

117TH CONGRESS
1ST SESSION

H. R. 1200

To provide appropriations for the Internal Revenue Service to overhaul technology and strengthen enforcement, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

FEBRUARY 22, 2021

Mr. KHANNA introduced the following bill; which was referred to the
Committee on Ways and Means

A BILL

To provide appropriations for the Internal Revenue Service to overhaul technology and strengthen enforcement, 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.**

4 This Act may be cited as the “Stop Corporations and
5 High Earners from Avoiding Taxes and Enforce the Rules
6 Strictly Act” or the “Stop CHEATERS Act”.

7 **SEC. 2. POLICY OF CONGRESS.**

8 It is the policy of Congress that—

9 (1) tax compliance, to raise revenue for national
10 needs, restore fairness, and protect the integrity of

1 the tax system, high-income United States citizens
2 and corporations should pay all of the taxes they
3 owe,

4 (2) tax compliance, as indicated by the fraction
5 of taxes due that are reported and paid, should be
6 comparable among groups of taxpayers regardless of
7 the legal entity,

8 (3) the Internal Revenue Service should be
9 given resources to increase audits and enforcement
10 of tax compliance of high-income individuals to re-
11 duce the tax gap, with an emphasis on the auditing
12 and enforcement of tax compliance by individuals
13 with gross income of not less than \$1,000,000 and
14 of large corporations, and to modernize its tech-
15 nology in order to better serve taxpayers and enforce
16 the tax laws,

17 (4) pursuing non-filers is one of the most effi-
18 cient enforcement strategies of the Internal Revenue
19 Service because issuing non-filer notices can be a
20 cost-effective tool that requires little more than auto-
21 mated notices,

22 (5) priorities for actions and resources to im-
23 prove compliance should be guided by the relative
24 revenue loss from non-compliance,

1 (6) it should be the goal of the Internal Rev-
 2 enue Service that, by the tenth tax year after the ef-
 3 fective date of this statute, the net tax gap, as meas-
 4 ured by the fraction of taxes that are due that are
 5 not reported and paid, should be reduced by at least
 6 one-third, as compared with the fraction estimated
 7 in the most recent Internal Revenue Service study
 8 prior to enactment of this statute, and

9 (7) it should be the goal of the Internal Rev-
 10 enue Service to provide quality, timely, and accurate
 11 assistance to all taxpayers interacting with the In-
 12 ternal Revenue Service.

13 **SEC. 3. ADDITIONAL APPROPRIATIONS FOR THE INTERNAL**
 14 **REVENUE SERVICE.**

15 (a) ENFORCEMENT.—

16 (1) There is appropriated each amount listed in
 17 paragraph (2) for additional amounts for the “De-
 18 partment of the Treasury—Internal Revenue Serv-
 19 ice—Enforcement” account for the salaries and ex-
 20 penses of additional staff to strengthen the enforce-
 21 ment capacity of the IRS and increase audits yearly
 22 until 2025 so that the following minimum targets
 23 are reached:

1 (A) 50 percent of individual tax returns
2 with a disclosed total income of not less than
3 \$10,000,000.

4 (B) 33 percent of individual tax returns
5 with a disclosed total income of not less than
6 \$5,000,000 and less than \$10,000,000.

7 (C) 20 percent of individual tax returns
8 with a disclosed total income of not less than
9 \$1,000,000 and less than \$5,000,000.

10 (D) 95 percent of corporations with more
11 than \$20,000,000,000 in assets reported on
12 Schedule L.

13 (E) 40 percent of returns reflecting taxes
14 related to estates larger than \$10,000,000.

15 (F) 1.2 percent of returns reflecting taxes
16 related to gifts.

17 (G) 0.22 percent of tax returns filed by an
18 employer with respect to employee compensa-
19 tion.

20 (2) The amounts listed in this paragraph are
21 the following:

22 (A) For fiscal year 2022, \$2,000,000,000.

23 (B) For fiscal year 2023, \$4,000,000,000.

24 (C) For fiscal year 2024, \$5,000,000,000.

25 (D) For fiscal year 2025, \$8,000,000,000.

1 (E) For fiscal year 2026, \$8,500,000,000.

2 (F) For fiscal year 2027, \$8,500,000,000.

3 (G) For fiscal year 2028, \$8,500,000,000.

4 (H) For fiscal year 2029, \$8,500,000,000.

5 (I) For fiscal year 2030, \$8,500,000,000.

6 (J) For fiscal year 2031, \$8,500,000,000.

