

114TH CONGRESS  
1ST SESSION

# H. R. 3981

To amend the Internal Revenue Code of 1986 to prevent tax-related identity theft and tax fraud, and for other purposes.

---

## IN THE HOUSE OF REPRESENTATIVES

NOVEMBER 5, 2015

Mr. PASCARELL (for himself, Mr. BLUMENAUER, Mr. THOMPSON of California, and Mr. LARSON of Connecticut) introduced the following bill; which was referred to the Committee on Ways and Means, and in addition to the Committees on Energy and Commerce, the Judiciary, Financial Services, and Appropriations, 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 prevent tax-related identity theft and tax fraud, 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) IN GENERAL.—This Act may be cited as the  
5 “Identity Theft and Tax Fraud Prevention Act of 2015”.

6 (b) TABLE OF CONTENTS.—The table of contents of  
7 this Act is as follows:

Sec. 1. Short title; etc.

TITLE I—PROTECTING VICTIMS OF TAX-RELATED IDENTITY  
THEFT

- Sec. 101. Expedited refunds for identity theft victims.
- Sec. 102. Single point of contact for identity theft victims.
- Sec. 103. Enhancements to IRS PIN Program.
- Sec. 104. Electronic filing opt out.
- Sec. 105. Taxpayer notification of suspected identity theft.

TITLE II—SHUTTING DOWN ABUSIVE IDENTITY THEFT AND TAX  
FRAUD SCHEMES

- Sec. 201. Restrictions on ability to use prepaid cards for tax fraud.
- Sec. 202. Limitation on multiple tax refunds to the same account.

TITLE III—ADDING CRITICAL NEW PROTECTIONS TO SAFEGUARD  
SOCIAL SECURITY NUMBERS

- Sec. 301. Reducing medical identity theft.
- Sec. 302. Prohibition of the display, sale, or purchase of Social Security numbers.
- Sec. 303. Criminal penalties for the misuse of a Social Security number.
- Sec. 304. Civil actions and civil penalties.

TITLE IV—STRENGTHENING LAWS AND IMPROVING  
ENFORCEMENT AGAINST TAX-RELATED IDENTITY THEFT

- Sec. 401. Criminal penalty for using a false identity in connection with tax fraud.
- Sec. 402. Increased penalty for improper disclosure or use of information by preparers of returns.
- Sec. 403. Authority to transfer Internal Revenue Service appropriations to combat tax fraud.
- Sec. 404. Local law enforcement liaison.
- Sec. 405. Extend Internal Revenue Service authority to require truncated social security numbers on Form W-2.
- Sec. 406. Clarification with respect to regulation of Federal tax return preparers.
- Sec. 407. Authentication of users of electronic services accounts.
- Sec. 408. Identity verification by tax return preparers required.

TITLE V—ACCELERATING TRANSITION TO A REAL-TIME TAX  
SYSTEM THAT PROTECTS TAXPAYERS AND REDUCES FRAUD

- Sec. 501. Improvement in access to information in the National Directory of New Hires for tax administration purposes.
- Sec. 502. Plan of action for transitioning to a real-time tax system.

1 **TITLE I—PROTECTING VICTIMS**  
2 **OF TAX-RELATED IDENTITY**  
3 **THEFT**

4 **SEC. 101. EXPEDITED REFUNDS FOR IDENTITY THEFT VIC-**  
5 **TIMS.**

6 Not later than 180 days after the date of the enact-  
7 ment of this Act, the Secretary of the Treasury, or the  
8 Secretary's delegate, shall establish a plan of action to re-  
9 duce the administrative time required to process and re-  
10 solve cases of identity theft in connection with tax returns,  
11 including the issuance of refunds to legitimate taxpayers,  
12 to no more than 90 days, on average.

13 **SEC. 102. SINGLE POINT OF CONTACT FOR IDENTITY THEFT**  
14 **VICTIMS.**

15 Not later than 180 days after the date of the enact-  
16 ment of this Act, the Secretary of the Treasury, or the  
17 Secretary's delegate, shall establish new procedures to en-  
18 sure that any taxpayer whose return has been delayed or  
19 otherwise adversely affected due to identity theft has a  
20 single point of contact at the Internal Revenue Service  
21 throughout the processing of his or her case. The single  
22 point of contact shall track the case of the taxpayer from  
23 start to finish and coordinate with other specialized units  
24 to resolve case issues as quickly as possible.

