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110TH CONGRESS
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H. R. 3056

[Report No. 110-]

To amend the Internal Revenue Code of 1986 to repeal the authority of the Internal Revenue Service to use private debt collection companies, to delay implementation of withholding taxes on government contractors, to revise the tax rules on expatriation, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

JULY 17, 2007

Mr. RANGEL (for himself, Mr. LEVIN, Mr. McDERMOTT, Mr. LEWIS of Georgia, Mr. BLUMENAUER, Mr. VAN HOLLEN, Mr. MEEK of Florida, Mr. LARSON of Connecticut, Mr. POMEROY, and Mr. CROWLEY) introduced the following bill; which was referred to the Committee on Ways and Means

JULY --, 2007

Reported with an amendment, committed to the Committee of the Whole House on the State of the Union, and ordered to be printed

[Strike out all after the enacting clause and insert the part printed in *italic*]

[For text of introduced bill, see copy of bill as introduced on July 17, 2007]

A BILL

To amend the Internal Revenue Code of 1986 to repeal the authority of the Internal Revenue Service to use private debt collection companies, to delay implementation of withholding taxes on government contractors, to

revise the tax rules on expatriation, 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; AMENDMENT OF 1986 CODE;**
 4 **TABLE OF CONTENTS.**

5 (a) *SHORT TITLE.*—*This Act may be cited as the “Tax*
 6 *Collection Responsibility Act of 2007”.*

7 (b) *AMENDMENT OF 1986 CODE.*—*Except as otherwise*
 8 *expressly provided, whenever in this Act an amendment or*
 9 *repeal is expressed in terms of an amendment to, or repeal*
 10 *of, a section or other provision, the reference shall be consid-*
 11 *ered to be made to a section or other provision of the Inter-*
 12 *nal Revenue Code of 1986.*

13 (c) *TABLE OF CONTENTS.*—*The table of contents of this*
 14 *Act is as follows:*

Sec. 1. Short title; amendment of 1986 Code; table of contents.

Sec. 2. Repeal of authority to enter into private debt collection contracts.

Sec. 3. Delay of application of withholding requirement on certain governmental payments for goods and services.

Sec. 4. Clarification of entitlement of Virgin Islands residents to protections of limitations on assessment and collection of tax.

Sec. 5. Revision of tax rules on expatriation.

Sec. 6. Repeal of suspension of certain penalties and interest.

Sec. 7. Increase in information return penalties.

Sec. 8. Time for payment of corporate estimated taxes.

15 **SEC. 2. REPEAL OF AUTHORITY TO ENTER INTO PRIVATE**
 16 **DEBT COLLECTION CONTRACTS.**

17 (a) *IN GENERAL.*—*Subchapter A of chapter 64 is*
 18 *amended by striking section 6306.*

19 (b) *CONFORMING AMENDMENTS.*—

1 (1) *Subchapter B of chapter 76 is amended by*
2 *striking section 7433A.*

3 (2) *Section 7811 is amended by striking sub-*
4 *section (g).*

5 (3) *Section 1203 of the Internal Revenue Service*
6 *Restructuring Act of 1998 is amended by striking*
7 *subsection (e).*

8 (4) *The table of sections for subchapter A of*
9 *chapter 64 is amended by striking the item relating*
10 *to section 6306.*

11 (5) *The table of sections for subchapter B of*
12 *chapter 76 is amended by striking the item relating*
13 *to section 7433A.*

14 (c) *EFFECTIVE DATE.—*

15 (1) *IN GENERAL.—Except as otherwise provided*
16 *in this subsection, the amendments made by this sec-*
17 *tion shall take effect on the date of the enactment of*
18 *this Act.*

19 (2) *EXCEPTION FOR EXISTING CONTRACTS,*
20 *ETC.—The amendments made by this section shall not*
21 *apply to any contract which was entered into before*
22 *July 18, 2007, and is not renewed or extended on or*
23 *after such date.*

24 (3) *UNAUTHORIZED CONTRACTS AND EXTEN-*
25 *SIONS TREATED AS VOID.—Any qualified tax collec-*

1 *account such mechanisms as may be necessary to ad-*
2 *minister such requirements), and*

3 *(3) the application of such requirements to small*
4 *expenditures for services and goods by governments.*

5 **SEC. 4. CLARIFICATION OF ENTITLEMENT OF VIRGIN IS-**
6 **LANDS RESIDENTS TO PROTECTIONS OF LIM-**
7 **ITATIONS ON ASSESSMENT AND COLLECTION**
8 **OF TAX.**

9 *(a) IN GENERAL.—Subsection (c) of section 932 (relat-*
10 *ing to treatment of Virgin Islands residents) is amended*
11 *by adding at the end the following new paragraph:*