7 (b) TAXPAYER SERVICES.—There are appropriated
8 the following additional amounts for the “Department of
9 the Treasury—Internal Revenue Service—Taxpayer Serv-
10 ices” account to carry out this Act:

11 (1) For fiscal year 2022, \$1,000,000,000.

12 (2) For fiscal year 2023, \$1,000,000,000.

13 (3) For fiscal year 2024, \$1,000,000,000.

14 (4) For fiscal year 2025, \$2,500,000,000.

15 (5) For fiscal year 2026, \$2,500,000,000.

16 (6) For fiscal year 2027, \$2,500,000,000.

17 (7) For fiscal year 2028, \$2,500,000,000.

18 (8) For fiscal year 2029, \$2,500,000,000.

19 (9) For fiscal year 2030, \$2,500,000,000.

20 (10) For fiscal year 2031, \$2,500,000,000.

21 (c) OPERATIONS SUPPORT.—There are appropriated
22 the following additional amounts for the “Department of
23 the Treasury—Internal Revenue Service—Operations
24 Support” account to overhaul outdated technology of the

1 IRS and improve the capacity of the IRS to detect fraud
 2 related to income from a trade or business:

3 (1) For fiscal year 2022, \$1,000,000,000.

4 (2) For fiscal year 2023, \$1,000,000,000.

5 (3) For fiscal year 2024, \$1,000,000,000.

6 (4) For fiscal year 2025, \$1,000,000,000.

7 (5) For fiscal year 2026, \$1,000,000,000.

8 (6) For fiscal year 2027, \$1,000,000,000.

9 (7) For fiscal year 2028, \$1,000,000,000.

10 (8) For fiscal year 2029, \$1,000,000,000.

11 (9) For fiscal year 2030, \$1,000,000,000.

12 (10) For fiscal year 2031, \$1,000,000,000.

13 (d) AVAILABILITY.—Each additional amount appro-
 14 priated by this section shall remain available until ex-
 15 pended.

16 **SEC. 4. RETURNS RELATING TO CERTAIN BUSINESS TRANS-**
 17 **ACTIONS.**

18 (a) IN GENERAL.—Subpart B of part III of sub-
 19 chapter A of chapter 61 of the Internal Revenue Code of
 20 1986 is amended by adding at the end the following new
 21 section:

22 **“SEC. 6050Z. RETURNS RELATING TO CERTAIN TRANS-**
 23 **ACTIONS.**

24 “(a) REQUIREMENT OF REPORTING.—Any bank or
 25 other financial institution prescribed by the Secretary by

1 regulation which, in the course of any calendar year, main-
 2 tains an account for a covered taxpayer shall make the
 3 information return described in subsection (b) with respect
 4 to each such taxpayer at such time as the Secretary may
 5 by regulations prescribe.

6 “(b) RETURN.—A return is described in this sub-
 7 section if such return—

8 “(1) is in such form as the Secretary may pre-
 9 scribe, and

10 “(2) contains—

11 “(A) the name, address, and TIN of the
 12 covered taxpayer on behalf of whom such bank
 13 or financial institution managed an account,

14 “(B) a summary report of total deposits
 15 received and total withdrawals made in each
 16 such account of such covered taxpayer, and

17 “(C) such other information as the Sec-
 18 retary may require.

19 “(c) COVERED ACCOUNT.—

20 “(1) IN GENERAL.—For purposes of this sec-
 21 tion, the term ‘covered account’ means any account
 22 belonging to a covered taxpayer the Internal Rev-
 23 enue Service identifies to a bank or financial institu-
 24 tion via electronic communication with such bank or
 25 financial institution.

1 “(2) REGULATIONS AND GUIDANCE.—The Sec-
2 retary may prescribe such regulations and other
3 guidance as may be appropriate or necessary to fa-
4 cilitate—

5 “(A) the identification of a covered account
6 by the Internal Revenue Service,

7 “(B) the exchange of electronic informa-
8 tion between the Internal Revenue Service and
9 a bank or financial institution, and

10 “(C) the reconciliation of covered accounts
11 with the tax return of a covered taxpayer.

12 “(d) COVERED TAXPAYER.—For purposes of this
13 section, the term ‘covered taxpayer’ means—

14 “(1) an individual who, with respect to the ap-
15 plicable taxable year—

16 “(A) has an adjusted gross income of
17 \$400,000 or more, and

18 “(B) has any income that is not otherwise
19 reported on any other return or statement sub-
20 mitted to the Internal Revenue Service by a
21 third party, or

22 “(2) a pass-thru business entity, including a
23 partnership or S corporation, in which an individual
24 described in paragraph (1) has an ownership inter-
25 est.