1 **SEC. 103. ENHANCEMENTS TO IRS PIN PROGRAM.**

2 (a) IN GENERAL.—The Secretary of the Treasury, or  
3 the Secretary’s delegate, shall issue a personal identifica-  
4 tion number to any individual requesting protection from  
5 identity theft-related tax fraud after the individual’s true  
6 identity has been established and verified.

7 (b) REPORT.—Not later than 360 days after the date  
8 of the enactment of this Act, the Secretary of the Treasury  
9 shall submit to Congress a report analyzing the effective-  
10 ness of the program described in subsection (a) in reduc-  
11 ing tax fraud.

12 **SEC. 104. ELECTRONIC FILING OPT OUT.**

13 Not later than 180 days after the date of the enact-  
14 ment of this Act, the Secretary of the Treasury, or the  
15 Secretary’s delegate, shall implement a program under  
16 which a person who has filed an identity theft affidavit  
17 with the Secretary may elect to prevent the processing of  
18 any Federal tax return submitted in an electronic format  
19 by a person purporting to be such a person.

20 **SEC. 105. TAXPAYER NOTIFICATION OF SUSPECTED IDEN-**  
21 **TITY THEFT.**

22 (a) IN GENERAL.—Chapter 77 of the Internal Rev-  
23 enue Code of 1986 is amended by adding at the end the  
24 following new section:

1 **“SEC. 7529. NOTIFICATION OF SUSPECTED IDENTITY**  
2 **THEFT.**

3 “If the Secretary determines that there was an unau-  
4 thorized use of the identity of any taxpayer, the Secretary  
5 shall—

6 “(1) as soon as practicable and without jeop-  
7 ardizing an investigation relating to tax administra-  
8 tion, notify the taxpayer, and

9 “(2) if any person is criminally charged by in-  
10 dictment or information relating to such unauthor-  
11 ized use, notify such taxpayer as soon as practicable  
12 of such charge.”.

13 (b) CLERICAL AMENDMENT.—The table of sections  
14 for chapter 77 of the Internal Revenue Code of 1986 is  
15 amended by adding at the end the following new item:

“Sec. 7529. Notification of suspected identity theft.”.

16 (c) EFFECTIVE DATE.—The amendments made by  
17 this section shall apply to determinations made after the  
18 date of the enactment of this Act.

19 **TITLE II—SHUTTING DOWN ABU-**  
20 **SIVE IDENTITY THEFT AND**  
21 **TAX FRAUD SCHEMES**

22 **SEC. 201. RESTRICTIONS ON ABILITY TO USE PREPAID**  
23 **CARDS FOR TAX FRAUD.**

24 (a) ACCOUNTS WITH ELEVATED RISK OF IDENTITY  
25 THEFT.—

1           (1) IN GENERAL.—Not later than 360 days  
2 after the date of the enactment of this Act, the Fed-  
3 eral primary financial regulatory agencies, in con-  
4 sultation with the Secretary of the Treasury, shall  
5 jointly prescribe regulations requiring newly issued  
6 deposit or transaction account numbers, as the case  
7 may be, to be distinguishable between verified ac-  
8 counts and at-risk accounts.

9           (2) DEFINITIONS.—As used in this section—

10           (A) the term “at-risk account” means any  
11 deposit account or transaction account, includ-  
12 ing accounts associated with a prepaid access  
13 arrangement, that is not a verified account;

14           (B) the term “primary financial regulatory  
15 agency” has the same meaning as in section  
16 2(12) of the Dodd-Frank Wall Street Reform  
17 and Consumer Protection Act (12 U.S.C.  
18 5301(12)); and

19           (C) the term “verified account” means any  
20 deposit account or transaction account in which  
21 the identity of the account holder and any pre-  
22 paid access customer associated with the ac-  
23 count is verified by—

1 (i) customer identification procedures  
2 that comply with section 5318(l) of title  
3 31, United States Code; and

4 (ii) direct review of an original, unex-  
5 pired government-issued form of identifica-  
6 tion bearing a photograph or similar safe-  
7 guard, such as a driver's license or pass-  
8 port.

9 (b) GAO AUDIT OF DEBIT CARD ISSUERS TO EN-  
10 SURE COMPLIANCE WITH CUSTOMER IDENTIFICATION  
11 REQUIREMENTS.—

12 (1) REVIEW AND EVALUATION.—The Comp-  
13 troller General of the United States shall review and  
14 evaluate the effectiveness of the current Customer  
15 Identification Program rules implementing the cus-  
16 tomer identification program requirements under  
17 section 5318(l) of title 31, United States Code, as  
18 such rules apply to the prepaid card industry.

