from gross income
6 under subsection (a)(1)(F) for such taxable
7 year).

8 “(3) JOINT RETURNS.—In the case of a joint
9 return—

10 “(A) the dollar limitation under paragraph
11 (2) shall be applied separately to each spouse,
12 and

13 “(B) the taxpayer may elect to treat any
14 indebtedness of either spouse as indebtedness of
15 the other spouse.”.

16 (c) COORDINATION.—

17 (1) IN GENERAL.—Section 108(a)(2) is amend-
18 ed by adding at the end the following new subpara-
19 graph:

20 “(D) PRECEDENCE OF INDIVIDUAL IN-
21 DEBTEDNESS EXCLUSION.—

22 “(i) INDIVIDUAL INDEBTEDNESS EX-
23 CLUSION TAKES PRECEDENCE OVER IN-
24 SOLVENCY EXCLUSION UNLESS ELECTED
25 OTHERWISE.—Paragraph (1)(B) shall not

1 apply to a discharge to which paragraph
2 (1)(F) applies unless the taxpayer elects to
3 apply paragraph (1)(B) in lieu of para-
4 graph (1)(F).

5 “(ii) OTHER EXCLUSIONS TAKE PRECE-
6 DENCE.—Subparagraph (F) shall not
7 apply to a discharge to which subpara-
8 graph (C), (D), or (E) applies.”.

9 (2) TITLE 11 EXCLUSION TAKES PRECE-
10 DENCE.—Section 108(a)(2)(A) is amended by strik-
11 ing “and (E)” and inserting “(E), and (F)”.

12 (d) EFFECTIVE DATE.—The amendments made by
13 this section shall apply to discharges of indebtedness after
14 the date of the enactment of this Act.

15 **SEC. 202. REPEAL SUSPENSION OF STATUTE OF LIMITA-**
16 **TIONS DURING PENDING APPLICATION FOR**
17 **TAXPAYER ASSISTANCE ORDER.**

18 (a) IN GENERAL.—Section 7811 is amended by strik-
19 ing subsection (d) and redesignating subsections (e), (f),
20 and (g) as subsections (d), (e), and (f), respectively.

21 (b) CONFORMING AMENDMENT.—Section 6306(k)(2)
22 is amended by striking “section 7811(g)” and inserting
23 “section 7811(f)”.

1 (c) EFFECTIVE DATE.—The amendment made by
2 this section shall take effect on the date of the enactment
3 of this Act.

4 **SEC. 203. LIMITATION ON LEVY ON RETIREMENT SAVINGS.**

5 (a) IN GENERAL.—Section 6334(a) is amended by
6 adding at the end the following new paragraph:

7 “(14) RETIREMENT SAVINGS.—

8 “(A) IN GENERAL.—Any individual’s inter-
9 est in a qualified retirement plan—

10 “(i) before such individual has at-
11 tained normal retirement age (or 65 in the
12 case of an individual retirement account or
13 a plan which does not specify a normal re-
14 tirement age), or

15 “(ii) after the attainment of such age
16 if the levy would create an economic hard-
17 ship due to the financial condition of the
18 taxpayer (within the meaning of
19 6343(a)(1)(D)).

20 “(B) QUALIFIED RETIREMENT PLAN.—For
21 purposes of this paragraph, the term ‘qualified
22 retirement plan’ means—

23 “(i) an individual retirement account,
24 or

1 “(ii) a defined contribution plan
2 which—

3 “(I) is described in section
4 401(a) and which includes a trust ex-
5 empt from tax under section 501(a),

6 “(II) is described in subsection
7 (a) or (b) of section 403, or

8 “(III) is an eligible deferred com-
9 pensation plan (as defined in section
10 457(b)) of an eligible employer de-
11 scribed in section 457(e)(1)(A).

12 “(C) EXCEPTION FOR FLAGRANT ACTS.—
13 Subparagraph (A) shall not apply if the Sec-
14 retary determines that—

15 “(i) the taxpayer filed a fraudulent re-
16 turn, or

17 “(ii) the taxpayer acted with the in-
18 tent to evade or defeat any tax imposed by
19 this title or the collection or payment
20 thereof.”.