12 *“(5) TREATMENT OF INCOME TAX RETURN FILED*
13 *WITH VIRGIN ISLANDS.—An income tax return filed*
14 *with the Virgin Islands by an individual claiming to*
15 *be described in paragraph (1) for the taxable year*
16 *shall be treated for purposes of subtitle F in the same*
17 *manner as if such return were an income tax return*
18 *filed with the United States for such taxable year.*
19 *The preceding sentence shall not apply where such re-*
20 *turn is false or fraudulent with the intent to avoid*
21 *tax or otherwise is a willful attempt in any manner*
22 *to defeat or evade tax.”.*

23 *(b) EFFECTIVE DATE.—The amendment made by this*
24 *section shall apply to taxable years beginning after 1986.*

1 **SEC. 5. REVISION OF TAX RULES ON EXPATRIATION.**

2 (a) *IN GENERAL.*—Subpart A of part II of subchapter
3 N of chapter 1 is amended by inserting after section 877
4 the following new section:

5 **“SEC. 877A. TAX RESPONSIBILITIES OF EXPATRIATION.**

6 “(a) *GENERAL RULES.*—For purposes of this sub-
7 title—

8 “(1) *MARK TO MARKET.*—All property of a cov-
9 ered expatriate shall be treated as sold on the day be-
10 fore the expatriation date for its fair market value.

11 “(2) *RECOGNITION OF GAIN OR LOSS.*—In the
12 case of any sale under paragraph (1)—

13 “(A) notwithstanding any other provision of
14 this title, any gain arising from such sale shall
15 be taken into account for the taxable year of the
16 sale, and

17 “(B) any loss arising from such sale shall
18 be taken into account for the taxable year of the
19 sale to the extent otherwise provided by this title,
20 except that section 1091 shall not apply to any
21 such loss.

22 *Proper adjustment shall be made in the amount of*
23 *any gain or loss subsequently realized for gain or loss*
24 *taken into account under the preceding sentence, de-*
25 *termined without regard to paragraph (3).*

26 “(3) *EXCLUSION FOR CERTAIN GAIN.*—

1 “(A) *IN GENERAL.*—*The amount which*
2 *would (but for this paragraph) be includible in*
3 *the gross income of any individual by reason of*
4 *paragraph (1) shall be reduced (but not below*
5 *zero) by \$600,000.*

6 “(B) *ADJUSTMENT FOR INFLATION.*—

7 “(i) *IN GENERAL.*—*In the case of any*
8 *taxable year beginning in a calendar year*
9 *after 2008, the dollar amount in subpara-*
10 *graph (A) shall be increased by an amount*
11 *equal to—*

12 “(I) *such dollar amount, multi-*
13 *plied by*

14 “(II) *the cost-of-living adjustment*
15 *determined under section 1(f)(3) for*
16 *the calendar year in which the taxable*
17 *year begins, by substituting ‘calendar*
18 *year 2007’ for ‘calendar year 1992’ in*
19 *subparagraph (B) thereof.*

20 “(ii) *ROUNDING.*—*If any amount as*
21 *adjusted under clause (i) is not a multiple*
22 *of \$1,000, such amount shall be rounded to*
23 *the nearest multiple of \$1,000.*

24 “(b) *ELECTION TO DEFER TAX.*—

1 “(1) *IN GENERAL.*—*If the taxpayer elects the ap-*
2 *plication of this subsection with respect to any prop-*
3 *erty treated as sold by reason of subsection (a), the*
4 *time for payment of the additional tax attributable to*
5 *such property shall be extended until the due date of*
6 *the return for the taxable year in which such property*
7 *is disposed of (or, in the case of property disposed of*
8 *in a transaction in which gain is not recognized in*
9 *whole or in part, until such other date as the Sec-*
10 *retary may prescribe).*

11 “(2) *DETERMINATION OF TAX WITH RESPECT TO*
12 *PROPERTY.*—*For purposes of paragraph (1), the addi-*
13 *tional tax attributable to any property is an amount*
14 *which bears the same ratio to the additional tax im-*
15 *posed by this chapter for the taxable year solely by*
16 *reason of subsection (a) as the gain taken into ac-*
17 *count under subsection (a) with respect to such prop-*
18 *erty bears to the total gain taken into account under*
19 *subsection (a) with respect to all property to which*
20 *subsection (a) applies.*

21 “(3) *TERMINATION OF EXTENSION.*—*The due*
22 *date for payment of tax may not be extended under*
23 *this subsection later than the due date for the return*
24 *of tax imposed by this chapter for the taxable year*
25 *which includes the date of death of the expatriate (or,*

1 *if earlier, the time that the security provided with re-*
2 *spect to the property fails to meet the requirements of*
3 *paragraph (4), unless the taxpayer corrects such fail-*
4 *ure within the time specified by the Secretary).*

