

113TH CONGRESS  
1ST SESSION

# S. 676

To prevent tax-related identity theft and tax fraud.

---

IN THE SENATE OF THE UNITED STATES

APRIL 9, 2013

Mr. NELSON (for himself, Mrs. FEINSTEIN, Mr. SCHUMER, and Mr. CARDIN)  
introduced the following bill; which was read twice and referred to the  
Committee on Finance

---

## A BILL

To prevent tax-related 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, ETC.**

4 (a) **SHORT TITLE.**—This Act may be cited as the  
5 “Identity Theft and Tax Fraud Prevention Act of 2013”.

6 (b) **TABLE OF CONTENTS.**—The table of contents of  
7 this Act is as follows:

Sec. 1. Short title, etc.

### TITLE I—PROTECTING VICTIMS OF TAX-RELATED IDENTITY THEFT

Sec. 101. Expedited refunds for identity theft victims.

Sec. 102. Single point of contact for identity theft victims.

Sec. 103. Enhancements to IRS PIN Program.

Sec. 104. Electronic filing opt out.

TITLE II—SHUTTING DOWN ABUSIVE IDENTITY THEFT AND TAX  
FRAUD SCHEMES

- Sec. 201. Restrictions on ability to use prepaid cards for tax fraud.  
Sec. 202. Limitation on multiple tax refunds to the same account.

TITLE III—ADDING CRITICAL NEW PROTECTIONS TO SAFEGUARD  
SOCIAL SECURITY NUMBERS

- Sec. 301. Restriction on access to the death master file.  
Sec. 302. Prohibiting the display of Social Security account numbers on newly  
issued Medicare identification cards and communications pro-  
vided to Medicare beneficiaries.  
Sec. 303. Prohibition of the display, sale, or purchase of Social Security num-  
bers.  
Sec. 304. Criminal penalties for the misuse of a Social Security number.  
Sec. 305. Civil actions and civil penalties.

TITLE IV—STRENGTHENING LAWS AND IMPROVING  
ENFORCEMENT AGAINST TAX-RELATED IDENTITY THEFT

- Sec. 401. Criminal penalty for using a false identity in connection with tax  
fraud.  
Sec. 402. Increased penalty for improper disclosure or use of information by  
preparers of returns.  
Sec. 403. Authority to transfer Internal Revenue Service appropriations to use  
for tax fraud enforcement.  
Sec. 404. Local law enforcement liaison.

TITLE V—ACCELERATING TRANSITION TO A REAL-TIME TAX  
SYSTEM THAT PROTECTS TAXPAYERS AND REDUCES FRAUD

- Sec. 501. Improvement in access to information in the National Directory of  
New Hires for tax administration purposes.  
Sec. 502. Plan of action for transitioning to a real-time tax system.

1 **TITLE I—PROTECTING VICTIMS**  
2 **OF TAX-RELATED IDENTITY**  
3 **THEFT**

4 **SEC. 101. EXPEDITED REFUNDS FOR IDENTITY THEFT VIC-**  
5 **TIMS.**

6 Not later than 180 days after the date of enactment  
7 of this Act, the Secretary of the Treasury, or the Sec-  
8 retary's delegate, shall establish a plan of action to reduce  
9 the administrative time required to process and resolve  
10 cases of identity theft in connection with tax returns, in-

1 cluding the issuance of refunds to legitimate taxpayers,  
2 to no more than 90 days, on average.

3 **SEC. 102. SINGLE POINT OF CONTACT FOR IDENTITY THEFT**  
4 **VICTIMS.**

5 Not later than 180 days after the date of enactment  
6 of this Act, the Secretary of the Treasury, or the Sec-  
7 retary's delegate, shall establish new procedures to ensure  
8 that any taxpayer whose return has been delayed or other-  
9 wise adversely affected due to identity theft has a single  
10 point of contact at the Internal Revenue Service through-  
11 out the processing of his or her case. The single point of  
12 contact shall track the case of the taxpayer from start to  
13 finish and coordinate with other specialized units to re-  
14 solve case issues as quickly as possible.

15 **SEC. 103. ENHANCEMENTS TO IRS PIN PROGRAM.**

16 (a) IN GENERAL.—The Secretary of the Treasury, or  
17 the Secretary's delegate, shall issue a personal identifica-  
18 tion number to identity theft victims as soon as practicable  
19 after their true identity has been established and verified.

20 (b) REPORT.—Not later than 360 days after the date  
21 of enactment of this Act, the Secretary of the Treasury  
22 shall submit to Congress a report analyzing the effective-  
23 ness of the program described in subsection (a) in reduc-  
24 ing tax fraud.

1 **SEC. 104. ELECTRONIC FILING OPT OUT.**

2 Not later than 180 days after the date of enactment  
 3 of this Act, the Secretary of the Treasury, or the Sec-  
 4 retary's delegate, shall implement a program under which  
 5 a person who has filed an identity theft affidavit with the  
 6 Secretary may elect to prevent the processing of any Fed-  
 7 eral tax return submitted in an electronic format by a per-  
 8 son purporting to be such a person.

