

112TH CONGRESS  
1ST SESSION

# S. 1534

To prevent identity theft and tax fraud.

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IN THE SENATE OF THE UNITED STATES

SEPTEMBER 8, 2011

Mr. NELSON of Florida introduced the following bill; which was read twice and referred to the Committee on Finance

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## 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 or 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 ceding 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 to  
8 the confidentiality and disclosure of return informa-  
9 tion prevent the effective enforcement of local, State,  
10 and federal identity theft statutes. The review shall  
11 consider whether greater information sharing be-  
12 tween the Internal Revenue Service and State and  
13 local law enforcement authorities would improve the  
14 enforcement of criminal laws at all levels of govern-  
15 ment.

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.