5 *“(4) SECURITY.—*

6 *“(A) IN GENERAL.—No election may be*
7 *made under paragraph (1) with respect to any*
8 *property unless adequate security is provided*
9 *with respect to such property.*

10 *“(B) ADEQUATE SECURITY.—For purposes*
11 *of subparagraph (A), security with respect to*
12 *any property shall be treated as adequate secu-*
13 *rity if—*

14 *“(i) it is a bond which is furnished to,*
15 *and accepted by, the Secretary, which is*
16 *conditioned on the payment of tax (and in-*
17 *terest thereon), and which meets the require-*
18 *ments of section 6325, or*

19 *“(ii) it is another form of security for*
20 *such payment (including letters of credit)*
21 *that meets such requirements as the Sec-*
22 *retary may prescribe.*

23 *“(5) WAIVER OF CERTAIN RIGHTS.—No election*
24 *may be made under paragraph (1) unless the tax-*
25 *payer makes an irrevocable waiver of any right under*

1 *any treaty of the United States which would preclude*
2 *assessment or collection of any tax imposed by reason*
3 *of this section.*

4 “(6) *ELECTIONS.*—*An election under paragraph*
5 *(1) shall only apply to property described in the elec-*
6 *tion and, once made, is irrevocable.*

7 “(7) *INTEREST.*—*For purposes of section 6601,*
8 *the last date for the payment of tax shall be deter-*
9 *mined without regard to the election under this sub-*
10 *section.*

11 “(c) *EXCEPTION FOR CERTAIN PROPERTY.*—*Sub-*
12 *section (a) shall not apply to—*

13 “(1) *any deferred compensation item (as defined*
14 *in subsection (d)(4)),*

15 “(2) *any specified tax deferred account (as de-*
16 *fined in subsection (e)(2)), and*

17 “(3) *any interest in a nongrantor trust (as de-*
18 *fined in subsection (f)(3)).*

19 “(d) *TREATMENT OF DEFERRED COMPENSATION*
20 *ITEMS.—*

21 “(1) *WITHHOLDING ON ELIGIBLE DEFERRED*
22 *COMPENSATION ITEMS.—*

23 “(A) *IN GENERAL.*—*In the case of any eligi-*
24 *ble deferred compensation item, the payor shall*
25 *deduct and withhold from any taxable payment*

1 to a covered expatriate with respect to such item
2 a tax equal to 30 percent thereof.

3 “(B) *TAXABLE PAYMENT.*—For purposes of
4 subparagraph (A), the term ‘taxable payment’
5 means with respect to a covered expatriate any
6 payment to the extent it would be includible in
7 the gross income of the covered expatriate if such
8 expatriate continued to be subject to tax as a cit-
9 izen or resident of the United States. A deferred
10 compensation item shall be taken into account as
11 a payment under the preceding sentence when
12 such item would be so includible.

13 “(2) *OTHER DEFERRED COMPENSATION*
14 *ITEMS.*—In the case of any deferred compensation
15 item which is not an eligible deferred compensation
16 item—

17 “(A)(i) with respect to any deferred com-
18 pensation item to which clause (ii) does not
19 apply, an amount equal to the present value of
20 the covered expatriate’s accrued benefit shall be
21 treated as having been received by such indi-
22 vidual on the day before the expatriation date as
23 a distribution under the plan, and

24 “(ii) with respect to any deferred compensa-
25 tion item referred to in paragraph (4)(D), the

1 *rights of the covered expatriate to such item shall*
2 *be treated as becoming transferable and not sub-*
3 *ject to a substantial risk of forfeiture on the day*
4 *before the expatriation date,*

5 *“(B) no early distribution tax shall apply*
6 *by reason of such treatment, and*

7 *“(C) appropriate adjustments shall be made*
8 *to subsequent distributions from the plan to re-*
9 *flect such treatment.*

10 *“(3) ELIGIBLE DEFERRED COMPENSATION*
11 *ITEMS.—For purposes of this subsection, the term ‘eli-*
12 *gible deferred compensation item’ means any deferred*
13 *compensation item with respect to which—*

14 *“(A) the payor of such item is—*

15 *“(i) a United States person, or*

16 *“(ii) a person who is not a United*
17 *States person but who elects to be treated as*
18 *a United States person for purposes of*
19 *paragraph (1) and meets such requirements*
20 *as the Secretary may provide to ensure that*
21 *the payor will meet the requirements of*
22 *paragraph (1), and*

23 *“(B) the covered expatriate—*

24 *“(i) notifies the payor of his status as*
25 *a covered expatriate, and*

1 “(ii) makes an irrevocable waiver of
2 any right to claim any reduction under any
3 treaty with the United States in with-
4 holding on such item.