19 (2) REQUIRED CONSIDERATIONS.—The review  
20 and evaluation required under paragraph (1) shall—

21 (A) consider whether weaknesses in cur-  
22 rent customer identification programs are con-  
23 tributing to identity theft and financial loss,  
24 particularly with respect to tax fraud; and

25 (B) review whether—

1 (i) current risk-based standards for  
2 customer identification are the best means  
3 to prevent criminal use of prepaid cards  
4 and provide sufficient guidance and cer-  
5 tainty to the sellers and providers of pre-  
6 paid access;

7 (ii) current exclusions from customer  
8 identification requirements, such as exclu-  
9 sions for government benefit programs, are  
10 appropriate; and

11 (iii) Federal regulatory agencies exer-  
12 cise adequate oversight and supervision of  
13 customer identification practices of the  
14 prepaid card industry.

15 (3) REPORT TO CONGRESS.—Not later than  
16 360 days after the date of the enactment of this Act,  
17 the Comptroller General of the United States shall  
18 submit to Congress a report—

19 (A) on the findings of the review and eval-  
20 uation required under paragraph (1); and

21 (B) containing any recommendations or  
22 proposals for legislative or administrative action  
23 to improve the customer identification practices  
24 of the prepaid card industry.



1 **SEC. 202. LIMITATION ON MULTIPLE TAX REFUNDS TO THE**  
2 **SAME ACCOUNT.**

3 (a) IN GENERAL.—Not later than 180 days after the  
4 date of the enactment of this Act, the Secretary of the  
5 Treasury, or the Secretary’s delegate, shall issue regula-  
6 tions that restrict the delivery or deposit of multiple tax  
7 refunds from the same tax year to the same individual  
8 account or mailing address.

9 (b) EXCEPTION.—The regulation promulgated under  
10 subsection (a) shall provide that the restrictions shall not  
11 apply in cases and situations where the Secretary deter-  
12 mines there is not a likelihood of tax fraud.

13 **TITLE III—ADDING CRITICAL**  
14 **NEW PROTECTIONS TO SAFE-**  
15 **GUARD SOCIAL SECURITY**  
16 **NUMBERS**

17 **SEC. 301. REDUCING MEDICAL IDENTITY THEFT.**

18 (a) REDUCTION IN RELIANCE ON SOCIAL SECURITY  
19 ACCOUNT NUMBERS IN ELECTRONIC HEALTH  
20 RECORDS.—Section 3002 of the Public Health Service Act  
21 (42 U.S.C. 300jj–12) is amended by adding at the end  
22 the following:

23 “(f) AUTHORIZATION TO DEVELOP CERTIFICATION  
24 STANDARDS.—

25 “(1) PLAN.—

1           “(A) DEVELOPMENT.—The HIT Policy  
2           Committee shall develop a plan to provide for a  
3           reliable nationwide health information tech-  
4           nology infrastructure that precludes the use of  
5           an individual’s social security account number  
6           for data matching, coordination of benefits, bill-  
7           ing, and research purposes.

8           “(B) REPORT TO CONGRESS.—Not later  
9           than 1 year after the date of the enactment of  
10          this subsection, the HIT Policy Committee shall  
11          submit to Congress a report detailing the plan  
12          developed under paragraph (1), together with  
13          recommendations for such legislation and ad-  
14          ministrative action as the HIT Policy Com-  
15          mittee determines appropriate.

16          “(2) INCORPORATION.—Not later than 5 years  
17          after the date of the enactment of this subsection,  
18          the Secretary, in consultation with the HIT Stand-  
19          ards Committee and following notice and comment  
20          rulemaking, shall incorporate the plan developed  
21          under paragraph (1)(A) in certification criteria and  
22          use all means available to impose the plan on non-  
23          certified health information systems.”.

24          (b) IMPROVED SECURITY STANDARDS.—

1           (1) IN GENERAL.—Section 1173(d)(1) of the  
2 Social Security Act (42 U.S.C. 1320d–2(d)(1)) is  
3 amended—

4           (A) in subparagraph (A)(v), by striking  
5 “and” at the end;

6           (B) in subparagraph (B), by striking the  
7 period at the end and inserting “; and”; and

8           (C) by adding at the end the following new  
9 subparagraph:

10           “(C) require a health care provider to dis-  
11 continue, over an established period of time, the  
12 storage of an individual’s social security ac-  
13 count number after the individual’s eligibility  
14 and financial responsibility for specific services  
15 has been determined, except when—

16           “(i) the individual’s ability to pay for  
17 such services is in doubt;

18           “(ii) the individual’s social security  
19 account number is needed for the coordina-  
20 tion of benefits for services rendered prior  
21 to the effective date of this subparagraph;  
22 or

23           “(iii) the health insurance claim num-  
24 ber of the individual contains the individ-  
25 ual’s full social security account number.”.

