

April 17, 2007

## **H.R. 1677 - Taxpayer Protection Act of 2007**

### **Floor Situation**

H.R. 1677 is being considered on the floor under suspension of the rules and will require a two-thirds majority vote for passage. The bill was introduced by Representative Charles Rangel (D-NY) on March 26, 2007. The Ways and Means Committee reported the bill, by voice vote, on March 28, 2007.

The bill is expected to be considered on the floor on April 17, 2007.

### **Summary**

H.R. 1677:

- Allows husband and wife joint venture businesses, which currently file joint tax returns and are treated as a partnership, to file individual tax returns as sole proprietors.

*\*Note: This provision was included in the Small Business Tax Relief Act of 2007 (H.R. 976), which passed in the House of Representatives on February 16, 2007 by a vote of 360 – 45.*

- Requires the Internal Revenue Service (IRS) to notify a taxpayer in the event of suspected identity theft.
- Extends the time frame available for claimants to seek a return of property they charge was wrongfully levied by the IRS from 9 months to 2 years.
- In the event that the IRS wrongfully levies funds from an individual's retirement plan, H.R. 1677 requires the IRS to return the money to that retirement fund with any interest that may have accrued.

*\*Note: Under current law, wrongfully levied retirement funds are not returned to the retirement fund and are not returned with interest.*

- Permits the IRS to alert taxpayers about unclaimed tax refunds through the internet, rather than only through the press.
- Excludes refund anticipation loan providers that are deemed "predatory" from

accessing taxpayer refund information.

- Prohibits the use of the name and symbols of the Department of Treasury and its associated agencies in internet domain names that are intended to mislead recipients into believing that the sender is the Department of Treasury or any of its associated agencies.
- Requires the IRS to notify, to the extent possible, potential Earned Income Tax Credit (EITC) taxpayers of both the availability of the EITC for all open tax years for which a tax return was not filed and any unclaimed refunds resulting from wage withholding.
- Permits individuals involved in certain real estate transactions to furnish an affidavit stipulating that the individual transferring the property is not a “foreign person” as defined by the Foreign Investment in Real Property Tax Act of 1980 (FIRPTA), which requires income tax withholdings of “foreign persons.”
- Permits the IRS to disclose tax return information to the Federal Bureau of Prisons on prisoners whom the IRS has determined may have filed or facilitated the filing of false or fraudulent tax returns. The IRS may only disclose such information as is necessary to permit effective tax administration with respect to prisoners.

### **Cost**

The Congressional Budget Office (CBO) estimates that enacting H.R. 1677 would cost \$2-3 million each year, subject to appropriation of the necessary amounts, and would reduce federal revenues by \$16.5 million over the next 10 years.

*\*Note: It is expected that an additional provision may be added in an amended version of H.R. 1677 that raises the fee for writing a bad check to the IRS to the higher of either \$25 or 2% of the check amount. Current law stipulates that the fee for writing a bad check to the IRS is the higher of either \$15 or 2% of the check amount. This provision is expected to increase revenues by more than \$16.5 million over the next 10 years, preventing H.R. 1677 from violating PAYGO rules.*

### **Staff Contact**

For questions or further information contact Matt Lakin at (202) 226-2302.