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1ST SESSION

# H. R. 25

To promote freedom, fairness, and economic opportunity by repealing the income tax and other taxes, abolishing the Internal Revenue Service, and enacting a national sales tax to be administered primarily by the States.

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## IN THE HOUSE OF REPRESENTATIVES

JANUARY 9, 2023

Mr. CARTER of Georgia (for himself, Mr. CLYDE, Mr. DUNCAN, Mrs. CAMMACK, Mr. PERRY, Mr. GOOD of Virginia, Mr. MASSIE, Mr. NORMAN, Mr. POSEY, Mr. PALMER, Mr. BANKS, and Mr. LOUDERMILK) introduced the following bill; which was referred to the Committee on Ways and Means

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## A BILL

To promote freedom, fairness, and economic opportunity by repealing the income tax and other taxes, abolishing the Internal Revenue Service, and enacting a national sales tax to be administered primarily by the States.

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; TABLE OF CONTENTS.**

4 (a) SHORT TITLE.—This Act may be cited as the  
5 “FairTax Act of 2023”.

1 (b) TABLE OF CONTENTS.—The table of contents for  
 2 this Act is as follows:

Sec. 1. Short title; table of contents.  
 Sec. 2. Congressional findings.

TITLE I—REPEAL OF THE INCOME TAX, PAYROLL TAXES, AND  
 ESTATE AND GIFT TAXES

Sec. 101. Income taxes repealed.  
 Sec. 102. Payroll taxes repealed.  
 Sec. 103. Estate and gift taxes repealed.  
 Sec. 104. Conforming amendments; effective date.

TITLE II—SALES TAX ENACTED

Sec. 201. Sales tax.  
 Sec. 202. Conforming and technical amendments.

TITLE III—OTHER MATTERS

Sec. 301. Phase-out of administration of repealed Federal taxes.  
 Sec. 302. Administration of other Federal taxes.  
 Sec. 303. Sales tax inclusive Social Security benefits indexation.

TITLE IV—SUNSET OF SALES TAX IF SIXTEENTH AMENDMENT  
 NOT REPEALED

Sec. 401. Elimination of sales tax if Sixteenth Amendment not repealed.

3 **SEC. 2. CONGRESSIONAL FINDINGS.**

4 (a) FINDINGS RELATING TO FEDERAL INCOME  
 5 TAX.—Congress finds the Federal income tax—

6 (1) retards economic growth and has reduced  
 7 the standard of living of the American public;

8 (2) impedes the international competitiveness of  
 9 United States industry;

10 (3) reduces savings and investment in the  
 11 United States by taxing income multiple times;

12 (4) slows the capital formation necessary for  
 13 real wages to steadily increase;

14 (5) lowers productivity;

1           (6) imposes unacceptable and unnecessary ad-  
2           ministrative and compliance costs on individual and  
3           business taxpayers;

4           (7) is unfair and inequitable;

5           (8) unnecessarily intrudes upon the privacy and  
6           civil rights of United States citizens;

7           (9) hides the true cost of government by embed-  
8           ding taxes in the costs of everything Americans buy;

9           (10) is not being complied with at satisfactory  
10          levels and therefore raises the tax burden on law  
11          abiding citizens; and

12          (11) impedes upward social mobility.

13          (b) FINDINGS RELATING TO FEDERAL PAYROLL  
14          TAXES.—Congress finds further that the Social Security  
15          and Medicare payroll taxes and self-employment taxes—

16               (1) raise the cost of employment;

17               (2) destroy jobs and cause unemployment; and

18               (3) have a disproportionately adverse impact on  
19          lower income Americans.

20          (c) FINDINGS RELATING TO FEDERAL ESTATE AND  
21          GIFT TAXES.—Congress finds further that the Federal es-  
22          tate and gift taxes—

23               (1) force family businesses and farms to be sold  
24          by the family to pay such taxes;

1           (2) discourage capital formation and entrepre-  
2           neurship;

3           (3) foster the continued dominance of large en-  
4           terprises over small family-owned companies and  
5           farms; and

6           (4) impose unacceptably high tax planning costs  
7           on small businesses and farms.

8           (d) FINDINGS RELATING TO NATIONAL SALES  
9           TAX.—Congress finds further that a broad-based national  
10          sales tax on goods and services purchased for final con-  
11          sumption—

12           (1) is similar in many respects to the sales and  
13          use taxes in place in 45 of the 50 States;

14           (2) will promote savings and investment;

15           (3) will promote fairness;

16           (4) will promote economic growth;

17           (5) will raise the standard of living;

18           (6) will increase investment;

19           (7) will enhance productivity and international  
20          competitiveness;

21           (8) will reduce administrative burdens on the  
22          American taxpayer;

23           (9) will improve upward social mobility; and

24           (10) will respect the privacy interests and civil  
25          rights of taxpayers.

1 (e) FINDINGS RELATING TO ADMINISTRATION OF  
2 NATIONAL SALES TAX.—Congress further finds that—

3 (1) most of the practical experience admin-  
4 istering sales taxes is found at the State govern-  
5 mental level;

6 (2) it is desirable to harmonize Federal and  
7 State collection and enforcement efforts to the max-  
8 imum extent possible;

9 (3) it is sound tax administration policy to fos-  
10 ter administration and collection of the Federal sales  
11 tax at the State level in return for a reasonable ad-  
12 ministration fee to the States; and

13 (4) businesses that must collect and remit taxes  
14 should receive reasonable compensation for the cost  
15 of doing so.

16 (f) FINDINGS RELATING TO REPEAL OF PRESENT  
17 FEDERAL TAX SYSTEM.—Congress further finds that the  
18 16th Amendment to the United States Constitution should  
19 be repealed.

1 **TITLE I—REPEAL OF THE IN-**  
2 **COME TAX, PAYROLL TAXES,**  
3 **AND ESTATE AND GIFT TAXES**

4 **SEC. 101. INCOME TAXES REPEALED.**

5 Subtitle A of the Internal Revenue Code of 1986 (re-  
6 lating to income taxes and self-employment taxes) is re-  
7 pealed.

8 **SEC. 102. PAYROLL TAXES REPEALED.**

9 (a) **IN GENERAL.**—Subtitle C of the Internal Rev-  
10 enue Code of 1986 (relating to payroll taxes and with-  
11 holding of income taxes) is repealed.

12 (b) **FUNDING OF SOCIAL SECURITY.**—For funding of  
13 the Social Security Trust Funds from general revenue, see  
14 section 201 of the Social Security Act (42 U.S.C. 401).

15 **SEC. 103. ESTATE AND GIFT TAXES REPEALED.**

16 Subtitle B of the Internal Revenue Code of 1986 (re-  
17 lating to estate and gift taxes) is repealed.

18 **SEC. 104. CONFORMING AMENDMENTS; EFFECTIVE DATE.**

19 (a) **CONFORMING AMENDMENTS.**—The Internal Rev-  
20 enue Code of 1986 is amended—

21 (1) by striking subtitle H (relating to financing  
22 of Presidential election campaigns); and

23 (2) by redesignating—

24 (A) subtitle D (relating to miscellaneous  
25 excise taxes) as subtitle B;

1 (B) subtitle E (relating to alcohol, tobacco,  
2 and certain other excise taxes) as subtitle C;

3 (C) subtitle F (relating to procedure and  
4 administration) as subtitle D;

5 (D) subtitle G (relating to the Joint Com-  
6 mittee on Taxation) as subtitle E;

7 (E) subtitle I (relating to the Trust Fund  
8 Code) as subtitle F;

9 (F) subtitle J (relating to coal industry  
10 health benefits) as subtitle G; and

11 (G) subtitle K (relating to group health  
12 plan portability, access, and renewability re-  
13 quirements) as subtitle H.

14 (b) REDESIGNATION OF 1986 CODE.—

15 (1) IN GENERAL.—The Internal Revenue Code  
16 of 1986 enacted on October 22, 1986, as heretofore,  
17 hereby, or hereafter amended, may be cited as the  
18 Internal Revenue Code of 2023.

19 (2) REFERENCES IN LAWS, ETC.—Except when  
20 inappropriate, any reference in any law, Executive  
21 order, or other document—

22 (A) to the Internal Revenue Code of 1986  
23 shall include a reference to the Internal Rev-  
24 enue Code of 2023; and

1 (B) to the Internal Revenue Code of 2023  
 2 shall include a reference to the provisions of law  
 3 formerly known as the Internal Revenue Code  
 4 of 1986.

5 (c) ADDITIONAL AMENDMENTS.—For additional con-  
 6 forming amendments, see section 202 of this Act.

7 (d) EFFECTIVE DATE.—Except as otherwise pro-  
 8 vided in this Act, the amendments made by this Act shall  
 9 take effect on January 1, 2023.

