

## NATIONAL TAXPAYER ADVOCATE

# Purple Book

## Compilation of Legislative Recommendations to Strengthen Taxpayer Rights and Improve Tax Administration

### INTRODUCTION

We are pleased to present this inaugural edition of the National Taxpayer Advocate Purple Book. In it, we provide a concise summary of 50 legislative recommendations that we believe will strengthen taxpayer rights and improve tax administration. Most of these recommendations have been made in detail in our prior reports, but others are presented here for the first time.

During the last two years, Congress has shown renewed interest in improving the operations of the IRS. Most notably, the House Ways and Means Subcommittee on Oversight has held several hearings to consider “IRS reform,” and Chairman Buchanan has said he plans to introduce and seek to move legislation on a bipartisan basis during 2018 in collaboration with Ranking Member Lewis.

The Purple Book is designed to assist them in their efforts, and we have aimed to make it as user friendly as possible. Each proposal is presented in a format similar to the one used for congressional committee reports, with “Present Law,” “Reasons for Change,” and “Recommendation(s)” sections. Most of our recommendations have been introduced at one time or another as freestanding bills, and some have been reported favorably by the House Committee on Ways and Means or the Senate Committee on Finance. A few have been approved by the full House or Senate.

At the end of each recommendation, we identify bills that have been introduced in the House or Senate that are consistent with our proposal. In a separate spreadsheet, we list additional reference material to assist those interested in learning more about a recommendation. The reference material includes prior bills and committee report descriptions and National Taxpayer Advocate recommendations presented in prior annual reports, congressional testimony, or other forums. Because of the large number of bills introduced in each Congress, we have almost surely have failed to list every bill that is consistent with a prior recommendation we have made. We apologize for any inadvertent oversights.

The Office of the Taxpayer Advocate is an independent organization within the IRS that advocates for the interests of taxpayers. The office is non-partisan, and we have dubbed this the “Purple Book” because the color purple, as a mix of red and blue, has come to symbolize a blending of the parties.

In that vein, it is worth emphasizing that congressional efforts to protect taxpayer rights and improve tax administration have almost always proceeded on a bipartisan basis. Between 1988 and 1998, Congress passed three significant pieces of legislation to improve tax administration and protect taxpayer rights.<sup>1</sup> Members of both parties contributed to each of these bills, and the landmark IRS Restructuring and Reform Act of

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<sup>1</sup> See Technical and Miscellaneous Revenue Act of 1988, Pub. L. No. 100–647, § 6226, 102 Stat. 3342, 3730 (1988) (containing the “Omnibus Taxpayer Bill of Rights,” also known as Taxpayer Bill of Rights 1 (TBOR 1)); Taxpayer Bill of Rights 2, Pub. L. No. 104-168, 110 Stat. 1452 (1996) (also known as TBOR 2); Internal Revenue Service Restructuring and Reform Act of 1998, Pub. L. No. 105-206, 112 Stat. 685, 726 (1998) (Title III is known as “Taxpayer Bill of Rights 3” or TBOR 3).

1998 (RRA 98) was enacted only after a bipartisan commission known as the National Commission on Restructuring the Internal Revenue Service had conducted a broad assessment of IRS operations and made recommendations for reform.<sup>2</sup>

It has now been almost 20 years since the enactment of RRA 98, and over that period, we have had ample time to assess the impact of the changes made by these three taxpayer rights acts. Most changes have stood the test of time well, but some require tweaking. In addition, tax administration has changed in many ways, partly due to the increasing use of automation by the IRS and the increasing use of the internet and other digital services by taxpayers.

For these reasons, we are very much encouraged by the congressional interest in examining the current state of tax administration and developing legislation to improve it. This is an important undertaking.

Despite the lack of comprehensive tax administration legislation since RRA 98, Members of Congress have introduced hundreds of relevant bills, and the House and Senate tax-writing committees have favorably reported several significant pieces of legislation. These bills have generally proceeded on a bipartisan basis and have enjoyed broad support.

The recommendations included in this volume are drawn from many sources, including:

- The National Taxpayer Advocate's Annual Reports to Congress.
- The Taxpayer Bill of Rights Enhancement Act of 2017, sponsored by Senators Grassley and Thune.<sup>3</sup>
- The Strengthening Taxpayer Rights Act of 2017, sponsored by Congressman Doggett.<sup>4</sup>
- The Small Business Owners' Tax Simplification Act, sponsored by Congressman Chabot and Congresswoman Velazquez, the Chairman and Ranking Member, respectively, of the House Committee on Small Business.<sup>5</sup>
- The Taxpayer Protection Act of 2016, which the Senate Committee on Finance reported favorably under the leadership of Chairman Hatch.<sup>6</sup>
- The Taxpayer Protection Act of 2016, sponsored by Congressman Lewis.<sup>7</sup>
- The Taxpayer Rights Act of 2015, introduced simultaneously in the House by Congressman Becerra and in the Senate by Senator Cardin.<sup>8</sup>
- The Chairman's mark of a bill to prevent identity theft and tax refund fraud prepared by the staff of the Senate Committee on Finance under the leadership of Chairman Hatch.<sup>9</sup>
- The Tax Return Preparer Competency Act of 2015, sponsored by Congresswoman Black and Congressman Meehan.<sup>10</sup>

2 Report of the National Commission on Restructuring the Internal Revenue Service, *A Vision for a New IRS* (June 25, 1997).

