DESCRIPTION OF H.R. 9496, THE "END TAX PENALTIES ON AMERICAN HOSTAGES ACT"

Scheduled for Markup
by the
HOUSE COMMITTEE ON WAYS AND MEANS
on July 1, 2026

Prepared by the Staff
of the
JOINT COMMITTEE ON TAXATION

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INTRODUCTION

The House Committee on Ways and Means has scheduled a committee markup for July 1, 2026, of H.R. 9496, the "End Tax Penalties on American Hostages Act." This document,[1] prepared by the staff of the Joint Committee on Taxation, provides a description of this bill.

[1] This document may be cited as follows: Joint Committee on Taxation, *Description of H.R. 9496, the "End Tax Penalties on American Hostages Act."* (JCX-20-26), June 29, 2026. This document can also be found on the Joint Committee on Taxation website at www.jct.gov. All section references in the document are to the Internal Revenue Code of 1986, as amended (the "Code"), unless otherwise stated.

A. Description of the End Tax Penalties on American Hostages Act

1. Postponement of tax deadlines for hostages and individuals wrongfully detained abroad

Present Law

General rules establishing Code deadlines

The United States tax system generally relies upon self-reporting and assessment. For most individuals, that self-reporting is in the form of an income tax return. Persons required to file income tax returns[2] must file such returns in the manner prescribed by the Secretary, with any payment due, in compliance with due dates established in the Code, if any, or by regulations. The Code includes a general rule that requires income tax returns to be filed on or before the 15th day of the fourth month following the end of the taxable year, but certain exceptions are provided both in the Code and in regulations.[3]

The Code also establishes the limitation periods within which the Internal Revenue Service ("IRS") must perform its various administrative duties, such as assessment of taxes, interest, and any additions to tax or penalties related to the taxes and collection of such taxes, interest and additions to tax. Taxes are generally required to be assessed within three years after a taxpayer's return is filed, regardless of whether it was timely filed.[4] Several exceptions may prevent the three-year limitation period from beginning, including failure to file a return or filing a false or fraudulent return with the intent to evade tax. In those cases, the tax may be assessed, or a proceeding in court for collection of such tax may commence without assessment, at any time.[5] After the taxes are finally determined, whether it is through alternative payment methods, or enforced collection activity, the IRS must collect within 10 years from the date of assessment of tax.[6] A refund or credit is authorized for a taxable year only if an overpayment exists, that is, if the amounts paid or deemed paid exceed the tax liability for that year and a claim for such amount is timely made.[7]

Special rules authorizing extensions of time for required events in the Code

In computing the time within which they must complete an action required or prescribed by the Code, persons who serve in the United States Armed Forces or in support of the Armed

[2] Section 6012 provides general rules identifying who must file an income tax return.

[3] Secs. 6072 (prescribing deadlines for filing income tax returns) and 6081 (authorization of extensions of time to file, provided tax estimated to be due is paid with the application for extension).

[4] Sec. 6501(a). Returns that are filed before the date they are due are deemed filed on the due date. See sec. 6501(b)(1) and (2).

[5] Sec. 6501(c)(1), (2) and (3).

[6] Sec. 6502.

[7] Secs. 6402 (authority for refunding an overpayment) and 6511 (limitations period for filing a claim, including both a timely filing requirement and a lookback period to determine amounts eligible to be refunded).

Forces are entitled to disregard their period of service while in designated combat zones[8] or serving overseas in a contingency operation designated as such by the Secretary of Defense,[9] and the 180 days succeeding such period. For this purpose, periods of hospitalization that result from such service are included in the time that may be disregarded. The period that may be disregarded by the taxpayer is also disregarded in determinations by the IRS of the amount of any underpayment interest, penalty, additional amount, or addition to tax, and the amount of any credit or refund. Special rules apply for the period a person is in missing status,[10] for certain limitations on refunds or collection actions,[11] as well as for application of this provision to the spouse of the taxpayer.[12]

The Code specifies a number of actions for which the specified periods of time may generally be disregarded. These actions include those required of taxpayers as well as those performed by the IRS. The former include actions such as filing any return of income, estate, gift, employment, or excise tax; filing a petition with the Tax Court for redetermination of a deficiency, or for review of a decision rendered by the Tax Court; and actions related to refunds, such as filing a claim or bringing suit upon such claim. Actions by the IRS for which a deadline is extended include the assessment of any tax and related notices, such as notice and demand for payment or collection of the tax; the allowance of a refund; and bringing suit by the United States in respect of any liability in respect of any tax. In addition, the statute includes a residuary clause that permits the Secretary to designate any other act required or permitted under the internal revenue laws as within the scope of section 7508(a).[13]

Another provision of the Code, relating to disasters, mandates a 60-day extension and authorizes the Secretary to specify a period of up to one year that may be disregarded for performing various acts under the Code, such as filing tax returns, paying taxes, or filing a claim for credit or refund of tax, for eligible taxpayers. To qualify for this extension, an eligible taxpayer must be affected by a Federally declared disaster, a significant fire, or a terroristic or military action.[14] The limited relief from deadlines under this disaster extension applies to the same list of actions for which the specified time is disregarded for persons in combat zones.

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[8] Sec. 112.

[9] Sec. 7508.

[10] Sec. 7508(d).

[11] Secs. 7508(b) and (e).

[12] Sec. 7508(c).