1           (2) EFFECTIVE DATE.—The amendments made  
2           by paragraph (1) shall take effect 90 days after the  
3           date that is 4 years after the date of the enactment  
4           of this Act.

5           (c) REPORT.—Not later than 1 year after the date  
6           of the enactment of this Act, the Secretary of Health and  
7           Human Services shall submit to Congress a report on the  
8           state of information security at medical offices and facili-  
9           ties. Such report shall include recommendations for such  
10          legislative actions as the Secretary determines appropriate  
11          to help prevent identity theft at such offices and facilities.

12       **SEC. 302. PROHIBITION OF THE DISPLAY, SALE, OR PUR-**  
13                               **CHASE OF SOCIAL SECURITY NUMBERS.**

14          (a) PROHIBITION.—

15               (1) IN GENERAL.—Chapter 47 of title 18,  
16               United States Code, is amended by inserting after  
17               section 1028A the following:

18       **“§ 1028B. Prohibition of the display, sale, or purchase**  
19                               **of Social Security numbers**

20               “(a) DEFINITIONS.—In this section:

21                       “(1) DISPLAY.—The term ‘display’ means to in-  
22                       tentionally communicate or otherwise make available  
23                       (on the Internet or in any other manner) to the gen-  
24                       eral public an individual’s Social Security number.

1           “(2) PERSON.—The term ‘person’ means any  
2 individual, partnership, corporation, trust, estate, co-  
3 operative, association, or any other entity.

4           “(3) PURCHASE.—The term ‘purchase’ means  
5 providing directly or indirectly, anything of value in  
6 exchange for a Social Security number.

7           “(4) SALE.—The term ‘sale’ means obtaining,  
8 directly or indirectly, anything of value in exchange  
9 for a Social Security number.

10           “(5) STATE.—The term ‘State’ means any  
11 State of the United States, the District of Columbia,  
12 Puerto Rico, the Northern Mariana Islands, the  
13 United States Virgin Islands, Guam, American  
14 Samoa, and any territory or possession of the  
15 United States.

16           “(b) LIMITATION ON DISPLAY.—No person may dis-  
17 play any individual’s Social Security number to the gen-  
18 eral public without the affirmatively expressed consent of  
19 the individual.

20           “(c) LIMITATION ON SALE OR PURCHASE.—Except  
21 as otherwise provided in this section, no person may sell  
22 or purchase any individual’s Social Security number with-  
23 out the affirmatively expressed consent of the individual.

24           “(d) PREREQUISITES FOR CONSENT.—In order for  
25 consent to exist under subsection (b) or (c), the person

1 displaying or seeking to display, selling or attempting to  
2 sell, or purchasing or attempting to purchase, an individ-  
3 ual's Social Security number shall—

4           “(1) inform the individual of the general pur-  
5           pose for which the number will be used, the types of  
6           persons to whom the number may be available, and  
7           the scope of transactions permitted by the consent;  
8           and

9           “(2) obtain the affirmatively expressed consent  
10          (electronically or in writing) of the individual.

11          “(e) EXCEPTIONS.—

12           “(1) IN GENERAL.—Nothing in this section  
13          shall be construed to prohibit or limit the display,  
14          sale, or purchase of a Social Security number—

15           “(A) required, authorized, or excepted  
16          under any Federal law;

17           “(B) for a public health purpose, including  
18          the protection of the health or safety of an indi-  
19          vidual in an emergency situation;

20           “(C) for a national security purpose;

21           “(D) for a law enforcement purpose, in-  
22          cluding the investigation of fraud and the en-  
23          forcement of a child support obligation;

24           “(E) if the display, sale, or purchase of the  
25          number is for a use occurring as a result of an

1 interaction between businesses, governments, or  
2 business and government (regardless of which  
3 entity initiates the interaction), including—

4 “(i) the prevention of fraud (including  
5 fraud in protecting an employee’s right to  
6 employment benefits);

7 “(ii) the facilitation of credit checks  
8 or the facilitation of background checks of  
9 employees, prospective employees, or volun-  
10 teers;

11 “(iii) the retrieval of other informa-  
12 tion from other businesses, commercial en-  
13 terprises, government entities, or private  
14 nonprofit organizations; or

15 “(iv) when the transmission of the  
16 number is incidental to, and in the course  
17 of, the sale, lease, franchising, or merger  
18 of all, or a portion of, a business;

19 “(F) if the transfer of such a number is  
20 part of a data matching program involving a  
21 Federal, State, or local agency; or

22 “(G) if such number is required to be sub-  
23 mitted as part of the process for applying for  
24 any type of Federal, State, or local government  
25 benefit or program.

