

112TH CONGRESS
1ST SESSION

H. R. 3215

To prevent identity theft and tax fraud.

IN THE HOUSE OF REPRESENTATIVES

OCTOBER 14, 2011

Ms. CASTOR of Florida (for herself and Mr. NUGENT) introduced the following bill; which was referred to the Committee on Ways and Means

A BILL

To prevent identity theft and tax fraud.

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 “Identify Theft and Tax
5 Fraud Prevention Act”.

6 **SEC. 2. CRIMINAL PENALTY FOR USING A FALSE IDENTITY**

7 **IN CONNECTION WITH TAX FRAUD.**

8 (a) IN GENERAL.—Section 7207 of the Internal Rev-
9 enue Code of 1986 is amended—

10 (1) by striking “Any person who willfully” and
11 inserting the following:

12 “(a) IN GENERAL.—Any person who willfully”,

1 (2) by striking “Any person required” and in-
2 serting the following:

3 “(b) INFORMATION IN CONNECTION WITH CERTAIN
4 EXEMPT ORGANIZATIONS.—Any person required”, and

5 (3) by adding at the end the following:

6 “(c) MISAPPROPRIATION OF IDENTITY.—Any person
7 who knowingly or willfully misappropriates another per-
8 son’s tax identification number in connection with any list,
9 return, account, statement, or other document submitted
10 to the Secretary shall be fined not less than \$25,000
11 (\$200,000 in the case of a corporation), or imprisoned not
12 more than 5 years, or both, together with the costs of
13 prosecution.”.

14 (b) EFFECTIVE DATE.—The amendments made by
15 this section shall apply to returns and information sub-
16 mitted after the date of the enactment of this Act.

17 **SEC. 3. INCREASED PENALTY FOR IMPROPER DISCLOSURE**
18 **OR USE OF INFORMATION BY PREPARERS OF**
19 **RETURNS.**

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

22 (1) by striking “\$250” and inserting “\$1,000”,
23 and

24 (2) by striking “\$10,000” and inserting
25 “\$50,000”.

1 (b) CRIMINAL PENALTY.—Section 7216(a) of the In-
2 ternal Revenue Code of 1986 is amended by striking
3 “\$1,000” and inserting “\$100,000”.

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

7 **SEC. 4. PIN SYSTEM FOR PREVENTION OF IDENTITY THEFT**
8 **TAX FRAUD.**

9 (a) IN GENERAL.—Not later than 1 year after the
10 date of the enactment of this Act, the Secretary of the
11 Treasury (or the Secretary’s delegate) shall implement an
12 identify theft tax fraud prevention program under which—

13 (1) a person who has filed an identity theft affi-
14 davit with the Secretary may elect—

15 (A) to be provided with a unique personal
16 identification number to be included on any
17 Federal tax return filed by such person, or

18 (B) to prevent the processing of any Fed-
19 eral tax return submitted in an electronic for-
20 mat by a person purporting to be such person,
21 and

22 (2) the Secretary will provide additional identity
23 verification safeguards for the processing of any
24 Federal tax return filed by a person described in

1 paragraph (1) in cases where a unique personal
2 identification number is not included on the return.

3 **SEC. 5. AUTHORITY TO TRANSFER INTERNAL REVENUE**
4 **SERVICE APPROPRIATIONS TO USE FOR TAX**
5 **FRAUD ENFORCEMENT.**

6 For any fiscal year, the Commissioner of Internal
7 Revenue may transfer not more than \$10,000,000 to the
8 “Enforcement” account of the Internal Revenue Service
9 from amounts appropriated to other Internal Revenue
10 Service accounts. Any amounts so transferred shall be
11 used solely for the purposes of preventing and resolving
12 potential cases of tax fraud.

13 **SEC. 6. LOCAL LAW ENFORCEMENT LIAISON.**

14 (a) ESTABLISHMENT.—The Commissioner of Inter-
15 nal Revenue shall establish within the Criminal Investiga-
16 tion Division of the Internal Revenue Service the position
17 of Local Law Enforcement Liaison.

18 (b) DUTIES.—The Local Law Enforcement Liaison
19 shall—

20 (1) coordinate the investigation of tax fraud
21 with State and local law enforcement agencies;

22 (2) communicate the status of tax fraud cases
23 involving identity theft, and

24 (3) carry out such other duties as delegated by
25 the Commissioner of Internal Revenue.

1 **SEC. 7. REPORT ON TAX FRAUD.**

2 Subsection (a) of section 7803 of the Internal Rev-
3 enue Code of 1986 is amended by adding at the end the
4 following new paragraph:

5 “(4) ANNUAL REPORT ON TAX FRAUD.—The
6 Commissioner shall submit to the Committee on Fi-
7 nance of the Senate and the Committee on Ways
8 and Means of the House of Representatives an an-
9 nual report detailing—

10 “(A) the number of reports of tax fraud
11 and suspected tax fraud received from State
12 and local law enforcement agencies in the pre-
13 ceeding year, and

14 “(B) the actions taken in response to such
15 reports.”.