21 (b) EFFECTIVE DATE.—The amendment made by
22 this section shall apply to levies issued after December 31,
23 2020.

1 **SEC. 204. TOLLING OF LIMITATION ON LEVY RECOVERY**
2 **FOR DISABLED TAXPAYER.**

3 (a) IN GENERAL.—Section 6343(b) is amended by in-
4 serting after the third sentence: “In the case of an indi-
5 vidual, the running of such 9-month period shall be sus-
6 pended during any period of such individual’s life that
7 such individual is financially disabled (as defined in sec-
8 tion 6511(h)).”.

9 (b) SUITS BY PERSONS OTHER THAN TAXPAYERS.—
10 Section 6532(c)(1) is amended by adding at the end the
11 following: “In the case of an individual, the running of
12 such 9-month period shall be suspended during any period
13 of such individual’s life that such individual is financially
14 disabled (as defined in section 6511(h)).”.

15 **SEC. 205. EXTENSION OF PERIOD TO WITHDRAW FRIVO-**
16 **LOUS SUBMISSION.**

17 (a) IN GENERAL.—Section 6702(b)(3) is amended by
18 striking “30 days” and inserting “60 days”.

19 (b) EFFECTIVE DATE.—The amendment made by
20 this section shall apply to notices provided after December
21 31, 2021.

22 **SEC. 206. REPEAL OF PARTIAL PAYMENT REQUIREMENT**
23 **ON SUBMISSIONS OF OFFERS-IN-COM-**
24 **PROMISE.**

25 (a) IN GENERAL.—Section 7122 is amended by strik-
26 ing subsection (c) and by redesignating subsections (d),

1 (e), (f), and (g) as subsections (e), (d), (e), and (f), respec-
2 tively.

3 (b) CONFORMING AMENDMENTS.—

4 (1) Section 7122(d)(3) is amended by inserting
5 “and” at the end of the subparagraph (A), by strik-
6 ing “, and” at the end of subparagraph (B) and in-
7 serting a period, and by striking subparagraph (C).

8 (2) Section 7122, as amended by this section,
9 is amended by adding at the end the following new
10 subsection:

11 “(g) APPLICATION OF USER FEE.—In the case of
12 any assessed tax or other amounts imposed under this title
13 with respect to such tax which is the subject of an offer-
14 in-compromise, such tax or other amounts shall be reduced
15 by any user fee imposed under this title with respect to
16 such offer-in-compromise.”.

17 (3) Section 6159(g) is amended by striking
18 “section 7122(e)” and inserting “section 7122(d)”.

19 (c) EFFECTIVE DATE.—The amendments made by
20 this section shall apply to offers submitted after the date
21 of the enactment of this Act.

1 **TITLE III—ASSISTANCE LOW-**
2 **INCOME TAXPAYERS**

3 **SEC. 301. EITC OUTREACH.**

4 (a) IN GENERAL.—Section 32 is amended by adding
5 at the end the following new subsection:

6 “(o) NOTIFICATION OF POTENTIAL ELIGIBILITY FOR
7 CREDIT AND REFUND.—

8 “(1) IN GENERAL.—To the extent possible and
9 on an annual basis, the Secretary shall provide no-
10 tice to each taxpayer who—

11 “(A) did not claim the credit under sub-
12 section (a) for any preceding taxable year for
13 which credit or refund is not precluded by sec-
14 tion 6511, and

15 “(B) may be allowed such credit for any
16 such taxable year based on return or return in-
17 formation (as defined in section 6103(b)) avail-
18 able to the Secretary,

19 that such taxpayer may be eligible to claim such
20 credit and a refund for such taxable year.

21 “(2) NOTICE.—Notice provided under para-
22 graph (1) shall be in writing and sent to the last
23 known address of the taxpayer.”.

24 (b) EFFECTIVE DATE.—The amendment made by
25 this section shall take effect on January 1, 2021.

