



United States House Committee on

Ways & Means

CHAIRMAN JASON SMITH

H.R. 6506, *Taxpayer Due Process Enhancement Act*

Rep. Moran (R-TX), Rep. Sewell (D-AL)

Background:

- The U.S. Tax Court is a federal trial court established by Congress under Article I of the Constitution which specializes in **adjudicating disputes over federal income tax**, generally prior to formal tax assessments made by the IRS. The Tax Court is the only forum in which taxpayers may litigate tax matters without having first paid the disputed tax in full.
- If someone owes federal taxes and does not pay, **the IRS can act by seizing their property (a levy) or placing a legal claim on it (a lien)**.
 - Before doing this, the IRS must send the taxpayer **a notice that explains that the taxpayer has the right to ask for a collection due process (CDP) hearing** to challenge the IRS's actions.
 - After IRS Appeals issues a determination from a collection due process hearing, **the taxpayer can petition the Tax Court to challenge that decision**.
- In June 2025, the Supreme Court ruled in *Commissioner v. Zuch* that **the Tax Court can not hear a CDP appeal** if the IRS drops its levy and chooses a different method to take the taxpayer's assets. The Court also said the IRS acted properly when it used the taxpayer's refunds to settle disputed tax liability.

H.R. XXXX, *Taxpayer Due Process Enhancement Act*:

- **Suspends the period of limitations for filing a claim for credit or refund** during a CDP proceeding, giving taxpayers an extended opportunity to receive their refunds.
 - If a taxpayer wishes to recover a tax overpayment, generally the taxpayer must file a claim for credit or refund with the IRS within three years of filing the relevant tax return or (if later) within two years of paying the tax.
- **Blocks the IRS from applying a taxpayer's overpayments to any tax they are currently disputing, meaning the IRS cannot use a taxpayer's old refunds against them during collection action proceedings.**
 - Under current law, while a CDP hearing or appeal is pending, the IRS may credit overpayments not at issue in the hearing or appeal against the tax liabilities subject to the liens or levies at issue in the hearing or appeal.
- **Expands the Tax Court's collection due process jurisdiction**, so taxpayers can choose Tax Court over district court, which is more accessible and cheaper.
 - When a taxpayer asks the Tax Court to review an IRS decision from a CDP hearing, **the Court can review both the IRS's collection decision and the amount of tax owed**, if the taxpayer properly challenged that amount at the hearing. **The Court keeps this power even if the IRS later drops the lien or levy.**