5 “(4) DEFERRED COMPENSATION ITEM.—For pur-
6 poses of this subsection, the term ‘deferred compensa-
7 tion item’ means—

8 “(A) any interest in a plan or arrangement
9 described in section 219(g)(5),

10 “(B) any interest in a foreign pension plan
11 or similar retirement arrangement or program,

12 “(C) any item of deferred compensation,
13 and

14 “(D) any property, or right to property,
15 which the individual is entitled to receive in con-
16 nection with the performance of services to the
17 extent not previously taken into account under
18 section 83 or in accordance with section 83.

19 “(5) EXCEPTION.—Paragraphs (1) and (2) shall
20 not apply to any deferred compensation item which
21 is attributable to services performed outside the
22 United States while the covered expatriate was not a
23 citizen or resident of the United States.

24 “(6) SPECIAL RULES.—

1 “(A) *APPLICATION OF WITHHOLDING*
2 *RULES.—Rules similar to the rules of subchapter*
3 *B of chapter 3 shall apply for purposes of this*
4 *subsection.*

5 “(B) *APPLICATION OF TAX.—Any item sub-*
6 *ject to the withholding tax imposed under para-*
7 *graph (1) shall be subject to tax under section*
8 *871.*

9 “(C) *COORDINATION WITH OTHER WITH-*
10 *HOLDING REQUIREMENTS.—Any item subject to*
11 *withholding under paragraph (1) shall not be*
12 *subject to withholding under section 1441 or*
13 *chapter 24.*

14 “(e) *TREATMENT OF SPECIFIED TAX DEFERRED AC-*
15 *COUNTS.—*

16 “(1) *ACCOUNT TREATED AS DISTRIBUTED.—In*
17 *the case of any interest in a specified tax deferred ac-*
18 *count held by a covered expatriate on the day before*
19 *the expatriation date—*

20 “(A) *the covered expatriate shall be treated*
21 *as receiving a distribution of his entire interest*
22 *in such account on the day before the expatria-*
23 *tion date,*

24 “(B) *no early distribution tax shall apply*
25 *by reason of such treatment, and*

1 “(C) appropriate adjustments shall be made
2 to subsequent distributions from the account to
3 reflect such treatment.

4 “(2) SPECIFIED TAX DEFERRED ACCOUNT.—For
5 purposes of paragraph (1), the term ‘specified tax de-
6 ferred account’ means an individual retirement plan
7 (as defined in section 7701(a)(37)) other than any ar-
8 rangement described in subsection (k) or (p) of section
9 408, a qualified tuition program (as defined in sec-
10 tion 529), a Coverdell education savings account (as
11 defined in section 530), a health savings account (as
12 defined in section 223), and an Archer MSA (as de-
13 fined in section 220).

14 “(f) SPECIAL RULES FOR NONGRANTOR TRUSTS.—

15 “(1) IN GENERAL.—In the case of a distribution
16 (directly or indirectly) of any property from a non-
17 grantor trust to a covered expatriate—

18 “(A) the trustee shall deduct and withhold
19 from such distribution an amount equal to 30
20 percent of the taxable portion of the distribution,
21 and

22 “(B) if the fair market value of such prop-
23 erty exceeds its adjusted basis in the hands of the
24 trust, gain shall be recognized to the trust as if

1 *such property were sold to the expatriate at its*
2 *fair market value.*

3 “(2) *TAXABLE PORTION.*—*For purposes of this*
4 *subsection, the term ‘taxable portion’ means, with re-*
5 *spect to any distribution, that portion of the distribu-*
6 *tion which would be includible in the gross income of*
7 *the covered expatriate if such expatriate continued to*
8 *be subject to tax as a citizen or resident of the United*
9 *States.*

10 “(3) *NONGRANTOR TRUST.*—*For purposes of this*
11 *subsection, the term ‘nongrantor trust’ means the por-*
12 *tion of any trust that the individual is not considered*
13 *the owner of under subpart E of part I of subchapter*
14 *J. The determination under the preceding sentence*
15 *shall be made immediately before the expatriation*
16 *date.*

17 “(4) *SPECIAL RULES RELATING TO WITH-*
18 *HOLDING.*—*For purposes of this subsection—*

19 “(A) *rules similar to the rules of subsection*
20 *(d)(6) shall apply, and*

21 “(B) *the covered expatriate shall be treated*
22 *as having waived any right to claim any reduc-*
23 *tion under any treaty with the United States in*
24 *withholding on any distribution to which para-*
25 *graph (1)(A) applies.*

1 “(g) *DEFINITIONS AND SPECIAL RULES RELATING TO*
2 *EXPATRIATION.*—*For purposes of this section—*

