

115TH CONGRESS
1ST SESSION

H. R. 889

To provide for the establishment of an office within the Internal Revenue Service to focus on violations of the internal revenue laws by persons who are under investigation for conduct relating to the promotion of commercial sex acts and trafficking in persons crimes, and to increase the criminal monetary penalty limitations for the underpayment or overpayment of tax due to fraud.

IN THE HOUSE OF REPRESENTATIVES

FEBRUARY 6, 2017

Mrs. CAROLYN B. MALONEY of New York (for herself and Mr. POE of Texas) introduced the following bill; which was referred to the Committee on Ways and Means, and in addition to the Committee on the Judiciary, 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 provide for the establishment of an office within the Internal Revenue Service to focus on violations of the internal revenue laws by persons who are under investigation for conduct relating to the promotion of commercial sex acts and trafficking in persons crimes, and to increase the criminal monetary penalty limitations for the underpayment or overpayment of tax due to fraud.

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. SHORT TITLE.**

2 This Act may be cited as the “Human Trafficking
3 Fraud Enforcement Act of 2017”.

4 **SEC. 2. OFFICE FOR TAX LAW ENFORCEMENT RELATING TO**
5 **HUMAN TRAFFICKING AND PROMOTION OF**
6 **COMMERCIAL SEX ACTS.**

7 (a) ESTABLISHMENT.—The Secretary of the Treas-
8 ury shall establish an office within the Internal Revenue
9 Service to investigate and prosecute violations of the inter-
10 nal revenue laws by persons that appear to be engaged
11 in conduct in violation of any of the provisions specified
12 in subsection (b).

13 (b) CERTAIN CRIMINAL PROVISIONS RELATING TO
14 HUMAN TRAFFICKING AND PROMOTION OF COMMERCIAL
15 SEX ACTS.—The provisions of law referenced in this sub-
16 section are as follows:

17 (1) The following provisions of title 18, United
18 States Code:

19 (A) Section 1351.

20 (B) Section 1589.

21 (C) Section 1590.

22 (D) Section 1591(a).

23 (E) Section 1952.

24 (F) Section 2421.

25 (G) Section 2422.

1 (H) Subsection (a), (d), or (e) of section
2 2423.

3 (2) Section 1328 of title 8, United States Code.

4 (3) The laws of any State or territory that pro-
5 hibit the promotion of prostitution or of any com-
6 mercial sex act (as such term is defined in section
7 1591(e)(3) of title 18, United States Code).

8 (c) COOPERATION WITH DEPARTMENT OF JUS-
9 TICE.—To the extent possible, the office established under
10 subsection (a) shall cooperate with the Child Exploitation
11 and Obscenity Section of the Department of Justice and
12 the Innocence Lost National Initiative of the Federal Bu-
13 reau of Investigation.

14 (d) REPORT.—Not later than 1 year after the date
15 of the enactment of this Act, the Secretary of the Treasury
16 shall report to the Committee on Ways and Means of the
17 House of Representatives and the Committee on Finance
18 of the Senate on the enforcement activities of the office
19 established under subsection (a) and shall include any rec-
20 ommendations for statutory changes to assist in future
21 prosecutions pursuant to this section.

22 (e) APPLICABILITY OF WHISTLEBLOWER AWARDS TO
23 VICTIMS OF HUMAN TRAFFICKING.—For purposes of
24 making an award under paragraph (1) or (2) of section
25 7623(b) of the Internal Revenue Code of 1986 with re-

1 spect to information provided by victims of any person
 2 convicted of violating any of the provisions specified in
 3 subsection (b), the determination of whether such person
 4 is described in such paragraph shall be made without re-
 5 gard to paragraph (3) of section 7623(b) of such Code.

6 (f) AUTHORIZATION OF APPROPRIATIONS.—

7 (1) IN GENERAL.—There is authorized to be
 8 appropriated not more than \$4,000,000 for fiscal
 9 year 2018 to carry out subsection (a).

10 (2) ADDITIONAL FUNDING FOR ADMINISTRA-
 11 TION OF OFFICE.—Unless specifically appropriated
 12 otherwise, there is authorized to be appropriated and
 13 is appropriated to the office established under sub-
 14 section (a) for fiscal years 2018 and 2019 for the
 15 administration of such office an amount equal to the
 16 sum of—

17 (A) the amount of any tax under chapter
 18 1 of the Internal Revenue Code of 1986 (in-
 19 cluding any interest) collected during such fis-
 20 cal years as the result of the actions of such of-
 21 fice, plus

22 (B) the amount of any civil or criminal
 23 monetary penalties imposed under such Code
 24 relating to such tax and so collected.

1 Amounts not expended under the preceding sentence
2 shall be transferred to and deposited in the Crime
3 Victims Fund in the Treasury (42 U.S.C. 10601).

4 **SEC. 3. INCREASE IN CRIMINAL MONETARY PENALTIES.**

5 (a) ATTEMPT TO EVADE OR DEFEAT TAX.—Section
6 7201 of the Internal Revenue Code of 1986 (relating to
7 attempt to evade or defeat tax) is amended—

8 (1) by striking “Any person” and inserting the
9 following:

10 “(a) IN GENERAL.—Any person”, and

11 (2) by adding at the end the following new sub-
12 section:

13 “(b) ATTEMPT TO EVADE OR DEFEAT TAX ATTRIB-
14 UTABLE TO HUMAN TRAFFICKING AND COMMERCIAL SEX
15 ACTS.—

16 “(1) IN GENERAL.—In the case of any attempt
17 to evade or defeat any tax attributable to income de-
18 rived from an act described in paragraph (2), sub-
19 section (a) shall be applied—

20 “(A) by substituting ‘\$500,000
21 (\$1,000,000’ for ‘\$100,000 (\$500,000’, and

22 “(B) by substituting ‘10 years’ for ‘5
23 years’.