16 **SEC. 8. STUDY ON THE USE OF PREPAID DEBIT CARDS AND**
17 **COMMERCIAL TAX PREPARATION SOFTWARE**
18 **IN TAX FRAUD.**

19 (a) IN GENERAL.—The Comptroller General shall
20 conduct a study to examine the role of prepaid debit cards
21 and commercial tax preparation software in facilitating
22 fraudulent tax returns through identity theft.

23 (b) REPORT.—Not later than 1 year after the date
24 of the enactment of this Act, the Comptroller General shall
25 submit to the Committee on Finance of the Senate and
26 the Committee on Ways and Means of the House of Rep-

1 representatives a report with the results of the study con-
2 ducted under subsection (a), together with any rec-
3 ommendations.

4 **SEC. 9. RESTRICTION ON ACCESS TO THE DEATH MASTER**
5 **FILE.**

6 (a) IN GENERAL.—The Secretary of Commerce shall
7 not disclose information contained on the Death Master
8 File to any person with respect to any individual who has
9 died at any time during the calendar year in which the
10 request for disclosure is made or the succeeding calendar
11 year unless such person is certified under the program es-
12 tablished under subsection (b).

13 (b) CERTIFICATION PROGRAM.—

14 (1) IN GENERAL.—The Secretary of Commerce
15 shall establish a program to certify persons who are
16 eligible to access the information described in sub-
17 section (a) contained on the Death Master File.

18 (2) CERTIFICATION.—A person shall not be cer-
19 tified under the program established under para-
20 graph (1) unless the Secretary determines that such
21 person has a legitimate fraud prevention interest in
22 accessing the information described in subsection
23 (a).

24 (c) IMPOSITION OF PENALTY.—Any person who is
25 certified under the program established under subsection

1 (b), who receives information described in subsection (a),
2 and who during the period of time described in subsection
3 (a)—

4 (1) discloses such information to any other per-
5 son, or

6 (2) uses any such information for any purpose
7 other than to detect or prevent fraud,

8 shall pay a penalty of \$1,000 for each such disclosure or
9 use, but the total amount imposed under this subsection
10 on such a person for any calendar year shall not exceed
11 \$50,000.

12 (d) EXEMPTION FROM FREEDOM OF INFORMATION
13 ACT REQUIREMENT WITH RESPECT TO CERTAIN
14 RECORDS OF DECEASED INDIVIDUALS.—

15 (1) IN GENERAL.—The Social Security Admin-
16 istration shall not be compelled to disclose to any
17 person who is not certified under the program estab-
18 lished under section 9(b) the information described
19 in section 9(a).

20 (2) TREATMENT OF INFORMATION.—For pur-
21 poses of section 552 of title 5, United States Code,
22 this section shall be considered a statute described
23 in subsection (b)(3)(B) of such section 552.

1 **SEC. 10. EXTENSION OF AUTHORITY TO DISCLOSE CERTAIN**
2 **RETURN INFORMATION TO PRISON OFFI-**
3 **CIALS.**

4 (a) **IN GENERAL.**—Section 6103(k)(10) of the Inter-
5 nal Revenue Code of 1986 is amended by striking sub-
6 paragraph (D).

7 (b) **REPORT FROM FEDERAL BUREAU OF PRIS-**
8 **ONS.**—Not later than 6 months after the date of the enact-
9 ment of this Act, the head of the Federal Bureau of Pris-
10 ons shall submit to Congress a detailed plan on how it
11 will use the information provided from the Secretary of
12 Treasury under section 6103(k)(10) of the Internal Rev-
13 enue Code of 1986 to reduce prison tax fraud.

14 (c) **SENSE OF SENATE REGARDING STATE PRISON**
15 **AUTHORITIES.**—It is the sense of the Senate that the
16 heads of State agencies charged with the administration
17 of prisons should—

18 (1) develop plans for using the information pro-
19 vided by the Secretary of Treasury under section
20 6103(k)(10) of the Internal Revenue Code of 1986
21 to reduce prison tax fraud, and

22 (2) coordinate with the Internal Revenue Serv-
23 ice with respect to the use of such information.

1 **SEC. 11. TREASURY REPORT ON INFORMATION SHARING**
2 **BARRIERS WITH RESPECT TO IDENTITY**
3 **THEFT.**

4 (a) REVIEW.—

5 (1) IN GENERAL.—The Secretary of the Treas-
6 ury (or the Secretary’s delegate) shall review wheth-
7 er current Federal tax laws and regulations related
8 to the confidentiality and disclosure of return infor-
9 mation prevent the effective enforcement of local,
10 State, and Federal identity theft statutes. The re-
11 view shall consider whether greater information
12 sharing between the Internal Revenue Service and
13 State and local law enforcement authorities would
14 improve the enforcement of criminal laws at all lev-
15 els of government.

16 (2) CONSULTATION.—In conducting the review
17 under paragraph (1), the Secretary shall solicit the
18 views of, and consult with, State and local law en-
19 forcement officials.

20 (b) REPORT.—Not later than 180 days after the date
21 of enactment of this Act, the Secretary shall submit a re-
22 port with the results of the review conducted under sub-
23 section (a), along with any legislative recommendations,
24 to the Committee on Finance of the Senate and the Com-

1 mittee on Ways and Means of the House of Representa-
2 tives.

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