

117TH CONGRESS
1ST SESSION

H. R. 5206

To require the Internal Revenue Service to issue a report on the tax gap, to establish a fellowship program within the Internal Revenue Service to recruit mid-career tax professionals to create and participate in an audit task force, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

SEPTEMBER 10, 2021

Mr. BRADY (for himself, Mr. KELLY of Pennsylvania, Mr. NUNES, Mr. BUCHANAN, Mr. SMITH of Nebraska, Mr. REED, Mrs. MILLER of West Virginia, Mr. SMITH of Missouri, Mr. RICE of South Carolina, Mr. SCHWEIKERT, Mrs. WALORSKI, Mr. LAHOOD, Mr. WENSTRUP, Mr. ARRINGTON, Mr. FERGUSON, Mr. ESTES, Mr. SMUCKER, and Mr. HERN) introduced the following bill; which was referred to the Committee on Ways and Means, and in addition to the Committee on Financial Services, 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 require the Internal Revenue Service to issue a report on the tax gap, to establish a fellowship program within the Internal Revenue Service to recruit mid-career tax professionals to create and participate in an audit task force, 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,*

1 **SECTION 1. TAX GAP PROJECTION.**

2 (a) IN GENERAL.—Not later than 180 days after the
3 date of the enactment of this section, and no later than
4 July 31 annually thereafter, the Commissioner of Internal
5 Revenue shall submit to Congress a projection detailing
6 the tax gap estimate for the most recent taxable year as
7 is practicable using the most recently available data, and
8 including identification and detailed descriptions of the
9 data used for such projection and clear identification of
10 the amount of the projected tax gap associated with non-
11 filing, underreporting, and underpayment (including iden-
12 tifying the amount subject to collection actions).

13 (b) USE OF ARTIFICIAL INTELLIGENCE.—To the ex-
14 tent practicable, for purposes of reducing the burden on
15 taxpayers subject to National Research Program audits,
16 the Commissioner shall use artificial intelligence, including
17 neural machine learning, and other available data analysis
18 tools, including commercial analytic data providers, to cal-
19 culate a projection described in subsection (a).

20 (c) NATIONAL RESEARCH PROGRAM AUDITS.—The
21 Commissioner of Internal Revenue shall not undertake
22 more National Research Program audits than in Fiscal
23 Year 2021 to calculate a projection described in subsection
24 (a).

25 (d) TAX GAP.—For purposes of this section, the term
26 “tax gap” means the difference between tax liabilities

1 owed to the Internal Revenue Service and those liabilities
2 actually collected by such Service.

3 **SEC. 2. JCT REPORT.**

4 (a) IN GENERAL.—Not later than 180 days after the
5 submission of the first tax gap projection to Congress
6 under section 1, and not later than 90 days after the sub-
7 mission of each successive submission, the Chief of Staff
8 of the Joint Committee on Taxation shall submit to the
9 Committee on Ways and Means of the House of Rep-
10 resentatives and the Committee on Finance of the Senate
11 a report analyzing such projection, including—

- 12 (1) identification of methodologies used,
- 13 (2) any statistical or methodological uncertain-
14 ties,
- 15 (3) the effect of outdated data, if any, on the
16 accuracy of such projection, and
- 17 (4) such additional information as the Joint
18 Committee on Taxation determines is useful for
19 Congress to use to assess and analyze the tax gap
20 projections provided by the Commissioner of Inter-
21 nal Revenue.

22 (b) RELEASE OF INFORMATION.—For purposes of fa-
23 cilitating the report described in subsection (a), the Sec-
24 retary of the Treasury shall, in a timely manner, provide

1 to the Joint Committee on Taxation such information as
2 such committee requests.