## 10 **TITLE II—SALES TAX ENACTED**

### 11 **SEC. 201. SALES TAX.**

12 (a) IN GENERAL.—The Internal Revenue Code of  
 13 2023 is amended by inserting before subtitle B (as reded-  
 14 igned by section 104(a)(2)(A)) the following new sub-  
 15 title:

## 16 **“Subtitle A—Sales Tax**

“Sec. 1. Principles of interpretation.

“Sec. 2. Definitions.

“CHAPTER 1. INTERPRETATION; DEFINITIONS; IMPOSITION OF TAX; ETC.

“CHAPTER 2. CREDITS; REFUNDS

“CHAPTER 3. FAMILY CONSUMPTION ALLOWANCE

“CHAPTER 4. FEDERAL AND STATE COOPERATIVE TAX ADMINISTRATION

“CHAPTER 5. OTHER ADMINISTRATIVE PROVISIONS

“CHAPTER 6. COLLECTIONS; APPEALS; TAXPAYER RIGHTS

“CHAPTER 7. SPECIAL RULES

“CHAPTER 8. FINANCIAL INTERMEDIATION SERVICES

“CHAPTER 9. ADDITIONAL MATTERS



1 **“SEC. 1. PRINCIPLES OF INTERPRETATION.**

2 “(a) IN GENERAL.—Any court, the Secretary, and  
3 any sales tax administering authority shall consider the  
4 purposes of this subtitle (as set forth in subsection (b))  
5 as the primary aid in statutory construction.

6 “(b) PURPOSES.—The purposes of this subtitle are  
7 as follows:

8 “(1) To raise revenue needed by the Federal  
9 Government in a manner consistent with the other  
10 purposes of this subtitle.

11 “(2) To tax all consumption of goods and serv-  
12 ices in the United States once, without exception,  
13 but only once.

14 “(3) To prevent double, multiple, or cascading  
15 taxation.

16 “(4) To simplify the tax law and reduce the ad-  
17 ministration costs of, and the costs of compliance  
18 with, the tax law.

19 “(5) To provide for the administration of the  
20 tax law in a manner that respects privacy, due proc-  
21 ess, individual rights when interacting with the gov-  
22 ernment, the presumption of innocence in criminal  
23 proceedings, and the presumption of lawful behavior  
24 in civil proceedings.

1           “(6) To increase the role of State governments  
2           in Federal tax administration because of State gov-  
3           ernment expertise in sales tax administration.

4           “(7) To enhance generally cooperation and co-  
5           ordination among State tax administrators; and to  
6           enhance cooperation and coordination among Fed-  
7           eral and State tax administrators, consistent with  
8           the principle of intergovernmental tax immunity.

9           “(c) SECONDARY AIDS TO STATUTORY CONSTRUC-  
10          TION.—As a secondary aid in statutory construction, any  
11          court, the Secretary, and any sales tax administering au-  
12          thority shall consider—

13           “(1) the common law canons of statutory con-  
14          struction,

15           “(2) the meaning and construction of concepts  
16          and terms used in the Internal Revenue Code of  
17          1986 as in effect before the effective date of this  
18          subtitle, and

19           “(3) construe any ambiguities in this Act in  
20          favor of reserving powers to the States respectively,  
21          or to the people.

22          **“SEC. 2. DEFINITIONS.**

23           “(a) IN GENERAL.—For purposes of this subtitle—

24           “(1) AFFILIATED FIRMS.—A firm is affiliated  
25          with another if 1 firm owns 50 percent or more of—

1           “(A) the voting shares in a corporation, or

2           “(B) the capital interests of a business  
3           firm that is not a corporation.

4           “(2) CONFORMING STATE SALES TAX.—The  
5           term ‘conforming State sales tax’ means a sales tax  
6           imposed by a State that adopts the same definition  
7           of taxable property and services as adopted by this  
8           subtitle.

9           “(3) DESIGNATED COMMERCIAL PRIVATE COU-  
10          RIER SERVICE.—The term ‘designated commercial  
11          private courier service’ means a firm designated as  
12          such by the Secretary or any sales tax administering  
13          authority, upon application of the firm, if the firm—

14               “(A) provides its services to the general  
15               public,

16               “(B) records electronically to its data base  
17               kept in the regular course of its business the  
18               date on which an item was given to such firm  
19               for delivery, and

20               “(C) has been operating for at least 1  
21               year.

22           “(4) EDUCATION AND TRAINING.—The term  
23           ‘education and training’ means tuition for primary,  
24           secondary, or postsecondary level education, and job-  
25           related training courses. Such term does not include

1 room, board, sports activities, recreational activities,  
2 hobbies, games, arts or crafts or cultural activities.

3 “(5) GROSS PAYMENTS.—The term ‘gross pay-  
4 ments’ means payments for taxable property or serv-  
5 ices, including Federal taxes imposed by this title.

6 “(6) INTANGIBLE PROPERTY.—

7 “(A) IN GENERAL.—The term ‘intangible  
8 property’ includes copyrights, trademarks, pat-  
9 ents, goodwill, financial instruments, securities,  
10 commercial paper, debts, notes and bonds, and  
11 other property deemed intangible at common  
12 law. The Secretary shall, by regulation resolve  
13 differences among the provisions of common  
14 law of the several States.

15 “(B) CERTAIN TYPES OF PROPERTY.—  
16 Such term does not include tangible personal  
17 property (or rents or leaseholds of any term  
18 thereon), real property (or rents or leaseholds  
19 of any term thereon) and computer software.

20 “(7) PERSON.—The term ‘person’ means any  
21 natural person, and unless the context clearly does  
22 not allow it, any corporation, partnership, limited li-  
23 ability company, trust, estate, government, agency,  
24 administration, organization, association, or other  
25 legal entity (foreign or domestic).

1           “(8) PRODUCE, PROVIDE, RENDER, OR SELL  
2 TAXABLE PROPERTY OR SERVICES.—

3           “(A) IN GENERAL.—A taxable property or  
4 service is used to produce, provide, render, or  
5 sell a taxable property or service if such prop-  
6 erty or service is purchased by a person en-  
7 gaged in a trade or business for the purpose of  
8 employing or using such taxable property or  
9 service in the production, provision, rendering,  
10 or sale of other taxable property or services in  
11 the ordinary course of that trade or business.

12           “(B) RESEARCH, EXPERIMENTATION,  
13 TESTING, AND DEVELOPMENT.—Taxable prop-  
14 erty or services used in a trade or business for  
15 the purpose of research, experimentation, test-  
16 ing, and development shall be treated as used to  
17 produce, provide, render, or sell taxable prop-  
18 erty or services.

19           “(C) INSURANCE PAYMENTS.—Taxable  
20 property or services purchased by an insurer on  
21 behalf of an insured shall be treated as used to  
22 produce, provide, render, or sell taxable prop-  
23 erty or services if the premium for the insur-  
24 ance contract giving rise to the insurer’s obliga-

1           tion was subject to tax pursuant to section 801  
2           (relating to financial intermediation services).

3           “(D) EDUCATION AND TRAINING.—Edu-  
4           cation and training shall be treated as services  
5           used to produce, provide, render, or sell taxable  
6           property or services.

7           “(9) REGISTERED SELLER.—The term ‘reg-  
8           istered seller’ means a person registered pursuant to  
9           section 502.

10          “(10) SALES TAX ADMINISTERING AUTHOR-  
11          ITY.—The term ‘sales tax administering authority’  
12          means—

13                 “(A) the State agency designated to collect  
14                 and administer the sales tax imposed by this  
15                 subtitle, in an administering State, or

16                 “(B) the Secretary, in a State that is nei-  
17                 ther—

18                         “(i) an administering State, nor

19                         “(ii) a State that has elected to have  
20                         its sales tax administered by an admin-  
21                         istering State.

22          “(11) SECRETARY.—The term ‘Secretary’  
23          means the Secretary of the Treasury.

24          “(12) TAXABLE EMPLOYER.—

1           “(A) IN GENERAL.—The term ‘taxable em-  
2           ployer’ includes—

3                   “(i) any household employing domes-  
4                   tic servants, and

5                   “(ii) any government except for gov-  
6                   ernment enterprises (as defined in section  
7                   704).

8           “(B) EXCEPTIONS.—The term ‘taxable  
9           employer’ does not include any employer which  
10           is—

11                   “(i) engaged in a trade or business,

12                   “(ii) a not-for-profit organization (as  
13                   defined in section 706), or

14                   “(iii) a government enterprise (as de-  
15                   fined in section 704).

16           “(C) CROSS REFERENCE.—For rules relat-  
17           ing to collection and remittance of tax on wages  
18           by taxable employers, see section 103(b)(2).