9 **TITLE II—SHUTTING DOWN ABU-**  
 10 **SIVE IDENTITY THEFT AND**  
 11 **TAX FRAUD SCHEMES**

12 **SEC. 201. RESTRICTIONS ON ABILITY TO USE PREPAID**  
 13 **CARDS FOR TAX FRAUD.**

14 (a) **ACCOUNTS WITH ELEVATED RISK OF IDENTITY**  
 15 **THEFT.—**

16 (1) **IN GENERAL.—**Not later than 360 days  
 17 after the date of the enactment this Act, the Federal  
 18 primary financial regulatory agencies, in consulta-  
 19 tion with the Secretary of the Treasury, shall jointly  
 20 prescribe regulations requiring newly issued deposit  
 21 or transaction account numbers, as the case may be,  
 22 to be distinguishable between verified accounts and  
 23 at-risk accounts.

24 (2) **DEFINITIONS.—**As used in this section—

25 (A) the term “at-risk account” means any  
 26 deposit account or transaction account, includ-

1 ing accounts associated with a prepaid access  
2 arrangement, that is not a verified account;

3 (B) the term “primary financial regulatory  
4 agency” has the same meaning as in section  
5 2(12) of the Dodd-Frank Wall Street Reform  
6 and Consumer Protection Act (12 U.S.C.  
7 5301(12)); and

8 (C) the term “verified account” means any  
9 deposit account or transaction account in which  
10 the identity of the account holder and any pre-  
11 paid access customer associated with the ac-  
12 count is verified by—

13 (i) customer identification procedures  
14 that comply with section 5318(l) of title  
15 31, United States Code; and

16 (ii) direct review of an original, unex-  
17 pired government-issued form of identifica-  
18 tion bearing a photograph or similar safe-  
19 guard, such as a driver’s license or pass-  
20 port.

21 (b) GAO AUDIT OF DEBIT CARD ISSUERS TO EN-  
22 SURE COMPLIANCE WITH CUSTOMER IDENTIFICATION  
23 REQUIREMENTS.—

24 (1) REVIEW AND EVALUATION.—The Comp-  
25 troller General of the United States shall review and

1 evaluate the effectiveness of the current Customer  
2 Identification Program rules implementing the cus-  
3 tomer identification program requirements under  
4 section 5318(l) of title 31, United States Code, as  
5 such rules apply to the prepaid card industry.

6 (2) REQUIRED CONSIDERATIONS.—The review  
7 and evaluation required under paragraph (1) shall—

8 (A) consider whether weaknesses in cur-  
9 rent customer identification programs are con-  
10 tributing to identity theft and financial loss,  
11 particularly with respect to tax fraud; and

12 (B) review whether—

13 (i) current risk-based standards for  
14 customer identification are the best means  
15 to prevent criminal use of prepaid cards  
16 and provide sufficient guidance and cer-  
17 tainty to the sellers and providers of pre-  
18 paid access;

19 (ii) current exclusions from customer  
20 identification requirements, such as exclu-  
21 sions for government benefit programs, are  
22 appropriate; and

23 (iii) Federal regulatory agencies exer-  
24 cise adequate oversight and supervision of

1 customer identification practices of the  
2 prepaid card industry.

3 (3) REPORT TO CONGRESS.—Not later than  
4 360 days after the date of the enactment this Act,  
5 the Comptroller General of the United States shall  
6 submit to Congress a report—

7 (A) on the findings of the review and eval-  
8 uation required under paragraph (1); and

9 (B) containing any recommendations or  
10 proposals for legislative or administrative action  
11 to improve the customer identification practices  
12 of the prepaid card industry.

13 **SEC. 202. LIMITATION ON MULTIPLE TAX REFUNDS TO THE**  
14 **SAME ACCOUNT.**

15 (a) IN GENERAL.—Not later than 180 days after the  
16 date of enactment of this Act, the Secretary of the Treas-  
17 ury, or the Secretary's delegate, shall issue regulations  
18 that restrict the delivery or deposit of multiple tax refunds  
19 from the same tax year to the same individual account  
20 or mailing address.

21 (b) EXCEPTION.—The regulation promulgated under  
22 subsection (a) shall provide that the restrictions shall not  
23 apply in cases and situations where the Secretary deter-  
24 mines there is not a likelihood of tax fraud.

1 **TITLE III—ADDING CRITICAL**  
2 **NEW PROTECTIONS TO SAFE-**  
3 **GUARD SOCIAL SECURITY**  
4 **NUMBERS**

5 **SEC. 301. RESTRICTION ON ACCESS TO THE DEATH MASTER**  
6 **FILE.**

7 (a) IN GENERAL.—Not later than 90 days after the  
8 date of the enactment of this Act, the Commissioner of  
9 the Social Security Administration shall vest all respon-  
10 sibilities for the release of Social Security death records  
11 to non-governmental persons or entities with the Secretary  
12 of Commerce through a memorandum of understanding.

