

FY 08 Tax Gap Legislative Proposals

Expand Information Reporting

Information reporting on payments to corporations

- Expand filing of Forms 1099 to include payments made to corporations, including S corporations

Basis reporting on security sales

- Require financial institutions (brokerage houses and mutual funds) to report customers' basis in securities sold on Form 1099

Broker reporting

- Require filing of Forms 1099 to report sales through an auction, consignment broker or exchange

Reporting of merchant payment card reimbursement

- Require payment card processors to report gross annual reimbursement to merchants - no back-up withholding requirement

Increase information return penalties

Increase amounts of penalties for failure to file information returns

TIN Verification

- Require non-employee service providers to certify accuracy of their TINs on Form W-9; as well as require TIN verification by IRS

Information reporting on certain government payments

- Establish information reporting requirements on payments for procurement of goods by the federal government

Improve Compliance by Businesses

Require e-filing by certain large businesses and exempt organizations

- Mandate e-filing for all corporations and partnerships filing an M-3
- Applies primarily to:
 - Corporations with significant assets, but few employees
 - Large partnerships owned by corporations

Employee leasing standards

- Implement standards clarifying when employee leasing companies can be held liable for their clients' Federal employment taxes

Collection due process

- Amend collection due process procedures applicable to employment taxes to permit post-collection review.

Strengthen Tax Administration

Provide IRS with access to NDNH database

- Allow use of National Directory of New Hires data for tax administration purposes

Disclosure of prison scams

- Permit IRS to disclose to prison officials return information about tax offenses committed by inmates

Felony Failure to File

- Create a criminal felony provision for aggravated failure to file

Penalties

Expand preparer penalties

- Expand (and increase) signature requirement and related penalty provisions beyond income tax returns

Failure to file electronically

- Establish a specific assessable penalty for failure to file electronically, when required

Erroneous refund claim

- Create a penalty for negligent or frivolous claims for refund