19           “(13) TAX INCLUSIVE FAIR MARKET VALUE.—  
20           The term ‘tax inclusive fair market value’ means the  
21           fair market value of taxable property or services plus  
22           the tax imposed by this subtitle.

23           “(14) TAXABLE PROPERTY OR SERVICE.—

24                   “(A) GENERAL RULE.—The term ‘taxable  
25                   property or service’ means—

1           “(i) any property (including leaseholds  
2           of any term or rents with respect to such  
3           property) but excluding—

4                   “(I) intangible property, and

5                   “(II) used property, and

6           “(ii) any service (including any finan-  
7           cial intermediation services as determined  
8           by section 801).

9           “(B) SERVICE.—For purposes of subpara-  
10          graph (A), the term ‘service’—

11                   “(i) shall include any service per-  
12                   formed by an employee for which the em-  
13                   ployee is paid wages or a salary by a tax-  
14                   able employer, and

15                   “(ii) shall not include any service per-  
16                   formed by an employee for which the em-  
17                   ployee is paid wages or a salary—

18                           “(I) by an employer in the reg-  
19                           ular course of the employer’s trade or  
20                           business,

21                           “(II) by an employer that is a  
22                           not-for-profit organization (as defined  
23                           in section 706),



1                   “(III) by an employer that is a  
2                   government enterprise (as defined in  
3                   section 704), and

4                   “(IV) by taxable employers to  
5                   employees directly providing education  
6                   and training.

7                   “(15) UNITED STATES.—The term ‘United  
8                   States’, when used in the geographical sense, means  
9                   each of the 50 States, the District of Columbia, and  
10                  any commonwealth, territory, or possession of the  
11                  United States.

12                  “(16) USED PROPERTY.—The term ‘used prop-  
13                  erty’ means—

14                         “(A) property on which the tax imposed by  
15                         section 101 has been collected and for which no  
16                         credit has been allowed under section 202, 203,  
17                         or 205, or

18                         “(B) property that was held other than for  
19                         a business purpose (as defined in section  
20                         102(b)) on December 31, 2024.

21                  “(17) WAGES AND SALARY.—The terms ‘wage’  
22                  and ‘salary’ mean all compensation paid for employ-  
23                  ment service including cash compensation, employee  
24                  benefits, disability insurance, or wage replacement  
25                  insurance payments, unemployment compensation

1 insurance, workers' compensation insurance, and the  
2 fair market value of any other consideration paid by  
3 an employer to an employee in consideration for em-  
4 ployment services rendered.

5 “(b) CROSS REFERENCES.—

6 “(1) For the definition of business purposes,  
7 see section 102(b).

8 “(2) For the definition of insurance contract,  
9 see section 206(e).

10 “(3) For the definition of qualified family, see  
11 section 302.

12 “(4) For the definition of monthly poverty level,  
13 see section 303.

14 “(5) For the definition of large seller, see sec-  
15 tion 501(e)(3).

16 “(6) For the definition of hobby activities, see  
17 section 701.

18 “(7) For the definition of gaming sponsor, see  
19 section 701(a).

20 “(8) For the definition of a chance, see section  
21 701(b).

22 “(9) For the definition of government enter-  
23 prise, see section 704(b).

24 “(10) For the definition of mixed use property,  
25 see section 705.

1           “(11) For the definition of qualified not-for-  
2 profit organization, see section 706.

3           “(12) For the definition of financial intermedi-  
4 ation services, see section 801.

5           **“CHAPTER 1—INTERPRETATION;**  
6 **DEFINITIONS; IMPOSITION OF TAX; ETC.**

“Sec. 101. Imposition of sales tax.

“Sec. 102. Intermediate and export sales.

“Sec. 103. Rules relating to collection and remittance of tax.

7 **“SEC. 101. IMPOSITION OF SALES TAX.**

8           “(a) IN GENERAL.—There is hereby imposed a tax  
9 on the use or consumption in the United States of taxable  
10 property or services.

11          “(b) RATE.—

12           “(1) FOR 2025.—In the calendar year 2025, the  
13 rate of tax is 23 percent of the gross payments for  
14 the taxable property or service.

15           “(2) FOR YEARS AFTER 2025.—For years after  
16 the calendar year 2025, the rate of tax is the com-  
17 bined Federal tax rate percentage (as defined in  
18 paragraph (3)) of the gross payments for the taxable  
19 property or service.

20           “(3) COMBINED FEDERAL TAX RATE PERCENT-  
21 AGE.—The combined Federal tax rate percentage is  
22 the sum of—

23           “(A) the general revenue rate (as defined  
24 in paragraph (4)),

1                   “(B) the old-age, survivors and disability  
2                   insurance rate, and

3                   “(C) the hospital insurance rate.

4                   “(4) GENERAL REVENUE RATE.—The general  
5                   revenue rate shall be 14.91 percent.

6                   “(e) COORDINATION WITH IMPORT DUTIES.—The  
7                   tax imposed by this section is in addition to any import  
8                   duties imposed by chapter 4 of title 19, United States  
9                   Code. The Secretary shall provide by regulation that, to  
10                  the maximum extent practicable, the tax imposed by this  
11                  section on imported taxable property and services is col-  
12                  lected and administered in conjunction with any applicable  
13                  import duties imposed by the United States.

14                  “(d) LIABILITY FOR TAX.—

15                  “(1) IN GENERAL.—The person using or con-  
16                  suming taxable property or services in the United  
17                  States is liable for the tax imposed by this section,  
18                  except as provided in paragraph (2) of this sub-  
19                  section.

20                  “(2) EXCEPTION WHERE TAX PAID TO SELL-  
21                  ER.—A person using or consuming a taxable prop-  
22                  erty or service in the United States is not liable for  
23                  the tax imposed by this section if the person pays  
24                  the tax to a person selling the taxable property or

1 service and receives from such person a purchaser's  
2 receipt within the meaning of section 509.

3 **“SEC. 102. INTERMEDIATE AND EXPORT SALES.**

4 “(a) IN GENERAL.—For purposes of this subtitle—

5 “(1) BUSINESS AND EXPORT PURPOSES.—No  
6 tax shall be imposed under section 101 on any tax-  
7 able property or service purchased for a business  
8 purpose in a trade or business.

9 “(2) INVESTMENT PURPOSE.—No tax shall be  
10 imposed under section 101 on any taxable property  
11 or service purchased for an investment purpose and  
12 held exclusively for an investment purpose.

13 “(3) STATE GOVERNMENT FUNCTIONS.—No tax  
14 shall be imposed under section 101 on State govern-  
15 ment functions that do not constitute the final con-  
16 sumption of property or services.

17 “(b) BUSINESS PURPOSES.—For purposes of this  
18 section, the term ‘purchased for a business purpose in a  
19 trade or business’ means purchased by a person engaged  
20 in a trade or business and used in that trade or business—

21 “(1) for resale,

22 “(2) to produce, provide, render, or sell taxable  
23 property or services, or

24 “(3) in furtherance of other bona fide business  
25 purposes.

1 “(c) INVESTMENT PURPOSES.—For purposes of this  
2 section, the term ‘purchased for an investment purpose’  
3 means property purchased exclusively for purposes of ap-  
4preciation or the production of income but not entailing  
5 more than minor personal efforts.

6 **“SEC. 103. RULES RELATING TO COLLECTION AND REMIT-**  
7 **TANCE OF TAX.**

8 “(a) LIABILITY FOR COLLECTION AND REMITTANCE  
9 OF THE TAX.—Except as provided otherwise by this sec-  
10tion, any tax imposed by this subtitle shall be collected  
11and remitted by the seller of taxable property or services  
12(including financial intermediation services).

13 “(b) TAX TO BE REMITTED BY PURCHASER IN CER-  
14TAIN CIRCUMSTANCES.—

15 “(1) IN GENERAL.—In the case of taxable prop-  
16erty or services purchased outside of the United  
17States and imported into the United States for use  
18or consumption in the United States, the purchaser  
19shall remit the tax imposed by section 101.

20 “(2) CERTAIN WAGES OR SALARY.—In the case  
21of wages or salary paid by a taxable employer which  
22are taxable services, the employer shall remit the tax  
23imposed by section 101.

24 “(c) CONVERSION OF BUSINESS OR EXPORT PROP-  
25ERTY OR SERVICES.—Property or services purchased for

1 a business purpose in a trade or business or for export  
 2 (sold untaxed pursuant to section 102(a)) that is subse-  
 3 quently converted to personal use shall be deemed pur-  
 4 chased at the time of conversion and shall be subject to  
 5 the tax imposed by section 101 at the fair market value  
 6 of the converted property as of the date of conversion. The  
 7 tax shall be due as if the property had been sold at the  
 8 fair market value during the month of conversion. The  
 9 person using or consuming the converted property is liable  
 10 for and shall remit the tax.