13 (b) PROHIBITION.—The Secretary of Commerce shall  
14 not disclose information contained in Social Security death  
15 records to any non-governmental person or entity with re-  
16 spect to any individual who has died at any time during  
17 the calendar year in which the request for disclosure is  
18 made or the succeeding 2 calendar years unless such per-  
19 son is certified under the program established under sub-  
20 section (c).

21 (c) CERTIFICATION PROGRAM.—

22 (1) IN GENERAL.—The Secretary of Commerce  
23 shall establish a program—



1 (A) to certify persons who are eligible to  
2 access the information described in subsection  
3 (b) contained on the Death Master File, and

4 (B) to perform periodic and unscheduled  
5 audits of certified persons to determine the  
6 compliance by such certified persons with the  
7 requirements of the program.

8 (2) CERTIFICATION.—A person shall not be cer-  
9 tified nor remain certified under the program estab-  
10 lished under paragraph (1) unless—

11 (A) the Secretary of Commerce determines  
12 that access to the information described in sub-  
13 section (b) is appropriate because—

14 (i) such person has a legitimate inter-  
15 est in preventing fraud or unauthorized fi-  
16 nancial transactions,

17 (ii) such access will facilitate compli-  
18 ance by such person with an applicable  
19 law, regulation, court order, or fiduciary  
20 duty,

21 (iii) such access will facilitate timely  
22 and proper administration by such person  
23 of an insurance policy or benefit program,  
24 or

1 (iv) such person is subject to disclo-  
2 sure requirements under section 502 of the  
3 Gramm-Leach-Bliley Act (15 U.S.C.  
4 6802), section 620 of the Fair Credit Re-  
5 porting Act (15 U.S.C. 1681r), or any  
6 other Federal statute that the Secretary  
7 determines, following notice and comment  
8 rulemaking, provides sufficient protection  
9 against improper disclosure of information  
10 described in subsection (b), and

11 (B) the Secretary of Commerce verifies  
12 that such person has facilities and procedures  
13 in place to safeguard such information, and ex-  
14 perience in maintaining the confidentiality, se-  
15 curity, and appropriate use of such information.

16 (3) FEES.—The Secretary of Commerce shall  
17 establish under section 9701 of title 31, United  
18 States Code, for the charge of fees sufficient to  
19 cover all costs associated with evaluating applica-  
20 tions for certification and auditing, inspecting, and  
21 monitoring certified persons under the program.

22 (d) IMPOSITION OF PENALTY.—

23 (1) IN GENERAL.—Subject to paragraph (2),  
24 any person who is certified under the program estab-  
25 lished under subsection (c), who receives information

1 described in subsection (b), and who during the pe-  
2 riod of time described in subsection (b)—

3 (A) discloses such information to any other  
4 person, or

5 (B) uses any such information to commit,  
6 or aid or abet, any criminal offense,

7 shall pay a penalty of \$5,000 for each such disclo-  
8 sure or use, but the total amount imposed under this  
9 subsection on such a person for any calendar year  
10 shall not exceed \$500,000.

11 (2) EXCEPTION.—A person who—

12 (A) is certified under the program estab-  
13 lished under subsection (c),

14 (B) upon request by another person,  
15 verifies that an individual is or is not deceased  
16 pursuant to information contained on the Death  
17 Master File, and

18 (C) does not disclose any additional infor-  
19 mation described in subsection (b),

20 shall not be subject to a penalty pursuant to para-  
21 graph (1).

22 (e) EXEMPTION FROM FREEDOM OF INFORMATION  
23 ACT REQUIREMENT WITH RESPECT TO CERTAIN  
24 RECORDS OF DECEASED INDIVIDUALS.—

1           (1) IN GENERAL.—Subsequent to the date on  
2           which the Secretary of Commerce establishes the  
3           program described in subsection (c)(1), the Social  
4           Security Administration shall not be compelled to  
5           disclose any information described in subsection (b)  
6           to any non-governmental person or entity who is not  
7           certified under such program.

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

12 **SEC. 302. PROHIBITING THE DISPLAY OF SOCIAL SECURITY**  
13                   **ACCOUNT NUMBERS ON NEWLY ISSUED**  
14                   **MEDICARE IDENTIFICATION CARDS AND**  
15                   **COMMUNICATIONS PROVIDED TO MEDICARE**  
16                   **BENEFICIARIES.**

17          (a) IN GENERAL.—Not later than 2 years after the  
18          date of the enactment of this Act, the Secretary of Health  
19          and Human Services, in consultation with the Commis-  
20          sioner of Social Security, shall establish and begin to im-  
21          plement procedures to eliminate the unnecessary collec-  
22          tion, use, and display of Social Security account numbers  
23          of Medicare beneficiaries.