1           “(2) RULE OF CONSTRUCTION.—Nothing in  
2           this subsection shall be construed as permitting a  
3           professional or commercial user to display or sell a  
4           Social Security number to the general public.

5           “(f) LIMITATION.—Nothing in this section shall pro-  
6           hibit or limit the display, sale, or purchase of Social Secu-  
7           rity numbers as permitted under title V of the Gramm-  
8           Leach-Bliley Act (15 U.S.C. 6801 et seq.), or for the pur-  
9           pose of affiliate sharing as permitted under the Fair Cred-  
10          it Reporting Act (15 U.S.C. 1681 et seq.), except that no  
11          entity regulated under such Acts may make Social Secu-  
12          rity numbers available to the general public, as may be  
13          determined by the appropriate regulators under such Acts.  
14          For purposes of this subsection, the general public shall  
15          not include affiliates or unaffiliated third-party business  
16          entities as may be defined by the appropriate regulators.”.

17           (2) CONFORMING AMENDMENT.—The chapter  
18          analysis for chapter 47 of title 18, United States  
19          Code, is amended by inserting after the item relating  
20          to section 1028 the following:

“1028B. Prohibition of the display, sale, or purchase of Social Security num-  
bers.”.

21           (b) STUDY; REPORT.—

22           (1) IN GENERAL.—The Attorney General shall  
23          conduct a study and prepare a report on all of the  
24          uses of Social Security numbers permitted, required,



1 authorized, or excepted under any Federal law. The  
2 report shall include a detailed description of the uses  
3 allowed as of the date of enactment of this Act, the  
4 impact of such uses on privacy and data security,  
5 and shall evaluate whether such uses should be con-  
6 tinued or discontinued by appropriate legislative ac-  
7 tion.

8 (2) REPORT.—Not later than 1 year after the  
9 date of the enactment of this Act, the Attorney Gen-  
10 eral shall report to Congress findings under this  
11 subsection. The report shall include such rec-  
12 ommendations for legislation based on criteria the  
13 Attorney General determines to be appropriate.

14 (c) EFFECTIVE DATE.—The amendments made by  
15 this section shall take effect on the date that is 30 days  
16 after the date on which the final regulations promulgated  
17 under section 1028B of title 18, United States Code, are  
18 published in the Federal Register.

19 **SEC. 303. CRIMINAL PENALTIES FOR THE MISUSE OF A SO-**  
20 **CIAL SECURITY NUMBER.**

21 (a) PROHIBITION OF WRONGFUL USE AS PERSONAL  
22 IDENTIFICATION NUMBER.—No person may obtain any  
23 individual's Social Security number for purposes of locat-  
24 ing or identifying an individual with the intent to phys-

1 ically injure, harm, or use the identity of the individual  
2 for any illegal purpose.

3 (b) CRIMINAL SANCTIONS.—Section 208(a) of the  
4 Social Security Act (42 U.S.C. 408(a)) is amended—

5 (1) in paragraph (8), by inserting “or” after  
6 the semicolon; and

7 (2) by inserting after paragraph (8) the fol-  
8 lowing:

9 “(9) except as provided in subsections (e) and  
10 (f) of section 1028B of title 18, United States Code,  
11 knowingly and willfully displays, sells, or purchases  
12 (as those terms are defined in section 1028B(a) of  
13 title 18, United States Code) any individual’s Social  
14 Security account number without having met the  
15 prerequisites for consent under section 1028B(d) of  
16 title 18, United States Code; or

17 “(10) obtains any individual’s Social Security  
18 number for the purpose of locating or identifying the  
19 individual with the intent to injure or to harm that  
20 individual, or to use the identity of that individual  
21 for an illegal purpose;”.