11 “(d) BARTER TRANSACTIONS.—If gross payment for  
 12 taxable property or services is made in other than money,  
 13 then the person responsible for collecting and remitting  
 14 the tax shall remit the tax to the sales tax administering  
 15 authority in money as if gross payment had been made  
 16 in money at the tax inclusive fair market value of the tax-  
 17 able property or services purchased.

## 18 **“CHAPTER 2—CREDITS; REFUNDS**

“Sec. 201. Credits and refunds.

“Sec. 202. Business use conversion credit.

“Sec. 203. Intermediate and export sales credit.

“Sec. 204. Administration credit.

“Sec. 205. Bad debt credit.

“Sec. 206. Insurance proceeds credit.

“Sec. 207. Refunds.

### 19 **“SEC. 201. CREDITS AND REFUNDS.**

20 “(a) IN GENERAL.—Each person shall be allowed a  
 21 credit with respect to the taxes imposed by section 101  
 22 for each month in an amount equal to the sum of—

1           “(1) such person’s business use conversion  
2           credit pursuant to section 202 for such month,

3           “(2) such person’s intermediate and export  
4           sales credit pursuant to section 203 for such month,

5           “(3) the administration credit pursuant to sec-  
6           tion 204 for such month,

7           “(4) the bad debt credit pursuant to section  
8           205 for such month,

9           “(5) the insurance proceeds credit pursuant to  
10          section 206 for such month,

11          “(6) the transitional inventory credit pursuant  
12          to section 902, and

13          “(7) any amount paid in excess of the amount  
14          due.

15          “(b) CREDITS NOT ADDITIVE.—Only one credit al-  
16          lowed by chapter 2 may be taken with respect to any par-  
17          ticular gross payment.

18          **“SEC. 202. BUSINESS USE CONVERSION CREDIT.**

19          “(a) IN GENERAL.—For purposes of section 201, a  
20          person’s business use conversion credit for any month is  
21          the aggregate of the amounts determined under subsection  
22          (b) with respect to taxable property and services—

23                  “(1) on which tax was imposed by section 101  
24                  (and actually paid), and



1           “(2) which commenced to be 95 percent or  
2           more used during such month for business purposes  
3           (within the meaning of section 102(b)).

4           “(b) AMOUNT OF CREDIT.—The amount determined  
5           under this paragraph with respect to any taxable property  
6           or service is the lesser of—

7           “(1) the product of—

8           “(A) the rate imposed by section 101, and

9           “(B) the quotient that is—

10           “(i) the fair market value of the prop-  
11           erty or service when its use is converted,  
12           divided by

13           “(ii) the quantity that is one minus  
14           the tax rate imposed by section 101, or

15           “(2) the amount of tax paid with respect to  
16           such taxable property or service, including the  
17           amount, if any, determined in accordance with sec-  
18           tion 705 (relating to mixed use property).

19   **“SEC. 203. INTERMEDIATE AND EXPORT SALES CREDIT.**

20           “For purposes of section 201, a person’s intermediate  
21           and export sales credit is the amount of sales tax paid  
22           on the purchase of any taxable property or service pur-  
23           chased for—

24           “(1) a business purpose in a trade or business  
25           (as defined in section 102(b)), or

1           “(2) export from the United States for use or  
2           consumption outside the United States.

3   **“SEC. 204. ADMINISTRATION CREDIT.**

4           “(a) IN GENERAL.—Every person filing a timely  
5           monthly report (with regard to extensions) in compliance  
6           with section 501 shall be entitled to a taxpayer adminis-  
7           trative credit equal to the greater of—

8                   “(1) \$200, or

9                   “(2) one-quarter of 1 percent of the tax remit-  
10           ted.

11           “(b) LIMITATION.—The credit allowed under this sec-  
12           tion shall not exceed 20 percent of the tax due to be remit-  
13           ted prior to the application of any credit or credits per-  
14           mitted by section 201.

15   **“SEC. 205. BAD DEBT CREDIT.**

16           “(a) FINANCIAL INTERMEDIATION SERVICES.—Any  
17           person who has experienced a bad debt (other than unpaid  
18           invoices within the meaning of subsection (b)) shall be en-  
19           titled to a credit equal to the product of—

20                   “(1) the rate imposed by section 101, and

21                   “(2) the quotient that is—

22                           “(A) the amount of the bad debt (as de-  
23                           fined in section 802), divided by

24                           “(B) the quantity that is one minus the  
25                           rate imposed by section 101.

1       “(b) UNPAID INVOICES.—Any person electing the ac-  
2       crual method pursuant to section 503 that has with re-  
3       spect to a transaction—

4               “(1) invoiced the tax imposed by section 101,

5               “(2) remitted the invoiced tax,

6               “(3) actually delivered the taxable property or  
7       performed the taxable services invoiced, and

8               “(4) not been paid 180 days after date the in-  
9       voice was due to be paid,

10       shall be entitled to a credit equal to the amount of tax  
11       remitted and unpaid by the purchaser.

12       “(c) SUBSEQUENT PAYMENT.—Any payment made  
13       with respect to a transaction subsequent to a section 205  
14       credit being taken with respect to that transaction shall  
15       be subject to tax in the month the payment was received  
16       as if a tax inclusive sale of taxable property and services  
17       in the amount of the payment had been made.

18       “(d) PARTIAL PAYMENTS.—Partial payments shall  
19       be treated as pro rata payments of the underlying obliga-  
20       tion and shall be allocated proportionately—

21               “(1) for fully taxable payments, between pay-  
22       ment for the taxable property and service and tax,  
23       and

1           “(2) for partially taxable payments, among pay-  
2           ment for the taxable property and service, tax and  
3           other payment.

4           “(e) RELATED PARTIES.—The credit provided by this  
5           section shall not be available with respect to sales made  
6           to related parties. For purposes of this section, related  
7           party means affiliated firms and family members (as de-  
8           fined in section 302(b)).

9           **“SEC. 206. INSURANCE PROCEEDS CREDIT.**

10          “(a) IN GENERAL.—A person receiving a payment  
11          from an insurer by virtue of an insurance contract shall  
12          be entitled to a credit in an amount determined by sub-  
13          section (b), less any amount paid to the insured by the  
14          insurer pursuant to subsection (c), if the entire premium  
15          (except that portion allocable to the investment account  
16          of the underlying policy) for the insurance contract giving  
17          rise to the insurer’s obligation to make a payment to the  
18          insured was subject to the tax imposed by section 101 and  
19          said tax was paid.

20          “(b) CREDIT AMOUNT.—The amount of the credit  
21          shall be the product of—

22                 “(1) the rate imposed by section 101, and

23                 “(2) the quotient that is—

24                         “(A) the amount of the payment made by  
25                         the insurer to the insured, divided by

1                   “(B) the quantity that is one minus the  
2                   rate imposed by section 101.

3           “(c) ADMINISTRATIVE OPTION.—The credit deter-  
4 mined in accordance with subsection (b) shall be paid by  
5 the insurer to the insured and the insurer shall be entitled  
6 to the credit in lieu of the insured, except that the insurer  
7 may elect, in a form prescribed by the Secretary, to not  
8 pay the credit and require the insured to make application  
9 for the credit. In the event of such election, the insurer  
10 shall provide to the Secretary and the insured the name  
11 and tax identification number of the insurer and of the  
12 insured and indicate the proper amount of the credit.

13           “(d) COORDINATION WITH RESPECT TO EXEMP-  
14 TION.—If taxable property or services purchased by an in-  
15 surer on behalf of an insured are purchased free of tax  
16 by virtue of section 2(a)(8)(C), then the credit provided  
17 by this section shall not be available with respect to that  
18 purchase.

19           “(e) INSURANCE CONTRACT.—For purposes of sub-  
20 section (a), the term ‘insurance contract’ shall include a  
21 life insurance contract, a health insurance contract, a  
22 property and casualty loss insurance contract, a general  
23 liability insurance contract, a marine insurance contract,  
24 a fire insurance contract, an accident insurance contract,  
25 a disability insurance contract, a long-term care insurance

1 contract, and an insurance contract that provides a com-  
2 bination of these types of insurance.

3 **“SEC. 207. REFUNDS.**

4       “(a) REGISTERED SELLERS.—If a registered seller  
5 files a monthly tax report with an overpayment, then,  
6 upon application by the registered seller in a form pre-  
7 scribed by the sales tax administering authority, the over-  
8 payment shown on the report shall be refunded to the reg-  
9 istered seller within 60 days of receipt of said application.  
10 In the absence of such application, the overpayment may  
11 be carried forward, without interest, by the person entitled  
12 to the credit.