3 **SEC. 3. RESTRICTION ON INCREASED ENFORCEMENT**
4 **FUNDS.**

5 (a) IN GENERAL.—Notwithstanding any other provi-
6 sion of law, no funds appropriated to the Department of
7 the Treasury for audit and enforcement purposes in excess
8 of the levels appropriated for such purposes in fiscal year
9 2021 may be expended for such purposes, including for
10 salaries, expenses, and enforcement activities, until 180
11 days after the Internal Revenue Service publishes an up-
12 dated tax gap projection pursuant to, and compliant with,
13 section 1.

14 (b) SUNSET.—The provisions of subsection (a) shall
15 not apply after the date which is one year after the date
16 of the enactment of this section.

17 **SEC. 4. RESTRICTION ON INCREASED FUNDING FOR OTHER**
18 **SPECIFIED PURPOSES.**

19 (a) IN GENERAL.—Notwithstanding any other provi-
20 sion of law, no funds appropriated to the Department of
21 the Treasury in excess of the levels appropriated for speci-
22 fied purposes in fiscal year 2021 may be expended for
23 specified purposes.

24 (b) SPECIFIED PURPOSES.—For purposes of sub-
25 section (a), the term “specified purposes” means—

1 (1) the implementation of new information re-
2 porting requirements on flows of deposits and with-
3 drawals in individual and small business banking ac-
4 counts and other financial accounts,

5 (2) the targeting of United States citizens in re-
6 sponse to the exercise by such citizens of any legally
7 protected or recognized right guaranteed under the
8 First Amendment to the United States Constitution,

9 (3) the targeting of a group for regulatory scru-
10 tiny based on the ideological beliefs of such group,

11 (4) the auditing of individual taxpayers with an
12 adjusted gross income of less than \$400,000, and

13 (5) the hiring under an agreement pursuant to
14 the Intragovernmental Personnel Act of 1970 (5
15 U.S.C. 3371–3376) or any other authority of an au-
16 thorized researcher who is not a full-time Federal
17 employee to access data subject to privacy protec-
18 tions afforded by section 6103 of the Internal Rev-
19 enue Code of 1986.

20 **SEC. 5. EFFICIENT USE OF EXISTING IRS RESOURCES.**

21 For purposes of increasing enforcement actions in
22 areas of high noncompliance and reducing the corporate
23 audit no-change rate of the Internal Revenue Service to
24 below 20 percent by 2023—

1 (1) the Secretary (or the Secretary’s delegate)
2 shall, not later than 180 days after the date of the
3 enactment of this section—

4 (A) update the methodology that is used
5 for the selection of corporate returns for audit,
6 and

7 (B) reassign resources of the Internal Rev-
8 enue Service such that the majority of high-in-
9 come nonfilers are subject to enforcement ac-
10 tions, and

11 (2) the Comptroller general of the United
12 States shall, within one year after the date of the
13 enactment of this section, issue a comprehensive re-
14 port to Congress on information returns and data
15 collected by the Internal Revenue Service that could
16 be deployed for compliance activities but that are
17 not currently used for such activities.

18 **SEC. 6. IRS FELLOWSHIP PROGRAM.**

19 (a) ESTABLISHMENT.—Not later than September 30,
20 2022, the Commissioner of Internal Revenue (hereinafter
21 known as the “Commissioner”) after consultation with the
22 Chief Counsel of the Internal Revenue Service (hereinafter
23 known as the “Chief Counsel”), shall establish within the
24 Internal Revenue Service a fellowship program (herein-
25 after known as the “program”) to recruit private sector

1 tax experts to join the Internal Revenue Service to create
2 and participate in the audit task force established under
3 subsection (e).

4 (b) OBJECTIVE.—The Commissioner, after consulta-
5 tion with the Chief Counsel, shall design the program in
6 a manner such that the program—

7 (1) addresses such tax cases handled by the In-
8 ternal Revenue Service as the Commissioner deter-
9 mines—

10 (A) are the most complex, or

11 (B) include new and emerging issues, and

12 (2) recruits and retains outstanding and quali-
13 fied tax experts.