24          (b) NEWLY ISSUED MEDICARE CARDS AND COMMU-  
25          NICATIONS PROVIDED TO BENEFICIARIES.—

1 (1) NEWLY ISSUED CARDS.—

2 (A) IN GENERAL.—Not later than 4 years  
3 after the date of enactment of this Act, the Sec-  
4 retary of Health and Human Services, in con-  
5 sultation with the Commissioner of Social Secu-  
6 rity, shall ensure that each newly issued Medi-  
7 care identification card meets the requirements  
8 described in subparagraph (B).

9 (B) REQUIREMENTS.—

10 (i) IN GENERAL.—Subject to clauses  
11 (ii) and (iii), the requirements described in  
12 this subparagraph are, with respect to a  
13 Medicare identification card, that the card  
14 does not display or electronically store (in  
15 an unencrypted format) a Medicare bene-  
16 ficiary's Social Security account number.

17 (ii) EXCEPTION.—The Secretary may  
18 waive the requirements under clause (i) in  
19 the case where the health insurance claim  
20 number of a beneficiary is the Social Secu-  
21 rity number of the beneficiary, the bene-  
22 ficiary's spouse, or another individual.

23 (iii) USE OF PARTIAL ACCOUNT NUM-  
24 BER.—The Secretary of Health and  
25 Human Services, in consultation with the

1           Commissioner of Social Security, may pro-  
2           vide for the use of a partial Social Security  
3           account number on a Medicare identifica-  
4           tion card if the Secretary determines that  
5           such use does not allow an unacceptable  
6           risk of fraudulent use.

7           (2) COMMUNICATIONS PROVIDED TO BENE-  
8           FICIARIES.—Not later than 4 years after the date of  
9           enactment of this Act, the Secretary of Health and  
10          Human Services shall prohibit the display of a Medi-  
11          care beneficiary’s Social Security account number on  
12          written or electronic communication provided to the  
13          beneficiary unless the Secretary, in consultation with  
14          the Commissioner of Social Security, determines  
15          that inclusion of Social Security account numbers on  
16          such communications is essential for the operation of  
17          the Medicare program.

18          (c) MEDICARE BENEFICIARY DEFINED.—In this sec-  
19          tion, the term “Medicare beneficiary” means an individual  
20          entitled to, or enrolled for, benefits under part A of title  
21          XVIII of the Social Security Act (42 U.S.C. 1395c et seq.)  
22          or enrolled for benefits under part B of such title (42  
23          U.S.C. 1395j et seq.).

24          (d) CONFORMING AMENDMENTS.—

1           (1) REFERENCE IN THE SOCIAL SECURITY  
2 ACT.—Section 205(c)(2)(C) of the Social Security  
3 Act (42 U.S.C. 405(c)(2)(C)) is amended—

4           (A) by moving clause (x), as added by sec-  
5 tion 1414(a)(2) of the Patient Protection and  
6 Affordable Care Act (Public Law 111–148), 6  
7 ems to the left;

8           (B) by redesignating clause (x), as added  
9 by section 2(a)(1) of the Social Security Num-  
10 ber Protection Act of 2010 (42 U.S.C. 1305  
11 note), as clause (xii); and

12           (C) by adding after clause (xii), as redesign-  
13 ated by subparagraph (B), the following new  
14 clause:

15           “(xiii) Subject to section 302 of the Identity Theft  
16 and Tax Fraud Prevention Act of 2013, social security  
17 account numbers shall not be displayed on Medicare iden-  
18 tification cards or on communications provided to Medi-  
19 care beneficiaries.”.

20           (2) ACCESS TO INFORMATION.—Section 205(r)  
21 of the Social Security Act (42 U.S.C. 405(r)) is  
22 amended by adding at the end the following new  
23 paragraph:

24           “(10) To prevent and identify fraudulent activity, the  
25 Commissioner shall upon the request of the Attorney Gen-

1 eral or upon the request of the Secretary of Health and  
 2 Human Services enter into a reimbursable agreement with  
 3 the Attorney General or the Secretary to provide informa-  
 4 tion collected under paragraph (1) if—

5 “(A) the requirements of subparagraphs (A)  
 6 and (B) of paragraph (3) are met; and

7 “(B) such agreement includes appropriate pro-  
 8 visions to protect the confidentiality of information  
 9 provided by the Commissioner under such agree-  
 10 ment.”.

11 (e) PILOT PROGRAM.—

12 (1) ESTABLISHMENT.—The Secretary shall es-  
 13 tablish a pilot program utilizing smart card tech-  
 14 nology to evaluate—

15 (A) the applicability of smart card tech-  
 16 nology to the Medicare program under title  
 17 XVIII of the Social Security Act (42 U.S.C.  
 18 1395 et seq.), including the applicability of such  
 19 technology to Medicare beneficiaries or Medi-  
 20 care providers; and

21 (B) whether such cards would be effective  
 22 in preventing fraud under the Medicare pro-  
 23 gram.