1 **TITLE IV—ENSURE TAXPAYER**
2 **ACCESS TO COMPETENT TAX**
3 **RETURN PREPARERS**

4 **SEC. 401. REGULATION OF TAX RETURN PREPARERS.**

5 (a) IN GENERAL.—Section 330(a) of title 31, United
6 States Code, is amended—

7 (1) by striking paragraph (1) and inserting the
8 following:

9 “(1) regulate—

10 “(A) the practice of representatives of per-
11 sons before the Department of the Treasury;
12 and

13 “(B) the practice of tax return preparers;
14 and”, and

15 (2) in paragraph (2)—

16 (A) by inserting “or tax return preparer”
17 after “representative” each place it appears,
18 and

19 (B) by inserting “or in preparing their tax
20 returns, claims for refund, or documents in con-
21 nection with tax returns or claims for refund”
22 after “cases” in subparagraph (D).

23 (b) AUTHORITY TO SANCTION REGULATED TAX RE-
24 TURN PREPARERS.—Section 330(c) of title 31, United
25 States Code, is amended—

1 (1) by inserting “or tax return preparer” after
2 “representative” each place it appears, and

3 (2) in paragraph (4), by striking “misleads or
4 threatens” and all that follows and inserting the fol-
5 lowing: “misleads or threatens—

6 “(A) any person being represented or any
7 prospective person being represented; or

8 “(B) any person or prospective person
9 whose tax return, claim for refund, or document
10 in connection with a tax return or claim for re-
11 fund, is being or may be prepared.”.

12 (c) TAX RETURN PREPARER DEFINED.—Section 330
13 of title 31, United States Code, is amended by adding at
14 the end the following new subsection:

15 “(f) TAX RETURN PREPARER.—For purposes of this
16 section—

17 “(1) IN GENERAL.—The term ‘tax return pre-
18 parer’ has the meaning given such term under sec-
19 tion 7701(a)(36) of the Internal Revenue Code of
20 1986.

21 “(2) TAX RETURN.—The term ‘tax return’ has
22 the meaning given to the term ‘return’ under section
23 6696(e)(1) of such Code.

1 “(3) CLAIM FOR REFUND.—The term ‘claim for
2 refund’ has the meaning given such term under sec-
3 tion 6696(e)(2) of such Code.”.

4 (d) EFFECTIVE DATE.—The amendments made by
5 this section shall apply with respect to returns and claims
6 for refund for taxable years beginning after the date of
7 the enactment of this Act.

8 **SEC. 402. TAX INFORMATION DISCLOSURE RELATING TO**
9 **TAX RETURN PREPARER MISCONDUCT.**

10 Section 6103(k), as amended by section 101, is
11 amended by inserting after paragraph (11) at the end the
12 following new paragraph:

13 “(12) DISCLOSURE RELATING TO TAX RETURN
14 PREPARER MISCONDUCT.—Under such procedures as
15 the Secretary may prescribe, the Secretary may dis-
16 close returns or return information to the extent
17 necessary to publish final decisions by the Internal
18 Revenue Service Office of Professional Responsibility
19 relating to tax return preparer misconduct.”.

20 **TITLE V—INCREASE FUNDING**
21 **FOR SERVICES TO TAXPAYERS**

22 **SEC. 501. LOW-INCOME TAXPAYER CLINICS.**

23 (a) INCREASE IN AUTHORIZED GRANTS.—Section
24 7526(e)(1) is amended by striking “\$6,000,000” and in-
25 serting “\$20,000,000”.

1 (b) CLERICAL AMENDMENT.—Section 7526(c)(5) is
2 amended by inserting “qualified” before “low-income”.

3 (c) EFFECTIVE DATE.—The amendments made by
4 this section shall apply with respect to grants made after
5 the date of the enactment of this Act.

6 **SEC. 502. INTERNAL REVENUE SERVICE TAXPAYER SERV-**
7 **ICES APPROPRIATIONS.**

8 There is hereby appropriated, out of any money in
9 the Treasury not otherwise appropriated, for the fiscal
10 year ending September 30, 2022, for necessary expenses
11 of the Internal Revenue Service to provide taxpayer serv-
12 ices, including pre-filing assistance and education, filing
13 and account services, taxpayer advocacy services, and
14 other services as authorized by 5 U.S.C. 3109, at such
15 rates as may be determined by the Commissioner,
16 \$2,406,000,000.

○