13       “(b) OTHER PERSONS.—If a person other than a reg-  
14 istered seller has an overpayment for any month, then,  
15 upon application by the person in a form prescribed by  
16 the sales tax administering authority, the credit balance  
17 due shall be refunded to the person within 60 days of re-  
18 ceipt of said application.

19       “(c) INTEREST.—No interest shall be paid on any  
20 balance due from the sales tax administering authority  
21 under this subsection for any month if such balance due  
22 is paid within 60 days after the application for refund is  
23 received. Balances due not paid within 60 days after the  
24 application for refund is received shall bear interest from

1 the date of application. Interest shall be paid at the Fed-  
 2 eral short-term rate (as defined in section 511).

3 “(d) SUSPENSION OF PERIOD TO PAY REFUND  
 4 ONLY IF FEDERAL OR STATE COURT RULING.—The 60-  
 5 day periods under subsections (a) and (b) shall be sus-  
 6 pended with respect to a purported overpayment (or por-  
 7 tion thereof) only during any period that there is in effect  
 8 a preliminary, temporary, or final ruling from a Federal  
 9 or State court that there is reasonable cause to believe  
 10 that such overpayment may not actually be due.

11 **“CHAPTER 3—FAMILY CONSUMPTION**  
 12 **ALLOWANCE**

“Sec. 301. Family consumption allowance.

“Sec. 302. Qualified family.

“Sec. 303. Monthly poverty level.

“Sec. 304. Rebate mechanism.

“Sec. 305. Change in family circumstances.

13 **“SEC. 301. FAMILY CONSUMPTION ALLOWANCE.**

14 “Each qualified family shall be eligible to receive a  
 15 sales tax rebate each month. The sales tax rebate shall  
 16 be in an amount equal to the product of—

17 “(1) the rate of tax imposed by section 101,

18 and

19 “(2) the monthly poverty level.

20 **“SEC. 302. QUALIFIED FAMILY.**

21 “(a) GENERAL RULE.—For purposes of this chapter,  
 22 the term ‘qualified family’ shall mean one or more family  
 23 members sharing a common residence. All family members

1 sharing a common residence shall be considered as part  
2 of one qualified family.

3 “(b) FAMILY SIZE DETERMINATION.—

4 “(1) IN GENERAL.—To determine the size of a  
5 qualified family for purposes of this chapter, family  
6 members shall mean—

7 “(A) an individual,

8 “(B) the individual’s spouse,

9 “(C) all lineal ancestors and descendants  
10 of said individual (and such individual’s  
11 spouse),

12 “(D) all legally adopted children of such  
13 individual (and such individual’s spouse), and

14 “(E) all children under legal guardianship  
15 of such individual (or such individual’s spouse).

16 “(2) IDENTIFICATION REQUIREMENTS.—In  
17 order for a person to be counted as a member of the  
18 family for purposes of determining the size of the  
19 qualified family, such person must—

20 “(A) have a bona fide Social Security num-  
21 ber, and

22 “(B) be a lawful resident of the United  
23 States.

24 “(c) CHILDREN LIVING AWAY FROM HOME.—



1           “(1) STUDENTS LIVING AWAY FROM HOME.—  
2           Any person who was a registered student during not  
3           fewer than 5 months in a calendar year while living  
4           away from the common residence of a qualified fam-  
5           ily but who receives over 50 percent of such person’s  
6           support during a calendar year from members of the  
7           qualified family shall be included as part of the fam-  
8           ily unit whose members provided said support for  
9           purposes of this chapter.

10           “(2) CHILDREN OF DIVORCED OR SEPARATED  
11           PARENTS.—If a child’s parents are divorced or le-  
12           gally separated, a child for purposes of this chapter  
13           shall be treated as part of the qualified family of the  
14           custodial parent. In cases of joint custody, the custo-  
15           dial parent for purposes of this chapter shall be the  
16           parent that has custody of the child for more than  
17           one-half of the time during a given calendar year. A  
18           parent entitled to be treated as the custodial parent  
19           pursuant to this paragraph may release this claim to  
20           the other parent if said release is in writing.

21           “(d) ANNUAL REGISTRATION.—In order to receive  
22           the family consumption allowance provided by section 301,  
23           a qualified family must register with the sales tax admin-  
24           istering authority in a form prescribed by the Secretary.  
25           The annual registration form shall provide—

1           “(1) the name of each family member who  
2           shared the qualified family’s residence on the family  
3           determination date,

4           “(2) the Social Security number of each family  
5           member on the family determination date who  
6           shared the qualified family’s residence on the family  
7           determination date,

8           “(3) the family member or family members to  
9           whom the family consumption allowance should be  
10          paid,

11          “(4) a certification that all listed family mem-  
12          bers are lawful residents of the United States,

13          “(5) a certification that all family members  
14          sharing the common residence are listed,

15          “(6) a certification that no family members  
16          were incarcerated on the family determination date  
17          (within the meaning of subsection (1)), and

18          “(7) the address of the qualified family.

19 Said registration shall be signed by all members of the  
20 qualified family that have attained the age of 21 years  
21 as of the date of filing.

22          “(e) REGISTRATION NOT MANDATORY.—Registra-  
23          tion is not mandatory for any qualified family.

24          “(f) EFFECT OF FAILURE TO PROVIDE ANNUAL  
25          REGISTRATION.—Any qualified family that fails to reg-

1 ister in accordance with this section within 30 days of the  
2 family determination date, shall cease receiving the  
3 monthly family consumption allowance in the month be-  
4 ginning 90 days after the family determination date.

5       “(g) EFFECT OF CURING FAILURE TO PROVIDE AN-  
6 NUAL REGISTRATION.—Any qualified family that failed to  
7 timely make its annual registration in accordance with this  
8 section but subsequently cures its failure to register, shall  
9 be entitled to up to 6 months of lapsed sales tax rebate  
10 payments. No interest on lapsed payment amount shall be  
11 paid.

12       “(h) EFFECTIVE DATE OF ANNUAL REGISTRA-  
13 TIONS.—Annual registrations shall take effect for the  
14 month beginning 90 days after the family registration  
15 date.

16       “(i) EFFECTIVE DATE OF REVISED REGISTRA-  
17 TIONS.—A revised registration made pursuant to section  
18 305 shall take effect for the first month beginning 60 days  
19 after the revised registration was filed. The existing reg-  
20 istration shall remain in effect until the effective date of  
21 the revised registration.

22       “(j) DETERMINATION OF REGISTRATION FILING  
23 DATE.—An annual or revised registration shall be deemed  
24 filed when—

1           “(1) deposited in the United States mail, post-  
2           age prepaid, to the address of the sales tax admin-  
3           istering authority,

4           “(2) delivered and accepted at the offices of the  
5           sales tax administering authority, or

6           “(3) provided to a designated commercial pri-  
7           vate courier service for delivery within 2 days to the  
8           sales tax administering authority at the address of  
9           the sales tax administering authority.

10          “(k) PROPOSED REGISTRATION TO BE PROVIDED.—  
11          Thirty or more days before the family registration date,  
12          the sales tax administering authority shall mail to the ad-  
13          dress shown on the most recent rebate registration or  
14          change of address notice filed pursuant to section 305(d)  
15          a proposed registration that may be simply signed by the  
16          appropriate family members if family circumstances have  
17          not changed.

18          “(l) INCARCERATED INDIVIDUALS.—An individual  
19          shall not be eligible under this chapter to be included as  
20          a member of any qualified family if that individual—

21                 “(1) is incarcerated in a local, State, or Federal  
22                 jail, prison, mental hospital, or other institution on  
23                 the family determination date, and

24                 “(2) is scheduled to be incarcerated for 6  
25                 months or more in the 12-month period following

1 the effective date of the annual registration or the  
2 revised registration of said qualified family.

3 “(m) FAMILY DETERMINATION DATE.—The family  
4 determination date is a date assigned to each family by  
5 the Secretary for purposes of determining qualified family  
6 size and other information necessary for the administra-  
7 tion of this chapter. The Secretary shall promulgate regu-  
8 lations regarding the issuance of family determination  
9 dates. In the absence of any regulations, the family deter-  
10 mination date for all families shall be October 1. The Sec-  
11 retary may assign family determination dates for adminis-  
12 trative convenience. Permissible means of assigning family  
13 determination dates include a method based on the birth  
14 dates of family members.

15 “(n) CROSS REFERENCE.—For penalty for filing  
16 false rebate claim, see section 504(i).