3 “(1) *COVERED EXPATRIATE.*—

4 “(A) *IN GENERAL.*—*The term ‘covered expa-*
5 *triate’ means an expatriate who meets the re-*
6 *quirements of subparagraph (A), (B), or (C) of*
7 *section 877(a)(2).*

8 “(B) *EXCEPTIONS.*—*An individual shall*
9 *not be treated as meeting the requirements of*
10 *subparagraph (A) or (B) of section 877(a)(2)*
11 *if—*

12 “(i) *the individual—*

13 “(I) *became at birth a citizen of*
14 *the United States and a citizen of an-*
15 *other country and, as of the expatria-*
16 *tion date, continues to be a citizen of,*
17 *and is taxed as a resident of, such*
18 *other country, and*

19 “(II) *has been a resident of the*
20 *United States (as defined in section*
21 *7701(b)(1)(A)(ii)) for not more than*
22 *10 taxable years during the 15-taxable*
23 *year period ending with the taxable*
24 *year during which the expatriation*
25 *date occurs, or*

1 “(ii)(I) *the individual’s relinquishment*
2 *of United States citizenship occurs before*
3 *such individual attains age 18¹/₂, and*

4 “(II) *the individual has been a resi-*
5 *dent of the United States (as so defined) for*
6 *not more than 10 taxable years before the*
7 *date of relinquishment.*

8 “(C) *COVERED EXPATRIATES ALSO SUBJECT*
9 *TO TAX AS CITIZENS OR RESIDENTS.—In the*
10 *case of any covered expatriate who is subject to*
11 *tax as a citizen or resident of the United States*
12 *for any period beginning after the expatriation*
13 *date, such individual shall not be treated as a*
14 *covered expatriate during such period for pur-*
15 *poses of subsections (d)(1) and (f) and section*
16 *2801.*

17 “(2) *EXPATRIATE.—The term ‘expatriate’*
18 *means—*

19 “(A) *any United States citizen who relin-*
20 *quishes his citizenship, and*

21 “(B) *any long-term resident of the United*
22 *States who ceases to be a lawful permanent resi-*
23 *dent of the United States (within the meaning of*
24 *section 7701(b)(6)).*

1 “(3) *EXPATRIATION DATE.*—*The term ‘expatria-*
2 *tion date’ means—*

3 “(A) *the date an individual relinquishes*
4 *United States citizenship, or*

5 “(B) *in the case of a long-term resident of*
6 *the United States, the date on which the indi-*
7 *vidual ceases to be a lawful permanent resident*
8 *of the United States (within the meaning of sec-*
9 *tion 7701(b)(6)).*

10 “(4) *RELINQUISHMENT OF CITIZENSHIP.*—*A cit-*
11 *izen shall be treated as relinquishing his United*
12 *States citizenship on the earliest of—*

13 “(A) *the date the individual renounces his*
14 *United States nationality before a diplomatic or*
15 *consular officer of the United States pursuant to*
16 *paragraph (5) of section 349(a) of the Immigra-*
17 *tion and Nationality Act (8 U.S.C. 1481(a)(5)),*

18 “(B) *the date the individual furnishes to the*
19 *United States Department of State a signed*
20 *statement of voluntary relinquishment of United*
21 *States nationality confirming the performance of*
22 *an act of expatriation specified in paragraph*
23 *(1), (2), (3), or (4) of section 349(a) of the Im-*
24 *migration and Nationality Act (8 U.S.C.*
25 *1481(a)(1)–(4)),*

1 “(C) the date the United States Department
2 of State issues to the individual a certificate of
3 loss of nationality, or

4 “(D) the date a court of the United States
5 cancels a naturalized citizen’s certificate of natu-
6 ralization.

7 Subparagraph (A) or (B) shall not apply to any in-
8 dividual unless the renunciation or voluntary relin-
9 quishment is subsequently approved by the issuance to
10 the individual of a certificate of loss of nationality by
11 the United States Department of State.

12 “(5) *LONG-TERM RESIDENT*.—The term ‘long-
13 term resident’ has the meaning given to such term by
14 section 877(e)(2).

15 “(6) *EARLY DISTRIBUTION TAX*.—The term
16 ‘early distribution tax’ means any increase in tax im-
17 posed under section 72(t), 220(e)(4), 223(f)(4),
18 409A(a)(1)(B), 529(c)(6), or 530(d)(4).