24 (2) IMPLEMENTATION.—



1 (A) INITIAL IMPLEMENTATION.—The Sec-  
2 retary shall implement the pilot program under  
3 this subsection not later than 1 year after the  
4 date of enactment of this Act.

5 (B) SCOPE AND DURATION.—The Sec-  
6 retary shall conduct the pilot program—

7 (i) in not less than 2 States; and

8 (ii) for a period of not less than 180  
9 days or more than 2 years.

10 (3) REPORT.—Not later than 12 months after  
11 the completion of the pilot program under this sub-  
12 section, the Secretary shall submit to the appro-  
13 priate committees of Congress and make available to  
14 the public a report that includes the following:

15 (A) A summary of the pilot program and  
16 findings, including—

17 (i) the costs or savings to the Medi-  
18 care program as a result of the implemen-  
19 tation of the pilot program;

20 (ii) whether the use of smart card  
21 technology resulted in improvements in the  
22 quality of care provided to Medicare bene-  
23 ficiaries under the pilot program; and

1 (iii) whether such technology was use-  
2 ful in preventing or detecting fraud, waste,  
3 and abuse in the Medicare program.

4 (B) Recommendations regarding whether  
5 the use of smart card technology should be ex-  
6 panded under the Medicare program.

7 (4) DEFINITIONS.—In this subsection:

8 (A) MEDICARE PROVIDER.—The term  
9 “Medicare provider” includes a provider of serv-  
10 ices (as defined in section 1861(u) of the Social  
11 Security Act (42 U.S.C. 1395x(u))) and a sup-  
12 plier (as defined in section 1861(d) of such Act  
13 (42 U.S.C. 1395x(d))).

14 (B) SECRETARY.—The term “Secretary”  
15 means the Secretary of Health and Human  
16 Services.

17 (C) SMART CARD.—The term “smart  
18 card” means identification used by a Medicare  
19 beneficiary or a Medicare provider that includes  
20 anti-fraud attributes. Such a card—

21 (i) may rely on existing commercial  
22 data transfer networks or on a network of  
23 proprietary card readers or databases; and

24 (ii) may include—

1 (I) cards using technology adapt-  
 2 ed from the financial services indus-  
 3 try;

4 (II) cards containing individual  
 5 biometric identification, provided that  
 6 such identification is encrypted and  
 7 not contained in any central database;

8 (III) cards adapting technology  
 9 and processes utilized in the  
 10 TRICARE program under chapter 55  
 11 of title 10, United States Code, or by  
 12 the Veterans' Administration; or

13 (IV) such other technology as the  
 14 Secretary determines appropriate.

15 **SEC. 303. PROHIBITION OF THE DISPLAY, SALE, OR PUR-**  
 16 **CHASE OF SOCIAL SECURITY NUMBERS.**

17 (a) PROHIBITION.—

18 (1) IN GENERAL.—Chapter 47 of title 18,  
 19 United States Code, is amended by inserting after  
 20 section 1028A the following:

21 **“§ 1028B. Prohibition of the display, sale, or purchase**  
 22 **of Social Security numbers**

23 “(a) DEFINITIONS.—In this section:

24 “(1) DISPLAY.—The term ‘display’ means to in-  
 25 tentiously communicate or otherwise make available

1 (on the Internet or in any other manner) to the gen-  
2 eral public an individual's Social Security number.

3 “(2) PERSON.—The term ‘person’ means any  
4 individual, partnership, corporation, trust, estate, co-  
5 operative, association, or any other entity.

6 “(3) PURCHASE.—The term ‘purchase’ means  
7 providing directly or indirectly, anything of value in  
8 exchange for a Social Security number.

9 “(4) SALE.—The term ‘sale’ means obtaining,  
10 directly or indirectly, anything of value in exchange  
11 for a Social Security number.

12 “(5) STATE.—The term ‘State’ means any  
13 State of the United States, the District of Columbia,  
14 Puerto Rico, the Northern Mariana Islands, the  
15 United States Virgin Islands, Guam, American  
16 Samoa, and any territory or possession of the  
17 United States.

18 “(b) LIMITATION ON DISPLAY.—No person may dis-  
19 play any individual's Social Security number to the gen-  
20 eral public without the affirmatively expressed consent of  
21 the individual.

22 “(c) LIMITATION ON SALE OR PURCHASE.—Except  
23 as otherwise provided in this section, no person may sell  
24 or purchase any individual's Social Security number with-  
25 out the affirmatively expressed consent of the individual.