17 **“SEC. 303. MONTHLY POVERTY LEVEL.**

18 “(a) IN GENERAL.—The monthly poverty level for  
19 any particular month shall be one-twelfth of the ‘annual  
20 poverty level’. For purposes of this section the ‘annual  
21 poverty level’ shall be the sum of—

22 “(1) the annual level determined by the Depart-  
23 ment of Health and Human Services poverty guide-  
24 lines required by sections 652 and 673(2) of the

1 Omnibus Reconciliation Act of 1981 for a particular  
2 family size, and

3 “(2) in case of families that include a married  
4 couple, the ‘annual marriage penalty elimination  
5 amount’.

6 “(b) ANNUAL MARRIAGE PENALTY ELIMINATION  
7 AMOUNT.—The annual marriage penalty elimination  
8 amount shall be the amount that is—

9 “(1) the amount that is two times the annual  
10 level determined by the Department of Health and  
11 Human Services poverty guidelines required by sec-  
12 tions 652 and 673(2) of the Omnibus Reconciliation  
13 Act of 1981 for a family of one, less

14 “(2) the annual level determined by the Depart-  
15 ment of Health and Human Services poverty guide-  
16 lines required by sections 652 and 673(2) of the  
17 Omnibus Reconciliation Act of 1981 for a family of  
18 two.

19 **“SEC. 304. REBATE MECHANISM.**

20 “(a) GENERAL RULE.—The Social Security Adminis-  
21 tration shall provide a monthly sales tax rebate to duly  
22 registered qualified families in an amount determined in  
23 accordance with section 301.

24 “(b) PERSONS RECEIVING REBATE.—The payments  
25 shall be made to the persons designated by the qualifying

1 family in the annual or revised registration for each quali-  
2 fied family in effect with respect to the month for which  
3 payment is being made. Payments may only be made to  
4 persons 18 years or older. If more than 1 person is des-  
5 ignated in a registration to receive the rebate, then the  
6 rebate payment shall be divided evenly between or among  
7 those persons designated.

8       “(c) WHEN REBATES MAILED.—Rebates shall be  
9 mailed on or before the first business day of the month  
10 for which the rebate is being provided.

11       “(d) SMART CARDS AND DIRECT ELECTRONIC DE-  
12 POSIT PERMISSIBLE.—The Social Security Administration  
13 may provide rebates in the form of smart cards that carry  
14 cash balances in their memory for use in making pur-  
15 chases at retail establishments or by direct electronic de-  
16 posit.

17 **“SEC. 305. CHANGE IN FAMILY CIRCUMSTANCES.**

18       “(a) GENERAL RULE.—In the absence of the filing  
19 of a revised registration in accordance with this chapter,  
20 the common residence of the qualified family, marital sta-  
21 tus and number of persons in a qualified family on the  
22 family registration date shall govern determinations re-  
23 quired to be made under this chapter for purposes of the  
24 following calendar year.

1       “(b) NO DOUBLE COUNTING.—In no event shall any  
2 person be considered part of more than one qualified fam-  
3 ily.

4       “(c) REVISED REGISTRATION PERMISSIBLE.—A  
5 qualified family may file a revised registration for pur-  
6 poses of section 302(d) to reflect a change in family cir-  
7 cumstances. A revised registration form shall provide—

8               “(1) the name of each family member who  
9 shared the qualified family’s residence on the filing  
10 date of the revised registration,

11               “(2) the Social Security number of each family  
12 member who shared the qualified family’s residence  
13 on the filing date of the revised registration,

14               “(3) the family member or family members to  
15 whom the family consumption allowance should be  
16 paid,

17               “(4) a certification that all listed family mem-  
18 bers are lawful residents of the United States,

19               “(5) a certification that all family members  
20 sharing the commoner residence are listed,

21               “(6) a certification that no family members  
22 were incarcerated on the family determination date  
23 (within the meaning of section 302(1)), and

24               “(7) the address of the qualified family.



1 Said revised registration shall be signed by all members  
 2 of the qualified family that have attained the age of 21  
 3 years as of the filing date of the revised registration.

4 “(d) CHANGE OF ADDRESS.—A change of address for  
 5 a qualified family may be filed with the sales tax admin-  
 6 istering authority at any time and shall not constitute a  
 7 revised registration.

8 “(e) REVISED REGISTRATION NOT MANDATORY.—  
 9 Revised registrations reflecting changes in family status  
 10 are not mandatory.

11 **“CHAPTER 4—FEDERAL AND STATE**  
 12 **COOPERATIVE TAX ADMINISTRATION**

“Sec. 401. Authority for States to collect tax.

“Sec. 402. Federal administrative support for States.

“Sec. 403. Federal-State tax conferences.

“Sec. 404. Federal administration in certain States.

“Sec. 405. Interstate allocation and destination determination.

“Sec. 406. General administrative matters.

“Sec. 407. Jurisdiction.

13 **“SEC. 401. AUTHORITY FOR STATES TO COLLECT TAX.**

14 “(a) IN GENERAL.—The tax imposed by section 101  
 15 on gross payments for the use or consumption of taxable  
 16 property or services within a State shall be administered,  
 17 collected, and remitted to the United States Treasury by  
 18 such State if the State is an administering State.

19 “(b) ADMINISTERING STATE.—For purposes of this  
 20 section, the term ‘administering State’ means any State—

21 “(1) which maintains a sales tax, and

1           “(2) which enters into a cooperative agreement  
2           with the Secretary containing reasonable provisions  
3           governing the administration by such State of the  
4           taxes imposed by the subtitle and the remittance to  
5           the United States in a timely manner of taxes col-  
6           lected under this chapter.

7           “(c) COOPERATIVE AGREEMENTS.—The agreement  
8           under subsection (b)(2) shall include provisions for the ex-  
9           peditious transfer of funds, contact officers, dispute reso-  
10          lution, information exchange, confidentiality, taxpayer  
11          rights, and other matters of importance. The agreement  
12          shall not contain extraneous matters.

13          “(d) TIMELY REMITTANCE OF TAX.—

14                 “(1) IN GENERAL.—Administering States shall  
15                 remit and pay over taxes collected under this subtitle  
16                 on behalf of the United States (less the administra-  
17                 tion fee allowable under paragraph (2)) not later  
18                 than 5 days after receipt. Interest at 150 percent of  
19                 the Federal short-term rate shall be paid with re-  
20                 spect to amounts remitted after the due date.

21                 “(2) ADMINISTRATION FEE.—An administering  
22                 State may retain an administration fee equal to one-  
23                 quarter of 1 percent of the amounts otherwise re-  
24                 quired to be remitted to the United States under  
25                 this chapter by the administering State.

1       “(e) LIMITATION ON ADMINISTRATION OF TAX BY  
2 UNITED STATES.—The Secretary may administer the tax  
3 imposed by this subtitle in an administering State only  
4 if—

5           “(1)(A) such State has failed on a regular basis  
6 to timely remit to the United States taxes collected  
7 under this chapter on behalf of the United States,  
8 or

9           “(B) such State has on a regular basis other-  
10 wise materially breached the agreement referred to  
11 in subsection (b)(2),

12           “(2) the State has failed to cure such alleged  
13 failures and breaches within a reasonable time,

14           “(3) the Secretary provides such State with  
15 written notice of such alleged failures and breaches,  
16 and

17           “(4) a District Court of the United States with-  
18 in such State, upon application of the Secretary, has  
19 rendered a decision—

20           “(A) making findings of fact that—

21           “(i) such State has failed on a regular  
22 basis to timely remit to the United States  
23 taxes collected under this chapter on behalf  
24 of the United States, or such State has on  
25 a regular basis otherwise materially

1           breached the agreement referred to in sub-  
2           section (b)(2),

3           “(ii) the Secretary has provided such  
4           State with written notice of such alleged  
5           failures and breaches, and

6           “(iii) the State has failed to cure such  
7           alleged failures and breaches within a rea-  
8           sonable time, and

9           “(B) making a determination that it is in  
10          the best interest of the citizens of the United  
11          States that the administering State’s authority  
12          to administer the tax imposed by this subtitle  
13          be revoked and said tax be administered di-  
14          rectly by the Secretary.

15          The order of the District Court revoking the author-  
16          ity of an Administering State shall contain provi-  
17          sions governing the orderly transfer of authority to  
18          the Secretary.

19          “(f) REINSTITUTION.—A State that has had its au-  
20          thority revoked pursuant to subsection (e) shall not be an  
21          administering State for a period of not less than 5 years  
22          after the date of the order of revocation. For the first cal-  
23          endar year commencing 8 years after the date of the order  
24          of revocation, the State shall be regarded without preju-  
25          dice as eligible to become an administering State.

1       “(g) THIRD STATE ADMINISTRATION PERMISS-  
2 SIBLE.—It shall be permissible for a State to contract with  
3 an administering State to administer the State’s sales tax  
4 for an agreed fee. In this case, the agreement con-  
5 templated by subsection (c) shall have both the State and  
6 the Federal Government as parties.