19 “(h) *OTHER RULES*.—

20 “(1) *TERMINATION OF DEFERRALS, ETC*.—In the
21 case of any covered expatriate, notwithstanding any
22 other provision of this title—

23 “(A) any time period for acquiring prop-
24 erty which would result in the reduction in the
25 amount of gain recognized with respect to prop-

1 *erty disposed of by the taxpayer shall terminate*
2 *on the day before the expatriation date, and*

3 *“(B) any extension of time for payment of*
4 *tax shall cease to apply on the day before the ex-*
5 *patiation date and the unpaid portion of such*
6 *tax shall be due and payable at the time and in*
7 *the manner prescribed by the Secretary.*

8 *“(2) STEP-UP IN BASIS.—Solely for purposes of*
9 *determining any tax imposed by reason of subsection*
10 *(a), property which was held by an individual on the*
11 *date the individual first became a resident of the*
12 *United States (within the meaning of section 7701(b))*
13 *shall be treated as having a basis on such date of not*
14 *less than the fair market value of such property on*
15 *such date. The preceding sentence shall not apply if*
16 *the individual elects not to have such sentence apply.*
17 *Such an election, once made, shall be irrevocable.*

18 *“(3) COORDINATION WITH SECTION 684.—If the*
19 *expatriation of any individual would result in the*
20 *recognition of gain under section 684, this section*
21 *shall be applied after the application of section 684.*

22 *“(i) REGULATIONS.—The Secretary shall prescribe*
23 *such regulations as may be necessary or appropriate to*
24 *carry out the purposes of this section.”.*

1 **(b) TAX ON GIFTS AND BEQUESTS RECEIVED BY**
2 **UNITED STATES CITIZENS AND RESIDENTS FROM EXPA-**
3 **TRiates.**—

4 **(1) IN GENERAL.**—*Subtitle B (relating to estate*
5 *and gift taxes) is amended by inserting after chapter*
6 *14 the following new chapter:*

7 **“CHAPTER 15—GIFTS AND BEQUESTS**
8 **FROM EXPATRIATES**

“Sec. 2801. Imposition of tax

9 **“SEC. 2801. IMPOSITION OF TAX.**

10 **“(a) IN GENERAL.**—*If, during any calendar year, any*
11 *United States citizen or resident receives any covered gift*
12 *or bequest, there is hereby imposed a tax equal to the prod-*
13 *uct of—*

14 **“(1) the highest rate of tax specified in the table**
15 *contained in section 2001(c) as in effect on the date*
16 *of such receipt (or, if greater, the highest rate of tax*
17 *specified in the table applicable under section 2502(a)*
18 *as in effect on the date), and*

19 **“(2) the value of such covered gift or bequest.**

20 **“(b) TAX TO BE PAID BY RECIPIENT.**—*The tax im-*
21 *posed by subsection (a) on any covered gift or bequest shall*
22 *be paid by the person receiving such gift or bequest.*

23 **“(c) EXCEPTION FOR CERTAIN GIFTS.**—*Subsection (a)*
24 *shall apply only to the extent that the value of covered gifts*

1 *and bequests received by any person during the calendar*
2 *year exceeds \$10,000.*

3 “(d) *TAX REDUCED BY FOREIGN GIFT OR ESTATE*
4 *TAX.—The tax imposed by subsection (a) on any covered*
5 *gift or bequest shall be reduced by the amount of any gift*
6 *or estate tax paid to a foreign country with respect to such*
7 *covered gift or bequest.*

8 “(e) *COVERED GIFT OR BEQUEST.—*

9 “(1) *IN GENERAL.—For purposes of this chapter,*
10 *the term ‘covered gift or bequest’ means—*

11 “(A) *any property acquired by gift directly*
12 *or indirectly from an individual who, at the*
13 *time of such acquisition, is a covered expatriate,*
14 *and*

15 “(B) *any property acquired directly or in-*
16 *directly by reason of the death of an individual*
17 *who, immediately before such death, was a cov-*
18 *ered expatriate.*

19 “(2) *EXCEPTIONS FOR TRANSFERS OTHERWISE*
20 *SUBJECT TO ESTATE OR GIFT TAX.—Such term shall*
21 *not include—*

22 “(A) *any property shown on a timely filed*
23 *return of tax imposed by chapter 12 which is a*
24 *taxable gift by the covered expatriate, and*

1 “(B) any property included in the gross es-
2 tate of the covered expatriate for purposes of
3 chapter 11 and shown on a timely filed return
4 of tax imposed by chapter 11 of the estate of the
5 covered expatriate.

6 “(3) TRANSFERS IN TRUST.—

7 “(A) DOMESTIC TRUSTS.—In the case of a
8 covered gift or bequest made to a domestic
9 trust—

10 “(i) subsection (a) shall apply in the
11 same manner as if such trust were a United
12 States citizen, and

13 “(ii) the tax imposed by subsection (a)
14 on such gift or bequest shall be paid by such
15 trust.