[13] Sec. 7508(a)(1). In addition, Revenue Procedure 2018-58 supplements the list of postponed acts in section 7508(a)(1) and Treasury Regulation section 301.7508A-1(c)(1) with an additional list of time-sensitive acts.

[14] Sec. 7508A.

Present law regarding persons held hostage or wrongfully detained

Neither the provision on service in a combat zone nor the rules on disaster relief address persons who fail to meet a tax filing or payment deadline that arises while they are unlawfully or wrongfully detained abroad. Federal law provides a set of criteria for determining whether a United States national[15] is a wrongfully detained person. Such determination requires the involvement of the Hostage Recovery Fusion Cell, a multi-agency entity that addresses coordination of efforts to identify and recover those held hostage or wrongfully detained. Generally, if the person detained is held by a sovereign entity, determination of whether such person is wrongfully detained rests with the Secretary of State using prescribed criteria. Hostage status is determined by the Hostage Recovery Fusion Cell, under the leadership of the Federal Bureau of Investigation.[16]

Description of Proposal

The proposal adds a new Code provision that extends due dates for hostages and persons wrongfully detained by providing that the period of detention is disregarded in determining deadlines, interest, penalties for the person, similar to the rules applicable to a person deployed in a combat zone, including incorporating the list of events to which the special rules apply from section 7508. Similar to that provision, it extends such relief to the spouse of the hostage or detainee. The class of applicable persons is defined by reference to provisions of Title 22 on wrongfully detained persons or hostages.

In the new relief statute, the period that may be disregarded in redetermining time limits is the entire period in which the person was held hostage or wrongfully detained during any taxable year ending after date of enactment. That period is generally disregarded for the events identified in the list in present law section 7508(a), however it is not disregarded for purposes of computing overpayment interest. In addition, special rules apply to ensure that the limitations period for claiming an overpayment remain open with respect to a return deemed to be timely under this provision.

The proposal uses the term "applicable individual" to describe a person entitled to the extension. A person is an applicable individual if that person is either determined to be wrongfully detained under section 302 of the Robert Levinson Hostage Recovery and Hostage-Taking Accountability Act or is determined to be a hostage under findings of the Hostage Recovery Fusion Cell. The class of applicable individuals consists of persons who are identified on reports provided to the Secretary. The proposal requires the Secretary of State to provide a list of persons wrongfully detained, together with any identifying information available. The Attorney General, through the Hostage Recovery Fusion Cell, is required to provide a

[15] 22 U.S.C. 1741e defines "United States national" to mean citizens and certain noncitizens within the scope of 8 U.S.C. secs. 1102(a)(22) and 1408 and lawful permanent residents with significant ties to the United States.

[16] Sections 302 and 304 of the Robert Levinson Hostage Recovery and Hostage-Taking Accountability Act, Pub. L. 116–260, div. FF, title III, §301, Dec. 27, 2020, 134 Stat. 3091, codified at 22 U.S.C. 1741 through 1741f.

comparable list of persons believed to be hostages. The initial report is due January 1, 2027, with further reports due annually.

In addition to establishing a basis for relief from certain deadlines prescribed by the Code, the new proposal also provides relief to persons who were assessed additional amounts, additions to tax, interest, or penalties with respect to a tax liability for a failure to meet a deadline that arose during the period of detention for which extension is authorized. If those assessments occurred before the person was identified as an applicable individual, the Secretary is directed to abate and refund any such amounts as overpayments in the same manner as would apply under section 6402.

The proposal also requires the Secretary to ensure that databases and information systems are updated to permit proper tracking of deadlines and limitations periods applicable to persons within the scope of the relief contemplated in the proposal.

Effective Date

The proposal applies to taxable years ending after the date of enactment.

2. Refund and abatement of fines paid by eligible individuals

Present Law

See the discussion of present law regarding "Postponement of tax deadlines for hostages and individuals wrongfully detained abroad," above.

Description of Proposal

The proposal directs the Secretary, in consultation with the Secretary of State and the Hostage Recovery Fusion Cell, to initiate a program under which persons who were detained during an applicable period beginning January 1, 2021, and ending before date of enactment may seek refunds of certain amounts assessed with respect to those tax years. This program is to be available to eligible individuals (persons who would have been applicable individuals but for the taxable years involved, including dependents and spouses), to be identified by the Secretary of State and Attorney General in reports similar to those required with respect to applicable individuals. A person may be both an applicable individual with respect to a taxable year ending after date of enactment and an eligible individual with respect to an earlier taxable year within the applicable period. Once such persons are identified, these people are entitled to notice of the potential relief within 90 days from their release from captivity, or, if released prior to date of enactment, within 90 days of enactment.

After receiving notice of the program, eligible individuals are permitted to seek abatement or claim a refund for additional amounts, penalties, additions to tax or interest assessed or collected during the applicable period. The limitations period for filing a claim for refund or seeking abatement is extended, so that it expires no earlier than one year from the notice issued to the eligible individual. Furthermore, the look-back period for determining payments that may be within the scope of a refund claim is not applicable.

Effective Date

The special program for notifications, refunds or abatements to eligible individuals for the applicable period from January 1, 2021, through date of enactment, is effective for taxable years ending before the date of enactment.

B. Estimated Revenue Effects of the Proposal

The staff of the Joint Committee on Taxation estimates the proposal to have a negligible effect on Federal fiscal year budget receipts.