1 “(e) STATEMENT TO BE FURNISHED TO TAXPAYERS
2 WITH RESPECT TO WHOM INFORMATION IS REQUIRED.—

3 “(1) IN GENERAL.—Every bank or other finan-
4 cial institution prescribed by the Secretary by regu-
5 lation that is required to make a return under sub-
6 section (a) shall furnish to a covered taxpayer whose
7 identity is required to be set forth in such return a
8 written statement showing the name, address, and
9 phone number of the information contact of the
10 qualified entity required to make such a return.

11 “(2) FURNISHING OF INFORMATION.—The
12 written statement required under paragraph (1)
13 shall be furnished to the taxpayer on or before Janu-
14 ary 31 of the year following the calendar year for
15 which the return under subsection (a) is required to
16 be made.

17 “(f) APPLICABLE TAXABLE YEAR.—For purposes of
18 this section, the term ‘applicable taxable year’ means the
19 taxable year ending in the calendar year with respect to
20 which a report is made under subsection (a).

21 “(g) REGULATIONS AND GUIDANCE.—The Secretary
22 may prescribe such regulations and other guidance as may
23 be appropriate or necessary to carry out the purposes of
24 this section, including guidance that facilitates the fol-
25 lowing objectives:

1 “(1) Annually on a date to be determined by
 2 the Secretary, banks and financial institutions will
 3 provide to the Internal Revenue Service an electronic
 4 file containing a complete list of the accounts of cov-
 5 ered taxpayers and their corresponding taxpayer ID
 6 numbers.

7 “(2) The Secretary shall compare the files de-
 8 scribed in paragraph (1) with the tax returns of tax-
 9 payers and use such comparison to determine if a
 10 taxpayer is a covered taxpayer, and inform the prop-
 11 er bank or financial institution if such taxpayer is
 12 a covered taxpayer.

13 “(3) Banks and financial institutions shall issue
 14 a 1099 or other Form, as designated by the Sec-
 15 retary, to accounts identified under paragraph (2).”.

16 (b) CLERICAL AMENDMENT.—The table of sections
 17 for subchapter A of chapter 61 of such Code is amended
 18 by adding at the end the following new item:

“Sec. 6050Z. Returns relating to certain transactions.”.

19 (c) EFFECTIVE DATE.—The amendments made by
 20 this section shall apply to taxable years beginning after
 21 December 31, 2022.

22 **SEC. 5. REPORTS TO CONGRESS.**

23 Not later than 1 year after the date of the enactment
 24 of this Act and every 2 years thereafter, the Commissioner
 25 of the Internal Revenue Service, after consultation with

1 the Comptroller General, shall submit to Congress a report
2 containing—

3 (1) a comprehensive description of—

4 (A) a plan to—

5 (i) shift more of the auditing and en-
6 forcement assets of the Internal Revenue
7 Service toward high-income tax filers, and

8 (ii) recruit and retain auditors with
9 the skills essential to audit high-income in-
10 dividuals, and

11 (B) the progress made in implementing
12 such plan,

13 (2) an estimate of revenue loss from offshore
14 tax evasion, and

15 (3) information with respect to revenue loss due
16 to such tax evasion, organized by groups of tax-
17 payers arranged by the true income level of such
18 taxpayers, as determined by the Secretary.

19 **SEC. 6. IRS ENFORCEMENT PENALTIES INCREASED FOR**
20 **CERTAIN TAXPAYERS.**

21 (a) IN GENERAL.—Subsection (a) of section 6662 of
22 the Internal Revenue Code of 1986 is amended to read
23 as follows:

24 “(a) IMPOSITION OF PENALTY.—

1 “(1) IN GENERAL.—If this section applies to
2 any portion of an underpayment of tax required to
3 be shown on a return, there shall be added to the
4 tax an amount equal to the applicable percentage of
5 the portion of the underpayment to which this sec-
6 tion applies.

7 “(2) APPLICABLE PERCENTAGE.—For purposes
8 of paragraph (1), the term ‘applicable percentage’
9 means—

10 “(A) in the case of a taxpayer with a tax-
11 able income of less than \$2 million, 20 percent,

12 “(B) in the case of a taxpayer with a tax-
13 able income greater than \$2 million but less
14 than \$5 million, 30 percent, and

15 “(C) in the case of a taxpayer with a tax-
16 able income greater than \$5 million, 40 per-
17 cent.”.

18 (b) EFFECTIVE DATE.—The amendment made by
19 this section shall apply to returns on the due date which
20 (determined without regard to extensions) is after Decem-
21 ber 31, 2022.

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