16 “(B) FOREIGN TRUSTS.—

17 “(i) IN GENERAL.—In the case of a
18 covered gift or bequest made to a foreign
19 trust, subsection (a) shall apply to any dis-
20 tribution attributable to such gift or bequest
21 from such trust (whether from income or
22 corpus) to a United States citizen or resi-
23 dent in the same manner as if such dis-
24 tribution were a covered gift or bequest.

1 “(ii) *DEDUCTION FOR TAX PAID BY RE-*
2 *CIPIENT.—There shall be allowed as a de-*
3 *duction under section 164 the amount of tax*
4 *imposed by this section which is paid or ac-*
5 *crued by a United States citizen or resident*
6 *by reason of a distribution from a foreign*
7 *trust, but only to the extent such tax is im-*
8 *posed on the portion of such distribution*
9 *which is included in the gross income of*
10 *such citizen or resident.*

11 “(iii) *ELECTION TO BE TREATED AS*
12 *DOMESTIC TRUST.—Solely for purposes of*
13 *this section, a foreign trust may elect to be*
14 *treated as a domestic trust. Such an election*
15 *may be revoked with the consent of the Sec-*
16 *retary.*

17 “(f) *COVERED EXPATRIATE.—For purposes of this sec-*
18 *tion, the term ‘covered expatriate’ has the meaning given*
19 *to such term by section 877A(g)(1).”.*

20 (2) *CLERICAL AMENDMENT.—The table of chap-*
21 *ters for subtitle B is amended by inserting after the*
22 *item relating to chapter 14 the following new item:*

 “CHAPTER 15. GIFTS AND BEQUESTS FROM EXPATRIATES.”.

23 (c) *DEFINITION OF TERMINATION OF UNITED STATES*
24 *CITIZENSHIP.—*

1 (1) *IN GENERAL.*—Section 7701(a) is amended
2 by adding at the end the following new paragraph:

3 “(50) *TERMINATION OF UNITED STATES CITIZEN-*
4 *SHIP.*—

5 “(A) *IN GENERAL.*—An individual shall not
6 cease to be treated as a United States citizen be-
7 fore the date on which the individual’s citizen-
8 ship is treated as relinquished under section
9 877A(g)(4).

10 “(B) *DUAL CITIZENS.*—Under regulations
11 prescribed by the Secretary, subparagraph (A)
12 shall not apply to an individual who became at
13 birth a citizen of the United States and a citizen
14 of another country.”.

15 (2) *CONFORMING AMENDMENTS.*—

16 (A) Paragraph (1) of section 877(e) is
17 amended to read as follows:

18 “(1) *IN GENERAL.*—Any long-term resident of
19 the United States who ceases to be a lawful perma-
20 nent resident of the United States (within the mean-
21 ing of section 7701(b)(6)) shall be treated for purposes
22 of this section and sections 2107, 2501, and 6039G in
23 the same manner as if such resident were a citizen of
24 the United States who lost United States citizenship
25 on the date of such cessation or commencement.”.

1 (B) Paragraph (6) of section 7701(b) is
2 amended by adding at the end the following flush
3 sentence:

4 “An individual shall cease to be treated as a lawful
5 permanent resident of the United States if such indi-
6 vidual commences to be treated as a resident of a for-
7 eign country under the provisions of a tax treaty be-
8 tween the United States and the foreign country, does
9 not waive the benefits of such treaty applicable to
10 residents of the foreign country, and notifies the Sec-
11 retary of the commencement of such treatment.”.

12 (C) Section 7701 is amended by striking
13 subsection (n) and by redesignating subsections
14 (o) and (p) as subsections (n) and (o), respec-
15 tively.

16 (d) INFORMATION RETURNS.—Section 6039G is
17 amended—

18 (1) by inserting “or 877A” after “section 877(b)”
19 in subsection (a), and

20 (2) by inserting “or 877A” after “section
21 877(a)” in subsection (d).

22 (e) CLERICAL AMENDMENT.—The table of sections for
23 subpart A of part II of subchapter N of chapter 1 is amend-
24 ed by inserting after the item relating to section 877 the
25 following new item:

 “Sec. 877A. Tax responsibilities of expatriation.”.

1 (f) *EFFECTIVE DATE.*—

2 (1) *IN GENERAL.*—*Except as provided in this*
3 *subsection, the amendments made by this section shall*
4 *apply to expatriates (as defined in section 877A(g) of*
5 *the Internal Revenue Code of 1986, as added by this*
6 *section) whose expatriation date (as so defined) is on*
7 *or after the date of the enactment of this Act.*

8 (2) *GIFTS AND BEQUESTS.*—*Chapter 15 of the*
9 *Internal Revenue Code of 1986 (as added by sub-*
10 *section (b)) shall apply to covered gifts and bequests*
11 *(as defined in section 2801 of such Code, as so added)*
12 *received on or after the date of the enactment of this*
13 *Act, regardless of when the transferor expatriated.*