3 Taxpayer Bill of Rights Enhancement Act of 2017, S. 1793, 115th Cong. (2017).

4 Strengthening Taxpayer Rights Act of 2017, H.R. 3340, 115th Cong. (2017).

5 Small Business Owners' Tax Simplification Act of 2017, H.R. 3717, 115th Cong. (2017).

6 Taxpayer Protection Act of 2016, S. 3156, 114th Cong. (2016). See also S. Rep. No. 114-298 (2016) (accompanying committee report).

7 Taxpayer Protection Act of 2016, H.R. 4912, 114th Cong. (2016).

8 Taxpayer Rights Act of 2015, H.R. 4128 and S. 2333, 114th Cong. (2015).

9 See J. COMM. ON TAX'N, *Description of the Chairman's Mark of a Bill to Prevent Identity Theft and Tax Refund Fraud*, JCX-108-15 (Sept. 11, 2015).

10 Tax Return Preparer Competency Act of 2015, H.R. 4141, 114th Cong. (2015).

- A discussion draft of tax administration reform proposals prepared by the staff of the Senate Committee on Finance and released by Chairman Baucus in November 2013.<sup>11</sup>
- The Small Business Election Simplification Act, sponsored by Senators Franken, Snowe, and Enzi.<sup>12</sup>
- The Small Business Taxpayer Bill of Rights Act of 2012, sponsored by Congressman Johnson.<sup>13</sup>
- The Taxpayer Receipt Act, sponsored by Senators Nelson and Brown.<sup>14</sup>
- The Taxpayer Assistance Act of 2010, sponsored by Congressman Lewis and co-sponsored by 20 House colleagues.<sup>15</sup>
- The Taxpayer Assistance and Simplification Act of 2008, which the House of Representatives passed under the leadership of Chairman Rangel.<sup>16</sup>
- The Taxpayer Protection and Assistance Act of 2005, reported favorably by the Senate Committee on Finance under the leadership of Chairman Grassley.<sup>17</sup> In 2004, the full Senate passed a prior version of this legislation.
- The Taxpayer Protection and IRS Accountability Act of 2003, which the House of Representatives passed under the leadership of Chairman Thomas.<sup>18</sup> The original sponsor of this legislation was then-Congressman Rob Portman, who previously had served as co-chair of the National Commission on Restructuring the Internal Revenue Service.<sup>19</sup>

We believe most of the recommendations presented in this volume are non-controversial, common sense reforms that will strengthen taxpayer rights and improve tax administration. We hope the tax-writing committees and other Members of Congress find this compilation useful.

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11 Staff of Senate Committee on Finance, *Tax Administration Discussion Draft* (Nov. 20, 2013).

12 Small Business Election Simplification Act, S. 2271, 112th Cong. (2012).

13 Small Business Taxpayer Bill of Rights Act of 2012, H.R. 4375, 112th Cong. (2012).

14 Taxpayer Receipt Act, S. 437, 112th Cong. (2011).

15 Taxpayer Assistance Act of 2010, H.R. 4994, 111th Cong. (2010).

16 Taxpayer Assistance and Simplification Act of 2008, H.R. 5719, 110th Cong. (2008). See also H.R. Rep. No. 110584 (2008) (accompanying committee report).

17 Taxpayer Protection and Assistance Act of 2005, S. 832, 109th Cong. (2005) (incorporated into S. 1321 and reported favorably by the committee). See also S. REP. No. 109-336 (2006) (accompanying committee report); J. COMM. ON TAX'N, *Description of the Chairman's Modification to the Provisions of S. 1321, the "Telephone Excise Tax Repeal Act of 2005"* and S. 832, the "Taxpayer Protection and Assistance Act of 2005," JCX-28-06 (June 28, 2006). In 2004, the Senate Committee on Finance approved a similar version of the bill, and that version was ultimately approved by the full Senate. See Tax Administration Good Government Act, S. 882, 108th Cong. (2004) (incorporated into H.R. 1528, reported favorably by the committee and passed by the Senate). See also S. REP. No. 108-257 (2004) (accompanying committee report).

18 Taxpayer Protection and IRS Accountability Act of 2003, H.R. 1528, 108th Cong. (2003). See also H.R. REP. No. 108-61 (2003) (accompanying committee report). The Tax Administration Good Government Act (referenced above) was the Senate-passed version of this bill.

19 See Report of the National Commission on Restructuring the Internal Revenue Service, *A Vision for a New IRS* (June 25, 1997).