1       “(d) PREREQUISITES FOR CONSENT.—In order for  
2 consent to exist under subsection (b) or (c), the person  
3 displaying or seeking to display, selling or attempting to  
4 sell, or purchasing or attempting to purchase, an individ-  
5 ual’s Social Security number shall—

6               “(1) inform the individual of the general pur-  
7 pose for which the number will be used, the types of  
8 persons to whom the number may be available, and  
9 the scope of transactions permitted by the consent;  
10 and

11               “(2) obtain the affirmatively expressed consent  
12 (electronically or in writing) of the individual.

13       “(e) EXCEPTIONS.—Nothing in this section shall be  
14 construed to prohibit or limit the display, sale, or purchase  
15 of a Social Security number—

16               “(1) required, authorized, or excepted under  
17 any Federal law;

18               “(2) for a public health purpose, including the  
19 protection of the health or safety of an individual in  
20 an emergency situation;

21               “(3) for a national security purpose;

22               “(4) for a law enforcement purpose, including  
23 the investigation of fraud and the enforcement of a  
24 child support obligation;

1           “(5) if the display, sale, or purchase of the  
2           number is for a use occurring as a result of an inter-  
3           action between businesses, governments, or business  
4           and government (regardless of which entity initiates  
5           the interaction), including, but not limited to—

6                   “(A) the prevention of fraud (including  
7                   fraud in protecting an employee’s right to em-  
8                   ployment benefits);

9                   “(B) the facilitation of credit checks or the  
10                  facilitation of background checks of employees,  
11                  prospective employees, or volunteers;

12                  “(C) the retrieval of other information  
13                  from other businesses, commercial enterprises,  
14                  government entities, or private nonprofit orga-  
15                  nizations; or

16                  “(D) when the transmission of the number  
17                  is incidental to, and in the course of, the sale,  
18                  lease, franchising, or merger of all, or a portion  
19                  of, a business;

20           “(6) if the transfer of such a number is part of  
21           a data matching program involving a Federal, State,  
22           or local agency; or

23           “(7) if such number is required to be submitted  
24           as part of the process for applying for any type of

1 Federal, State, or local government benefit or pro-  
2 gram;

3 except that, nothing in this subsection shall be construed  
4 as permitting a professional or commercial user to display  
5 or sell a Social Security number to the general public.

6 “(f) LIMITATION.—Nothing in this section shall pro-  
7 hibit or limit the display, sale, or purchase of Social Secu-  
8 rity numbers as permitted under title V of the Gramm-  
9 Leach-Bliley Act, or for the purpose of affiliate sharing  
10 as permitted under the Fair Credit Reporting Act, except  
11 that no entity regulated under such Acts may make Social  
12 Security numbers available to the general public, as may  
13 be determined by the appropriate regulators under such  
14 Acts. For purposes of this subsection, the general public  
15 shall not include affiliates or unaffiliated third-party busi-  
16 ness entities as may be defined by the appropriate regu-  
17 lators.”.

18 (2) CONFORMING AMENDMENT.—The chapter  
19 analysis for chapter 47 of title 18, United States  
20 Code, is amended by inserting after the item relating  
21 to section 1028 the following:

“1028B. Prohibition of the display, sale, or purchase of Social Security num-  
bers.”.

22 (b) STUDY; REPORT.—

23 (1) IN GENERAL.—The Attorney General shall  
24 conduct a study and prepare a report on all of the

1 uses of Social Security numbers permitted, required,  
2 authorized, or excepted under any Federal law. The  
3 report shall include a detailed description of the uses  
4 allowed as of the date of enactment of this Act, the  
5 impact of such uses on privacy and data security,  
6 and shall evaluate whether such uses should be con-  
7 tinued or discontinued by appropriate legislative ac-  
8 tion.

9 (2) REPORT.—Not later than 1 year after the  
10 date of enactment of this Act, the Attorney General  
11 shall report to Congress findings under this sub-  
12 section. The report shall include such recommenda-  
13 tions for legislation based on criteria the Attorney  
14 General determines to be appropriate.

15 (c) EFFECTIVE DATE.—The amendments made by  
16 this section shall take effect on the date that is 30 days  
17 after the date on which the final regulations promulgated  
18 under section 5 are published in the Federal Register.

19 **SEC. 304. CRIMINAL PENALTIES FOR THE MISUSE OF A SO-**  
20 **CIAL SECURITY NUMBER.**

21 (a) PROHIBITION OF WRONGFUL USE AS PERSONAL  
22 IDENTIFICATION NUMBER.—No person may obtain any  
23 individual's Social Security number for purposes of locat-  
24 ing or identifying an individual with the intent to phys-



1 ically injure, harm, or use the identity of the individual  
2 for any illegal purpose.