22 **SEC. 304. CIVIL ACTIONS AND CIVIL PENALTIES.**

23 (a) CIVIL ACTION IN STATE COURTS.—

24 (1) IN GENERAL.—Any individual aggrieved by  
25 an act of any person in violation of this Act or any

1 amendments made by this Act may, if otherwise per-  
2 mitted by the laws or rules of the court of a State,  
3 bring in an appropriate court of that State—

4 (A) an action to enjoin such violation;

5 (B) an action to recover for actual mone-  
6 tary loss from such a violation, or to receive up  
7 to \$500 in damages for each such violation,  
8 whichever is greater; or

9 (C) both such actions.

10 It shall be an affirmative defense in any action  
11 brought under this paragraph that the defendant  
12 has established and implemented, with due care, rea-  
13 sonable practices and procedures to effectively pre-  
14 vent violations of the regulations prescribed under  
15 this Act. If the court finds that the defendant will-  
16 fully or knowingly violated the regulations prescribed  
17 under this subsection, the court may, in its discre-  
18 tion, increase the amount of the award to an amount  
19 equal to not more than 3 times the amount available  
20 under subparagraph (B).

21 (2) STATUTE OF LIMITATIONS.—An action may  
22 be commenced under this subsection not later than  
23 the earlier of—

24 (A) 5 years after the date on which the al-  
25 leged violation occurred; or

1 (B) 3 years after the date on which the al-  
2 leged violation was or should have been reason-  
3 ably discovered by the aggrieved individual.

4 (3) NONEXCLUSIVE REMEDY.—The remedy pro-  
5 vided under this subsection shall be in addition to  
6 any other remedies available to the individual.

7 (b) CIVIL PENALTIES.—

8 (1) IN GENERAL.—Any person who the Attor-  
9 ney General determines has violated any section of  
10 this Act or any of the amendments made by this Act  
11 shall be subject, in addition to any other penalties  
12 that may be prescribed by law—

13 (A) to a civil penalty of not more than  
14 \$5,000 for each such violation; and

15 (B) to a civil penalty of not more than  
16 \$50,000, if the violations have occurred with  
17 such frequency as to constitute a general busi-  
18 ness practice.

19 (2) DETERMINATION OF VIOLATIONS.—Any  
20 willful violation committed contemporaneously with  
21 respect to the Social Security numbers of 2 or more  
22 individuals by means of mail, telecommunication, or  
23 otherwise, shall be treated as a separate violation  
24 with respect to each such individual.

1           (3) ENFORCEMENT PROCEDURES.—The provi-  
 2           sions of section 1128A of the Social Security Act  
 3           (42 U.S.C. 1320a–7a), other than subsections (a),  
 4           (b), (f), (h), (i), (j), (m), and (n) and the first sen-  
 5           tence of subsection (c) of such section, and the pro-  
 6           visions of subsections (d) and (e) of section 205 of  
 7           such Act (42 U.S.C. 405) shall apply to a civil pen-  
 8           alty action under this subsection in the same man-  
 9           ner as such provisions apply to a penalty or pro-  
 10          ceeding under section 1128A(a) of such Act (42  
 11          U.S.C. 1320a–7a(a)), except that, for purposes of  
 12          this paragraph, any reference in section 1128A of  
 13          such Act (42 U.S.C. 1320a–7a) to the Secretary  
 14          shall be deemed to be a reference to the Attorney  
 15          General.

16 **TITLE           IV—STRENGTHENING**  
 17 **LAWS AND IMPROVING EN-**  
 18 **FORCEMENT AGAINST TAX-**  
 19 **RELATED IDENTITY THEFT**

20 **SEC. 401. CRIMINAL PENALTY FOR USING A FALSE IDEN-**  
 21 **TITY IN CONNECTION WITH TAX FRAUD.**

22           (a) IN GENERAL.—Section 7206 of the Internal Rev-  
 23          enue Code of 1986 is amended—

24                   (1) by striking “Any person” and inserting the  
 25          following:

1 “(a) IN GENERAL.—Any person”, and

2 (2) by adding at the end the following new sub-  
3 section:

4 “(b) USE OF FALSE IDENTITY.—Any person who  
5 willfully misappropriates another person’s taxpayer iden-  
6 tity (as defined in section 6103(b)(6)) for the purpose of  
7 making any list, return, account, statement, or other docu-  
8 ment submitted to the Secretary under the provisions of  
9 this title shall be guilty of a felony and, upon conviction  
10 thereof, shall be fined not more than \$250,000 (\$500,000  
11 in the case of a corporation) or imprisoned not more than  
12 5 years, or both, together with the costs of prosecution.”.