14 **SEC. 6. REPEAL OF SUSPENSION OF CERTAIN PENALTIES**
15 **AND INTEREST.**

16 (a) *IN GENERAL.*—*Section 6404 is amended by strik-*
17 *ing subsection (g) and by redesignating subsection (h) as*
18 *subsection (g).*

19 (b) *EFFECTIVE DATE.*—*The amendment made by sub-*
20 *section (a) shall apply to notices provided by the Secretary*
21 *of the Treasury, or his delegate, after the date which is 6*
22 *months after the date of the enactment of the Small Busi-*
23 *ness and Work Opportunity Tax Act of 2007.*

1 **SEC. 7. INCREASE IN INFORMATION RETURN PENALTIES.**

2 (a) *FAILURE TO FILE CORRECT INFORMATION RE-*
3 *URNS.—*

4 (1) *IN GENERAL.—Subsections (a)(1), (b)(1)(A),*
5 *and (b)(2)(A) of section 6721 are each amended by*
6 *striking “\$50” and inserting “\$100”.*

7 (2) *AGGREGATE ANNUAL LIMITATION.—Sub-*
8 *sections (a)(1), (d)(1)(A), and (e)(3)(A) of section*
9 *6721 are each amended by striking “\$250,000” and*
10 *inserting “\$600,000”.*

11 (b) *REDUCTION WHERE CORRECTION WITHIN 30*
12 *DAYS.—*

13 (1) *IN GENERAL.—Subparagraph (A) of section*
14 *6721(b)(1) is amended by striking “\$15” and insert-*
15 *ing “\$25”.*

16 (2) *AGGREGATE ANNUAL LIMITATION.—Sub-*
17 *sections (b)(1)(B) and (d)(1)(B) of section 6721 are*
18 *each amended by striking “\$75,000” and inserting*
19 *“\$200,000”.*

20 (c) *REDUCTION WHERE CORRECTION ON OR BEFORE*
21 *AUGUST 1.—*

22 (1) *IN GENERAL.—Subparagraph (A) of section*
23 *6721(b)(2) is amended by striking “\$30” and insert-*
24 *ing “\$60”.*

25 (2) *AGGREGATE ANNUAL LIMITATION.—Sub-*
26 *sections (b)(2)(B) and (d)(1)(C) of section 6721 are*

1 each amended by striking “\$150,000” and inserting
2 “\$400,000”.

3 (d) *AGGREGATE ANNUAL LIMITATIONS FOR PERSONS*
4 *WITH GROSS RECEIPTS OF NOT MORE THAN \$5,000,000.*—
5 *Paragraph (1) of section 6721(d) is amended—*

6 (1) by striking “\$100,000” in subparagraph (A)
7 and inserting “\$250,000”,

8 (2) by striking “\$25,000” in subparagraph (B)
9 and inserting “\$75,000”, and

10 (3) by striking “\$50,000” in subparagraph (C)
11 and inserting “\$150,000”.

12 (e) *PENALTY IN CASE OF INTENTIONAL DISREGARD.*—
13 *Paragraph (2) of section 6721(e) is amended by striking*
14 *“\$100” and inserting “\$250”.*

15 (f) *FAILURE TO FURNISH CORRECT PAYEE STATE-*
16 *MENTS.*—

17 (1) *IN GENERAL.*—*Subsection (a) of section 6722*
18 *is amended by striking “\$50” and inserting “\$100”.*

19 (2) *AGGREGATE ANNUAL LIMITATION.*—*Sub-*
20 *sections (a) and (c)(2)(A) of section 6722 are each*
21 *amended by striking “\$100,000” and inserting*
22 *“\$600,000”.*

23 (3) *PENALTY IN CASE OF INTENTIONAL DIS-*
24 *REGARD.*—*Paragraph (1) of section 6722(c) is*
25 *amended by striking “\$100” and inserting “\$250”.*

1 (g) *FAILURE TO COMPLY WITH OTHER INFORMATION*
2 *REPORTING REQUIREMENTS.*—*Section 6723 is amended—*

3 (1) *by striking “\$50” and inserting “\$100”, and*
4 (2) *by striking “\$100,000” and inserting*
5 *“\$600,000”.*

6 (h) *EFFECTIVE DATE.*—*The amendments made by this*
7 *section shall apply with respect to information returns re-*
8 *quired to be filed on or after January 1, 2008.*

9 **SEC. 8. TIME FOR PAYMENT OF CORPORATE ESTIMATED**
10 **TAXES.**

11 *Subparagraph (B) of section 401(1) of the Tax In-*
12 *crease Prevention and Reconciliation Act of 2005 is amend-*
13 *ed by striking “114.50 percent” and inserting “114.75 per-*
14 *cent”.*