3 (b) CRIMINAL SANCTIONS.—Section 208(a) of the  
4 Social Security Act (42 U.S.C. 408(a)) is amended—

5 (1) in paragraph (8), by inserting “or” after  
6 the semicolon; and

7 (2) by inserting after paragraph (8) the fol-  
8 lowing:

9 “(9) except as provided in subsections (e) and  
10 (f) of section 1028B of title 18, United States Code,  
11 knowingly and willfully displays, sells, or purchases  
12 (as those terms are defined in section 1028B(a) of  
13 title 18, United States Code) any individual’s Social  
14 Security account number without having met the  
15 prerequisites for consent under section 1028B(d) of  
16 title 18, United States Code; or

17 “(10) obtains any individual’s Social Security  
18 number for the purpose of locating or identifying the  
19 individual with the intent to injure or to harm that  
20 individual, or to use the identity of that individual  
21 for an illegal purpose;”.

22 **SEC. 305. CIVIL ACTIONS AND CIVIL PENALTIES.**

23 (a) CIVIL ACTION IN STATE COURTS.—

24 (1) IN GENERAL.—Any individual aggrieved by  
25 an act of any person in violation of this Act or any

1 amendments made by this Act may, if otherwise per-  
2 mitted by the laws or rules of the court of a State,  
3 bring in an appropriate court of that State—

4 (A) an action to enjoin such violation;

5 (B) an action to recover for actual mone-  
6 tary loss from such a violation, or to receive up  
7 to \$500 in damages for each such violation,  
8 whichever is greater; or

9 (C) both such actions.

10 It shall be an affirmative defense in any action  
11 brought under this paragraph that the defendant  
12 has established and implemented, with due care, rea-  
13 sonable practices and procedures to effectively pre-  
14 vent violations of the regulations prescribed under  
15 this Act. If the court finds that the defendant will-  
16 fully or knowingly violated the regulations prescribed  
17 under this subsection, the court may, in its discre-  
18 tion, increase the amount of the award to an amount  
19 equal to not more than 3 times the amount available  
20 under subparagraph (B).

21 (2) STATUTE OF LIMITATIONS.—An action may  
22 be commenced under this subsection not later than  
23 the earlier of—

24 (A) 5 years after the date on which the al-  
25 leged violation occurred; or

1 (B) 3 years after the date on which the al-  
2 leged violation was or should have been reason-  
3 ably discovered by the aggrieved individual.

4 (3) NONEXCLUSIVE REMEDY.—The remedy pro-  
5 vided under this subsection shall be in addition to  
6 any other remedies available to the individual.

7 (b) CIVIL PENALTIES.—

8 (1) IN GENERAL.—Any person who the Attor-  
9 ney General determines has violated any section of  
10 this Act or of any amendments made by this Act  
11 shall be subject, in addition to any other penalties  
12 that may be prescribed by law—

13 (A) to a civil penalty of not more than  
14 \$5,000 for each such violation; and

15 (B) to a civil penalty of not more than  
16 \$50,000, if the violations have occurred with  
17 such frequency as to constitute a general busi-  
18 ness practice.

19 (2) DETERMINATION OF VIOLATIONS.—Any  
20 willful violation committed contemporaneously with  
21 respect to the Social Security numbers of 2 or more  
22 individuals by means of mail, telecommunication, or  
23 otherwise, shall be treated as a separate violation  
24 with respect to each such individual.

1           (3) ENFORCEMENT PROCEDURES.—The provi-  
 2           sions of section 1128A of the Social Security Act  
 3           (42 U.S.C. 1320a–7a), other than subsections (a),  
 4           (b), (f), (h), (i), (j), (m), and (n) and the first sen-  
 5           tence of subsection (c) of such section, and the pro-  
 6           visions of subsections (d) and (e) of section 205 of  
 7           such Act (42 U.S.C. 405) shall apply to a civil pen-  
 8           alty action under this subsection in the same man-  
 9           ner as such provisions apply to a penalty or pro-  
 10          ceeding under section 1128A(a) of such Act (42  
 11          U.S.C. 1320a–7a(a)), except that, for purposes of  
 12          this paragraph, any reference in section 1128A of  
 13          such Act (42 U.S.C. 1320a–7a) to the Secretary  
 14          shall be deemed to be a reference to the Attorney  
 15          General.

16 **TITLE           IV—STRENGTHENING**  
 17 **LAWS AND IMPROVING EN-**  
 18 **FORCEMENT AGAINST TAX-**  
 19 **RELATED IDENTITY THEFT**

20 **SEC. 401. CRIMINAL PENALTY FOR USING A FALSE IDEN-**  
 21 **TITY IN CONNECTION WITH TAX FRAUD.**

22           (a) IN GENERAL.—Section 7206 of the Internal Rev-  
 23          enue Code of 1986 is amended—

24                   (1) by striking “Any person” and inserting the  
 25          following:

1 “(a) IN GENERAL.—Any person”, and

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

4 “(b) USE OF FALSE IDENTITY.—Any person who  
5 willfully misappropriates another person’s taxpayer iden-  
6 tity (as defined in section 6103(b)(6)) for the purpose of  
7 making any list, return, account, statement, or other docu-  
8 ment submitted to the Secretary under the provisions of  
9 this title shall be guilty of a felony and, upon conviction  
10 thereof, shall be fined not more than \$250,000 (\$500,000  
11 in the case of a corporation) or imprisoned not more than  
12 5 years, or both, together with the costs of prosecution.”.