13 (b) AGGRAVATED IDENTITY THEFT.—Section  
14 1028A(c) of title 18, United States Code, is amended by  
15 striking “or” at the end of paragraph (10), by striking  
16 the period at the end of paragraph (11) and inserting “;  
17 or”, and by adding at the end the following new para-  
18 graph:

19 “(12) section 7206(b) of the Internal Revenue  
20 Code of 1986 (relating to use of false identity in  
21 connection with tax fraud).”.

22 (c) EFFECTIVE DATE.—The amendments made by  
23 this section shall apply to offenses committed after the  
24 date of the enactment of this Act.

1 **SEC. 402. INCREASED PENALTY FOR IMPROPER DISCLO-**  
2 **SURE OR USE OF INFORMATION BY PRE-**  
3 **PARERS OF RETURNS.**

4 (a) IN GENERAL.—Section 6713(a) of the Internal  
5 Revenue Code of 1986 is amended—

6 (1) by striking “\$250” and inserting “\$1,000”,  
7 and

8 (2) by striking “\$10,000” and inserting  
9 “\$50,000”.

10 (b) CRIMINAL PENALTY.—Section 7216(a) of the In-  
11 ternal Revenue Code of 1986 is amended by striking  
12 “\$1,000” and inserting “\$100,000”.

13 (c) EFFECTIVE DATE.—The amendments made by  
14 this section shall apply to disclosures or uses after the date  
15 of the enactment of this Act.

16 **SEC. 403. AUTHORITY TO TRANSFER INTERNAL REVENUE**  
17 **SERVICE APPROPRIATIONS TO COMBAT TAX**  
18 **FRAUD.**

19 For any fiscal year, the Commissioner of Internal  
20 Revenue may transfer not more than \$10,000,000 to any  
21 account of the Internal Revenue Service from amounts ap-  
22 propriated to other Internal Revenue Service accounts.  
23 Any amounts so transferred shall be used solely for the  
24 purposes of preventing, detecting, and resolving potential  
25 cases of tax fraud.

1 **SEC. 404. LOCAL LAW ENFORCEMENT LIAISON.**

2 (a) ESTABLISHMENT.—The Commissioner of Inter-  
3 nal Revenue shall establish within the Criminal Investiga-  
4 tion Division of the Internal Revenue Service the position  
5 of Local Law Enforcement Liaison.

6 (b) DUTIES.—The Local Law Enforcement Liaison  
7 shall serve as the primary source of contact for State and  
8 local law enforcement authorities with respect to tax-re-  
9 lated identity theft and other tax fraud matters, having  
10 duties that shall include—

11 (1) receiving information from State and local  
12 law enforcement authorities;

13 (2) responding to inquiries from State and local  
14 law enforcement authorities;

15 (3) administering authorized information-shar-  
16 ing initiatives with State or local law enforcement  
17 authorities and reviewing the performance of such  
18 initiatives;

19 (4) ensuring any information provided through  
20 authorized information-sharing initiatives with State  
21 or local law enforcement authorities is used only for  
22 the prosecution of identity theft-related crimes and  
23 not re-disclosed to third parties; and

24 (5) any other duties as delegated by the Com-  
25 missioner of Internal Revenue.



1 **SEC. 405. EXTEND INTERNAL REVENUE SERVICE AUTHOR-**  
2 **ITY TO REQUIRE TRUNCATED SOCIAL SECU-**  
3 **RITY NUMBERS ON FORM W-2.**

4 (a) IN GENERAL.—Paragraph (2) of section 6051(a)  
5 of the Internal Revenue Code of 1986 is amended by strik-  
6 ing “his social security number” and inserting “an identi-  
7 fying number for the employee”.

8 (b) EFFECTIVE DATE.—The amendment made by  
9 this section shall take effect on the date of the enactment  
10 of this Act.

11 **SEC. 406. CLARIFICATION WITH RESPECT TO REGULATION**  
12 **OF FEDERAL TAX RETURN PREPARERS.**

13 (a) IN GENERAL.—Subsection (a) of section 330 of  
14 title 31, United States Code, is amended—

15 (1) by striking paragraph (1) and inserting the  
16 following:

17 “(1) regulate—

18 “(A) the practice of representatives of per-  
19 sons before the Department of the Treasury;  
20 and

21 “(B) the practice of tax return preparers;  
22 and”, and

23 (2) in paragraph (2)—

24 (A) by inserting “or tax return preparer”  
25 after “representative” each place it appears,  
26 and

1 (B) by inserting “or in preparing their tax  
2 returns, claims for refund, or documents in con-  
3 nection with tax returns or claims for refund”  
4 after “cases” in subparagraph (D).