7       “(h) INVESTIGATIONS AND AUDITS.—Administering  
8 States shall not conduct investigations or audits at facili-  
9 ties in other administering States in connection with the  
10 tax imposed by section 101 or conforming State sales tax  
11 but shall instead cooperate with other administering  
12 States using the mechanisms established by section 402,  
13 by compact or by other agreement.

14 **“SEC. 402. FEDERAL ADMINISTRATIVE SUPPORT FOR**  
15 **STATES.**

16       “(a) IN GENERAL.—The Secretary shall administer  
17 a program to facilitate information sharing among States.

18       “(b) STATE COMPACTS.—The Secretary shall facili-  
19 tate, and may be a party to a compact among States for  
20 purposes of facilitating the taxation of interstate pur-  
21 chases and for other purposes that may facilitate imple-  
22 mentation of this subtitle.

23       “(c) AGREEMENT WITH CONFORMING STATES.—The  
24 Secretary is authorized to enter into and shall enter into  
25 an agreement among conforming States enabling con-

1 forming States to collect conforming State sales tax on  
2 sales made by sellers without a particular conforming  
3 State to a destination within that particular conforming  
4 State.

5 “(d) SECRETARY’S AUTHORITY.—The Secretary shall  
6 have the authority to promulgate regulations, to provide  
7 guidelines, to assist States in administering the national  
8 sales tax, to provide for uniformity in the administration  
9 of the tax and to provide guidance to the public.

10 **“SEC. 403. FEDERAL-STATE TAX CONFERENCES.**

11 “Not less than once annually, the Secretary shall host  
12 a conference with the sales tax administrators from the  
13 various administering States to evaluate the state of the  
14 national sales tax system, to address issues of mutual con-  
15 cern and to develop and consider legislative, regulatory,  
16 and administrative proposals to improve the tax system.

17 **“SEC. 404. FEDERAL ADMINISTRATION IN CERTAIN STATES.**

18 “The Secretary shall administer the tax imposed by  
19 this subtitle in any State or other United States jurisdic-  
20 tion that—

21 “(1) is not an administering State, or

22 “(2) elected to have another State administer  
23 its tax in accordance with section 401(g).

1 **“SEC. 405. INTERSTATE ALLOCATION AND DESTINATION**  
2 **DETERMINATION.**

3 “(a) **DESTINATION GENERALLY.**—The tax imposed  
4 by this subtitle is a destination principle tax. This section  
5 shall govern for purposes of determining—

6 “(1) whether the destination of taxable property  
7 and services is within or without the United States,  
8 and

9 “(2) which State or territory within the United  
10 States is the destination of taxable property and  
11 services.

12 “(b) **TANGIBLE PERSONAL PROPERTY.**—Except as  
13 provided in subsection (g) (relating to certain leases), the  
14 destination of tangible personal property shall be the State  
15 or territory in which the property was first delivered to  
16 the purchaser (including agents and authorized represent-  
17 atives).

18 “(c) **REAL PROPERTY.**—The destination of real prop-  
19 erty, or rents or leaseholds on real property, shall be the  
20 State or territory in which the real property is located.

21 “(d) **OTHER PROPERTY.**—The destination of any  
22 other taxable property shall be the residence of the pur-  
23 chaser.

24 “(e) **SERVICES.**—

25 “(1) **GENERAL RULE.**—The destination of serv-  
26 ices shall be the State or territory in which the use

1 or consumption of the services occurred. Allocation  
2 of service invoices relating to more than 1 jurisdic-  
3 tion shall be on the basis of time or another method  
4 determined by regulation.

5 “(2) TELECOMMUNICATIONS SERVICES.—The  
6 destination of telecommunications services shall be  
7 the residence of the purchaser. Telecommunications  
8 services include telephone, telegraph, beeper, radio,  
9 cable television, satellite, and computer on-line or  
10 network services.

11 “(3) DOMESTIC TRANSPORTATION SERVICES.—  
12 For transportation services where all of the final  
13 destinations are within the United States, the des-  
14 tination of transportation services shall be the final  
15 destination of the trip (in the case of round or mul-  
16 tiple trip fares, the services amount shall be equally  
17 allocated among each final destination).

18 “(4) INTERNATIONAL TRANSPORTATION SERV-  
19 ICES.—For transportation services where the final  
20 destination or origin of the trip is without the  
21 United States, the service amount shall be deemed  
22 50 percent attributable to the United States destina-  
23 tion or origin.



1           “(5) ELECTRICAL SERVICE.—The destination of  
2           electrical services shall be the residence of the pur-  
3           chaser.

4           “(f) FINANCIAL INTERMEDIATION SERVICES.—The  
5           destination of financial intermediation services shall be the  
6           residence of the purchaser.

7           “(g) RENTS PAID FOR THE LEASE OF TANGIBLE  
8           PROPERTY.—

9           “(1) GENERAL RULE.—Except as provided in  
10          paragraph (2), the destination of rents paid for the  
11          lease of tangible property and leaseholds on such  
12          property shall be where the property is located while  
13          in use.

14          “(2) LAND VEHICLES; AIRCRAFT, WATER  
15          CRAFT.—The destination of rental and lease pay-  
16          ments on land vehicles, aircraft and water craft shall  
17          be—

18                 “(A) in the case of rentals and leases of a  
19                 term of 1 month or less, the location where the  
20                 land vehicle, aircraft, or water craft was origi-  
21                 nally delivered to the renter or lessee, and

22                 “(B) in the case of rentals and leases of a  
23                 term greater than 1 month, the residence of the  
24                 renter or lessee.

1       “(h) ALLOCATION RULES.—For purposes of allo-  
2 cating revenue—

3               “(1) between or among administering States  
4 from taxes imposed by this subtitle or from State  
5 sales taxes administered by third-party admin-  
6 istering States, or

7               “(2) between or among States imposing con-  
8 forming State sales taxes,

9 the revenue shall be allocated to those States that are the  
10 destination of the taxable property or service.

11       “(i) FEDERAL OFFICE OF REVENUE ALLOCATION.—

12 The Secretary shall establish an Office of Revenue Alloca-  
13 tion to arbitrate any claims or disputes among admin-  
14 istering States as to the destination of taxable property  
15 and services for purposes of allocating revenue between or  
16 among the States from taxes imposed by this subtitle. The  
17 determination of the Administrator of the Office of Rev-  
18 enue Allocation shall be subject to judicial review in any  
19 Federal court with competent jurisdiction. The standard  
20 of review shall be abuse of discretion.

21 **“SEC. 406. GENERAL ADMINISTRATIVE MATTERS.**

22       “(a) IN GENERAL.—The Secretary and each sales tax  
23 administering authority may employ such persons as may  
24 be necessary for the administration of this subtitle and  
25 may delegate to employees the authority to conduct inter-

1 views, hearings, prescribe rules, promulgate regulations,  
2 and perform such other duties as are required by this sub-  
3 title.

4 “(b) RESOLUTION OF ANY INCONSISTENT RULES  
5 AND REGULATIONS.—In the event that the Secretary and  
6 any sales tax administering authority have issued incon-  
7 sistent rules or regulations, any lawful rule or regulation  
8 issued by the Secretary shall govern.

9 “(c) ADEQUATE NOTICE TO BE PROVIDED.—Except  
10 in the case of an emergency declared by the Secretary (and  
11 not his designee), no rule or regulation issued by the Sec-  
12 retary with respect to any internal revenue law shall take  
13 effect before 90 days have elapsed after its publication in  
14 the Federal Register. Upon issuance, the Secretary shall  
15 provide copies of all rules or regulations issued under this  
16 title to each sales tax administering authority.

17 “(d) NO RULES, RULINGS, OR REGULATIONS WITH  
18 RETROACTIVE EFFECT.—No rule, ruling, or regulation  
19 issued or promulgated by the Secretary relating to any in-  
20 ternal revenue law or by a sales tax administering author-  
21 ity shall apply to a period prior to its publication in the  
22 Federal Register (or State equivalent) except that a regu-  
23 lation may take retroactive effect to prevent abuse.

24 “(e) REVIEW OF IMPACT OF REGULATIONS, RULES,  
25 AND RULINGS ON SMALL BUSINESS.—

1           “(1) SUBMISSION TO SMALL BUSINESS ADMIN-  
2           ISTRATION.—After publication of any proposed or  
3           temporary regulation by the Secretary relating to in-  
4           ternal revenue laws, the Secretary shall submit such  
5           regulation to the Chief Counsel for Advocacy of the  
6           Small Business Administration for comment on the  
7           impact of such regulation on small businesses. Not  
8           later than the date 30 days after the date of such  
9           submission, the Chief Counsel for Advocacy of the  
10          Small Business Administration shall submit com-  
11          ments on such regulation to the Secretary.