13 (b) AGGRAVATED IDENTITY THEFT.—Section  
14 1028A(c) of title 18, United States Code, is amended by  
15 striking “or” at the end of paragraph (10), by striking  
16 the period at the end of paragraph (11) and inserting “;  
17 or”, and by adding at the end the following new para-  
18 graph:

19 “(12) section 7206(b) of the Internal Revenue  
20 Code of 1986 (relating to use of false identity in  
21 connection with tax fraud).”.

22 (c) EFFECTIVE DATE.—The amendments made by  
23 this section shall apply to offenses committed after the  
24 date of the enactment of this Act.

1 **SEC. 402. INCREASED PENALTY FOR IMPROPER DISCLO-**  
2 **SURE OR USE OF INFORMATION BY PRE-**  
3 **PARERS OF RETURNS.**

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

6 (1) by striking “\$250” and inserting “\$1,000”,  
7 and

8 (2) by striking “\$10,000” and inserting  
9 “\$50,000”.

10 (b) CRIMINAL PENALTY.—Section 7216(a) of the In-  
11 ternal Revenue Code of 1986 is amended by striking  
12 “\$1,000” and inserting “\$100,000”.

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

16 **SEC. 403. AUTHORITY TO TRANSFER INTERNAL REVENUE**  
17 **SERVICE APPROPRIATIONS TO USE FOR TAX**  
18 **FRAUD ENFORCEMENT.**

19 For any fiscal year, the Commissioner of Internal  
20 Revenue may transfer not more than \$10,000,000 to the  
21 “Enforcement” account of the Internal Revenue Service  
22 from amounts appropriated to other Internal Revenue  
23 Service accounts. Any amounts so transferred shall be  
24 used solely for the purposes of preventing and resolving  
25 potential cases of tax fraud.

1 **SEC. 404. LOCAL LAW ENFORCEMENT LIAISON.**

2 (a) ESTABLISHMENT.—The Commissioner of Inter-  
3 nal Revenue shall establish within the Criminal Investiga-  
4 tion Division of the Internal Revenue Service the position  
5 of Local Law Enforcement Liaison.

6 (b) DUTIES.—The Local Law Enforcement Liaison  
7 shall serve as the primary source of contact for State and  
8 local law enforcement authorities with respect to tax-re-  
9 lated identity theft and other tax fraud matters, having  
10 duties that shall include—

11 (1) receiving information from State and local  
12 law enforcement authorities;

13 (2) responding to inquiries from State and local  
14 law enforcement authorities;

15 (3) administering authorized information-shar-  
16 ing initiatives with State or local law enforcement  
17 authorities and reviewing the performance of such  
18 initiatives;

19 (4) ensuring any information provided through  
20 authorized information-sharing initiatives with State  
21 or local law enforcement authorities is used only for  
22 the prosecution of identity theft-related crimes and  
23 not re-disclosed to third parties; and

24 (5) any other duties as delegated by the Com-  
25 missioner of Internal Revenue.

1 **TITLE V—ACCELERATING TRAN-**  
2 **SITION TO A REAL-TIME TAX**  
3 **SYSTEM THAT PROTECTS**  
4 **TAXPAYERS AND REDUCES**  
5 **FRAUD**

6 **SEC. 501. IMPROVEMENT IN ACCESS TO INFORMATION IN**  
7 **THE NATIONAL DIRECTORY OF NEW HIRES**  
8 **FOR TAX ADMINISTRATION PURPOSES.**

9 (a) **IN GENERAL.**—Paragraph (3) of section 453(i)  
10 of the Social Security Act (42 U.S.C. 653(i)) is amended  
11 to read as follows:

12 “(3) **ADMINISTRATION OF FEDERAL TAX**  
13 **LAWS.**—The Secretary of the Treasury shall have  
14 access to the information in the National Directory  
15 of New Hires for purposes of administering the In-  
16 ternal Revenue Code of 1986.”.

17 (b) **EFFECTIVE DATE.**—The amendment made by  
18 this section shall take effect on the date of the enactment  
19 of this Act.

20 **SEC. 502. PLAN OF ACTION FOR TRANSITIONING TO A**  
21 **REAL-TIME TAX SYSTEM.**

22 Not later than 270 days after the date of enactment  
23 of this Act, the Secretary of the Treasury, or the Sec-  
24 retary’s delegate, shall submit to Congress a report ana-  
25 lyzing and outlining options and potential timelines for



- 1 moving toward a tax system that reduces burdens on tax-
- 2 payers and decreases tax fraud through real-time informa-
- 3 tion matching.