5 (b) AUTHORITY TO SANCTION REGULATED TAX RE-  
6 TURN PREPARERS.—Subsection (b) of section 330 of title  
7 31, United States Code, is amended—

8 (1) by striking “before the Department”,

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

11 (3) in paragraph (4), by striking “misleads or  
12 threatens” and all that follows and inserting “mis-  
13 leads or threatens—

14 “(A) any person being represented or any  
15 prospective person being represented; or

16 “(B) any person or prospective person  
17 whose tax return, claim for refund, or document  
18 in connection with a tax return or claim for re-  
19 fund, is being or may be prepared.”.

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

23 “(e) TAX RETURN PREPARER.—For purposes of this  
24 section—

1           “(1) IN GENERAL.—The term ‘tax return pre-  
2           parer’ has the meaning given such term under sec-  
3           tion 7701(a)(36) of the Internal Revenue Code of  
4           1986.

5           “(2) TAX RETURN.—The term ‘tax return’ has  
6           the meaning given to the term ‘return’ under section  
7           6696(e)(1) of the Internal Revenue Code of 1986.

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

11 **SEC. 407. AUTHENTICATION OF USERS OF ELECTRONIC**  
12 **SERVICES ACCOUNTS.**

13          (a) IN GENERAL.—The Commissioner of Internal  
14 Revenue shall establish a program to verify the identity  
15 of any individual opening an e-Services account with the  
16 Internal Revenue Service before such individual is able to  
17 use the e-Services tools.

18          (b) REPORT.—The Commissioner of Internal Rev-  
19 enue shall report to the Committee on Finance of the Sen-  
20 ate and the Committee on Ways and Means of the House  
21 of Representatives, not later than 1 year after the date  
22 of the enactment of this Act, on any further legislative  
23 recommendations to prevent fraud relating to the Internal  
24 Revenue Service e-Services tools, including an authorized  
25 e-file provider program.

1 **SEC. 408. IDENTITY VERIFICATION BY TAX RETURN PRE-**  
2 **PARERS REQUIRED.**

3 (a) IN GENERAL.—Section 6695 of the Internal Rev-  
4 enue Code of 1986 is amended by adding at the end the  
5 following new subsection:

6 “(i) FAILURE TO VERIFY TAXPAYER IDENTITY.—  
7 Any person who is a tax return preparer with respect to  
8 any return or claim for refund who fails to verify (in such  
9 manner and with such documentation as the Secretary  
10 shall provide) the identity of the taxpayer with respect to  
11 such return or claim for refund shall pay a penalty of  
12 \$500 for each such failure.”.

13 (b) EFFECTIVE DATE.—The amendment made by  
14 this section shall apply to returns or claims for refund  
15 filed after December 31, 2014.

16 **TITLE V—ACCELERATING TRAN-**  
17 **SITION TO A REAL-TIME TAX**  
18 **SYSTEM THAT PROTECTS**  
19 **TAXPAYERS AND REDUCES**  
20 **FRAUD**

21 **SEC. 501. IMPROVEMENT IN ACCESS TO INFORMATION IN**  
22 **THE NATIONAL DIRECTORY OF NEW HIRES**  
23 **FOR TAX ADMINISTRATION PURPOSES.**

24 (a) IN GENERAL.—Paragraph (3) of section 453(i)  
25 of the Social Security Act (42 U.S.C. 653(i)) is amended  
26 to read as follows:

1           “(3) ADMINISTRATION OF FEDERAL TAX  
2 LAWS.—The Secretary of the Treasury shall have  
3 access to the information in the National Directory  
4 of New Hires for purposes of administering the In-  
5 ternal Revenue Code of 1986.”.

6           (b) EFFECTIVE DATE.—The amendment made by  
7 this section shall take effect on the date of the enactment  
8 of this Act.

9   **SEC. 502. PLAN OF ACTION FOR TRANSITIONING TO A**  
10                                   **REAL-TIME TAX SYSTEM.**

11           Not later than 270 days after the date of the enact-  
12 ment of this Act, the Secretary of the Treasury, or the  
13 Secretary’s delegate, shall submit to Congress a report  
14 analyzing and outlining options and potential timelines for  
15 moving toward a tax system that reduces burdens on tax-  
16 payers and decreases tax fraud through real-time informa-  
17 tion matching.

○