14 (c) ADVERTISEMENT OF PROGRAM.—The Commis-
15 sioner shall advertise the program in such a way as to
16 attract mid-career tax professionals, including certified
17 public accountants, tax attorneys, and such other tax pro-
18 fessionals as the Commissioner determines are appro-
19 priately qualified to handle the most complex tax cases.

20 (d) STRUCTURE.—

21 (1) IN GENERAL.—The program shall be
22 staffed by not fewer than 30 fellows at the discretion
23 of the Commissioner based on needs of the Internal
24 Revenue Service and the availability of qualified can-
25 didates.

1 (2) TERM OF SERVICE.—

2 (A) IN GENERAL.—Each fellow shall each
3 be hired for a 2-, 3-, or 4-year term of service.

4 (B) EXTENSIONS.—

5 (i) IN GENERAL.—A fellow may apply
6 for, and the Commissioner may grant, a 1-
7 year extension of the fellowship.

8 (ii) NO LIMIT ON NUMBER OF EXTEN-
9 SIONS.—There shall be no limit on the
10 number of extensions under paragraph (1).

11 (3) FELLOWSHIP VACANCIES.—The Commis-
12 sioner, after consultation with the Chief Counsel,
13 shall fill vacant fellowships—

14 (A) in such a manner as to ensure that the
15 program is staffed with no fewer than 15 fel-
16 lows, and

17 (B) as soon as practicable after the va-
18 cancy arises.

19 (4) HIRING AUTHORITY.—The Commissioner
20 shall have authority to permanently hire a fellow at
21 the end of the term of service for such fellow.

22 (e) TASK FORCE.—Not later than the date on which
23 the first fellowship is awarded under this section, the Com-
24 missioner shall establish a task force within the Internal
25 Revenue Service and the office of the Chief Counsel in

1 both national and regional office placements that includes
2 the fellows hired pursuant to subsection (d), the purpose
3 of which is to—

4 (1) perform audit case selection,

5 (2) educate Internal Revenue Service employees
6 on emerging issues,

7 (3) audit selected taxpayers,

8 (4) address offshore tax evasion and issues im-
9 plicating the Foreign Account Tax Compliance Act,
10 and

11 (5) identify, mentor, and train junior employees
12 from the Internal Revenue Service with respect to
13 audits.

14 (f) COMPOSITION.—The task force established under
15 subsection (e) may be composed of with both—

16 (1) fellows, and

17 (2) permanent employees of the Internal Rev-
18 enue Service.

19 (g) PAY OF FELLOWS.—

20 (1) IN GENERAL.—The Secretary of the Treas-
21 ury (or the Secretary’s delegate) shall determine,
22 subject to the provisions of this subsection, the pay
23 of fellows recruited under subsection (a).

24 (2) PAY SCALE.—For purposes of paragraph
25 (1), the pay of a fellow shall not be less than the

1 minimum rate payable for GS–15 of the General
2 Schedule and shall not exceed the amount of annual
3 compensation (excluding expenses) specified in sec-
4 tion 102 of title 3.

5 (h) ADMINISTRATION OF PROGRAM.—The Secretary
6 may appoint a lead program officer to administer and ad-
7 vertise the program.

8 (i) ANNUAL REVIEW AND REPORT.—Not later than
9 1 year after the date on which the first fellowship is
10 awarded under this section, and annually thereafter, the
11 Commissioner shall submit to Congress a report con-
12 taining—

13 (1) an analysis of the effects of the program,

14 (2) an analysis of the return on investment of
15 the program, including calculations of all costs in-
16 curred and all tax revenue and penalties collected
17 due to the work of the task force,

18 (3) a description of the total number of fellows
19 who apply each year, and

20 (4) recommendations for changes to the pro-
21 gram, if any.

22 (j) RULES AND REGULATIONS.—The Commissioner,
23 with the approval of the Secretary of the Treasury (or the
24 Secretary’s delegate), shall promulgate such rules and reg-

1 ulations as may be necessary for the efficient administra-
2 tion of the program.

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