24 “(2) HUMAN TRAFFICKING AND COMMERCIAL
25 SEX ACTS.—For purposes of paragraph (1), an act

1 described in this paragraph is any act which is a vio-
2 lation of any of the provisions specified in section
3 2(b) of the Human Trafficking Fraud Enforcement
4 Act of 2017.”.

5 (b) WILLFUL FAILURE TO FILE RETURN, SUPPLY
6 INFORMATION, OR PAY TAX.—

7 (1) GENERAL INCREASE IN MONETARY PEN-
8 ALTY.—Section 7203 of the Internal Revenue Code
9 of 1986 (relating to willful failure to file return, sup-
10 ply information, or pay tax) is amended by striking
11 “\$25,000” and inserting “\$50,000”.

12 (2) INCREASE IN PENALTIES FOR FAILURE TO
13 FILE WITH RESPECT TO TAX ATTRIBUTABLE TO
14 HUMAN TRAFFICKING AND COMMERCIAL SEX
15 ACTS.—

16 (A) IN GENERAL.—Section 7203 of the In-
17 ternal Revenue Code of 1986 (relating to willful
18 failure to file return, supply information, or pay
19 tax), as amended by paragraph (1), is amended
20 by striking “Any person” in the first sentence
21 and inserting the following:

22 “(a) IN GENERAL.—Any person”, and

23 (B) by adding at the end the following new
24 subsection:

1 “(b) FAILURE TO FILE WITH RESPECT TO TAX AT-
 2 TRIBUTABLE TO HUMAN TRAFFICKING AND COMMERCIAL
 3 SEX ACTS.—In the case of any failure with respect to any
 4 tax attributable to income derived from an act described
 5 in paragraph (2) of section 7201(b), the first sentence of
 6 subsection (a) shall be applied by substituting—

7 “(1) ‘felony’ for ‘misdemeanor’,

8 “(2) ‘\$500,000 (\$1,000,000’ for ‘\$50,000
 9 (\$100,000’, and

10 “(3) ‘10 years’ for ‘1 year’.”.

11 (3) CONFORMING AMENDMENT.—The third sen-
 12 tence of section 7203(a) of the Internal Revenue
 13 Code of 1986 (as amended by paragraph (1)) is
 14 amended by striking “this section” and inserting
 15 “this subsection”.

16 (c) FRAUD AND FALSE STATEMENTS.—Section 7206
 17 of the Internal Revenue Code of 1986 (relating to fraud
 18 and false statements) is amended—

19 (1) by striking “Any person” and inserting the
 20 following:

21 “(a) IN GENERAL.—Any person”, and

22 (2) by adding at the end the following new sub-
 23 section:

24 “(b) FRAUD AND FALSE STATEMENTS WITH RE-
 25 SPECT TO TAX ATTRIBUTABLE TO HUMAN TRAFFICKING

1 AND COMMERCIAL SEX ACTS.—In the case of any viola-
 2 tion of subsection (a) relating to any tax attributable to
 3 income derived from an act described in paragraph (2) of
 4 section 7201(b), subsection (a) shall be applied—

5 “(1) by substituting ‘\$500,000 (\$1,000,000’ for
 6 ‘\$100,000 (\$500,000’, and

7 “(2) by substituting ‘5 years’ for ‘3 years’.”.

8 (d) PENALTIES MAY BE APPLIED IN ADDITION TO
 9 OTHER PENALTIES.—Section 7204 of the Internal Rev-
 10 enue Code of 1986 (relating to fraudulent statement or
 11 failure to make statement to employees) is amended by
 12 striking “the penalty provided in section 6674” and insert-
 13 ing “the penalties provided in sections 6674, 7201, and
 14 7203”.

15 (e) INCREASE IN MONETARY LIMITATION FOR UN-
 16 DERPAYMENT OR OVERPAYMENT OF TAX DUE TO
 17 FRAUD.—Section 7206 of the Internal Revenue Code of
 18 1986 (relating to fraud and false statements), as amended
 19 by subsection (c), is amended by adding at the end the
 20 following new subsection:

21 “(c) INCREASE IN MONETARY LIMITATION FOR UN-
 22 DERPAYMENT OR OVERPAYMENT OF TAX DUE TO
 23 FRAUD.—If any portion of any underpayment (as defined
 24 in section 6664(a)) or overpayment (as defined in section
 25 6401(a)) of tax required to be shown on a return is attrib-

1 utable to fraudulent action described in subsection (a), the
2 applicable dollar amount under subsection (a) shall in no
3 event be less than an amount equal to such portion. A
4 rule similar to the rule under section 6663(b) shall apply
5 for purposes of determining the portion so attributable.”.

6 (f) MONEYS AVAILABLE TO ASSIST VICTIMS OF
7 CRIME.—There are hereby appropriated to the Crime Vic-
8 tims Fund (42 U.S.C. 10601) amounts equivalent to the
9 increase in receipts to the Treasury by reason of the
10 amendments made by this section. Such amounts shall be
11 available for victim assistance grants under the Victims
12 of Crime Act of 1984, including crisis intervention, emer-
13 gency shelter and transportation, counseling, and criminal
14 justice advocacy to victims of crime.

15 (g) EFFECTIVE DATE.—The amendments made by
16 this section shall apply to actions, and failures to act, oc-
17 ccurring after the date of the enactment of this Act.

○