12          “(2) CONSIDERATION OF COMMENTS.—In pre-  
13          scribing any final regulation which supersedes a pro-  
14          posed or temporary regulation which had been sub-  
15          mitted under this subsection to the Chief Counsel  
16          for Advocacy of the Small Business Administration,  
17          the Secretary shall—

18                 “(A) consider the comments of the Chief  
19                 Counsel for Advocacy of the Small Business  
20                 Administration on such proposed or temporary  
21                 regulation, and

22                 “(B) in promulgating such final regulation,  
23                 include a narrative that describes the response  
24                 to such comments.

1           “(3) SUBMISSION OF CERTAIN FINAL REGULA-  
2           TION.—In the case of promulgation by the Secretary  
3           of any final regulations (other than a temporary regu-  
4           lation) which do not supersede a proposed regula-  
5           tion, the requirements of paragraphs (1) and (2)  
6           shall apply, except that the submission under para-  
7           graph (1) shall be made at least 30 days before the  
8           date of such promulgation, and the consideration  
9           and discussion required under paragraph (2) shall  
10          be made in connection with the promulgation of such  
11          final regulation.

12          “(f) SMALL BUSINESS REGULATORY SAFEGUARDS.—  
13          The Small Business Regulatory Enforcement Fairness Act  
14          (Public Law 104–121; 110 Stat. 857 (‘SBREFA’)) and  
15          the Regulatory Flexibility Act (5 U.S.C. 601–612  
16          (‘RFA’)) shall apply to regulations promulgated under this  
17          subtitle.

18          **“SEC. 407. JURISDICTION.**

19          “(a) STATE JURISDICTION.—A sales tax admin-  
20          istering authority shall have jurisdiction over any gross  
21          payments made which have a destination (as determined  
22          in accordance with section 405) within the State of said  
23          sales tax administering authority. This grant of jurisdic-  
24          tion is not exclusive of any other jurisdiction that such  
25          sales tax administering authority may have.

1 “(b) FEDERAL JURISDICTION.—The grant of juris-  
2 diction in subsection (a) shall not be in derogation of Fed-  
3 eral jurisdiction over the same matter. The Federal Gov-  
4 ernment shall have the right to exercise preemptive juris-  
5 diction over matters relating to the taxes imposed by this  
6 subtitle.

7 **“CHAPTER 5—OTHER ADMINISTRATIVE**  
8 **PROVISIONS**

“Sec. 501. Monthly reports and payments.  
“Sec. 502. Registration.  
“Sec. 503. Accounting.  
“Sec. 504. Penalties.  
“Sec. 505. Burden of persuasion and burden of production.  
“Sec. 506. Attorneys’ and accountancy fees.  
“Sec. 507. Summons, examinations, audits, etc.  
“Sec. 508. Records.  
“Sec. 509. Tax to be separately stated and charged.  
“Sec. 510. Coordination with title 11.  
“Sec. 511. Applicable interest rate.

9 **“SEC. 501. MONTHLY REPORTS AND PAYMENTS.**

10 “(a) TAX REPORTS AND FILING DATES.—

11 “(1) IN GENERAL.—On or before the 15th day  
12 of each month, each person who is—

13 “(A) liable to collect and remit the tax im-  
14 posed by this subtitle by reason of section  
15 103(a), or

16 “(B) liable to pay tax imposed by this sub-  
17 title which is not collected pursuant to section  
18 103(a),

19 shall submit to the appropriate sales tax admin-  
20 istering authority (in a form prescribed by the Sec-

1       retary) a report relating to the previous calendar  
2       month.

3               “(2) CONTENTS OF REPORT.—The report re-  
4       quired under paragraph (1) shall set forth—

5                       “(A) the gross payments referred to in sec-  
6       tion 101,

7                       “(B) the tax collected under chapter 4 in  
8       connection with such payments,

9                       “(C) the amount and type of any credit  
10      claimed, and

11                      “(D) other information reasonably required  
12      by the Secretary or the sales tax administering  
13      authority for the administration, collection, and  
14      remittance of the tax imposed by this subtitle.

15      “(b) TAX PAYMENTS DATE.—

16                      “(1) GENERAL RULE.—The tax imposed by this  
17      subtitle during any calendar month is due and shall  
18      be paid to the appropriate sales tax administering  
19      authority on or before the 15th day of the suc-  
20      ceeding month. Both Federal tax imposed by this  
21      subtitle and conforming State sales tax (if any) shall  
22      be paid in 1 aggregate payment.

23                      “(2) CROSS REFERENCE.—See subsection (e)  
24      relating to remitting of separate segregated funds  
25      for sellers that are not small sellers.

1 “(c) EXTENSIONS FOR FILING REPORTS.—

2 “(1) AUTOMATIC EXTENSIONS FOR NOT MORE  
3 THAN 30 DAYS.—On application, an extension of not  
4 more than 30 days to file reports under subsection  
5 (a) shall be automatically granted.

6 “(2) OTHER EXTENSIONS.—On application, ex-  
7 tensions of 30 to 60 days to file such reports shall  
8 be liberally granted by the sales tax administering  
9 authority for reasonable cause. Extensions greater  
10 than 60 days may be granted by the sales tax ad-  
11 ministering authority to avoid hardship.

12 “(3) NO EXTENSION FOR PAYMENT OF  
13 TAXES.—Notwithstanding paragraphs (1) and (2),  
14 no extension shall be granted with respect to the  
15 time for paying or remitting the taxes under this  
16 subtitle.

17 “(d) TELEPHONE REPORTING OF VIOLATIONS.—The  
18 Secretary shall establish a system under which a violation  
19 of this subtitle can be brought to the attention of the sales  
20 tax administering authority for investigation through the  
21 use of a toll-free telephone number and otherwise.

22 “(e) SEPARATE SEGREGATED ACCOUNTS.—

23 “(1) IN GENERAL.—Any registered seller that  
24 is not a small seller shall deposit all sales taxes col-  
25 lected pursuant to section 103 in a particular week



1 in a separate segregated account maintained at a  
2 bank or other financial institution within 3 business  
3 days of the end of such week. Said registered seller  
4 shall also maintain in that account sufficient funds  
5 to meet the bank or financial institution minimum  
6 balance requirements, if any, and to pay account  
7 fees and costs.

8 “(2) SMALL SELLER.—For purposes of this  
9 subsection, a small seller is any person that has not  
10 collected \$20,000 or more of the taxes imposed by  
11 this subtitle in any of the previous 12 months.

12 “(3) LARGE SELLERS.—Any seller that has col-  
13 lected \$100,000 or more of the taxes imposed by  
14 this subtitle in any of the previous 12 months is a  
15 large seller. A large seller shall remit to the sales tax  
16 administering authority the entire balance of depos-  
17 ited taxes in its separate segregated account on the  
18 first business day following the end of the calendar  
19 week. The Secretary may by regulation require the  
20 electronic transfer of funds due from large sellers.

21 “(4) WEEK.—For purposes of this subsection,  
22 the term ‘week’ shall mean the 7-day period ending  
23 on a Friday.

1       “(f) DETERMINATION OF REPORT FILING DATE.—

2 A report filed pursuant to subsection (a) shall be deemed  
3 filed when—

4           “(1) deposited in the United States mail, post-  
5 age prepaid, addressed to the sales tax administering  
6 authority,

7           “(2) delivered and accepted at the offices of the  
8 sales tax administering authority,

9           “(3) provided to a designated commercial pri-  
10 vate courier service for delivery within 2 days to the  
11 sales tax administering authority at the address of  
12 the sales tax administering authority, or

13           “(4) by other means permitted by the Sec-  
14 retary.

15       “(g) SECURITY REQUIREMENTS.—A large seller  
16 (within the meaning of subsection (e)(3)) shall be required  
17 to provide security in an amount equal to the greater of  
18 \$100,000 or one and one-half times the seller’s average  
19 monthly tax liability during the previous 6 calendar  
20 months. Security may be a cash bond, a bond from a sur-  
21 ety company approved by the Secretary, a certificate of  
22 deposit, or a State or United States Treasury bond. A  
23 bond qualifying under this subsection must be a con-  
24 tinuing instrument for each calendar year (or portion  
25 thereof) that the bond is in effect. The bond must remain

1 in effect until the surety or sureties are released and dis-  
2 charged. Failure to provide security in accordance with  
3 this section shall result in revocation of the seller's section  
4 502 registration. If a person who has provided security  
5 pursuant to this subsection—

6           “(1) fails to pay an amount indicated in a final  
7 notice of amount due under this subtitle (within the  
8 meaning of section 605(d)),

9           “(2) no Taxpayer Assistance Order is in effect  
10 relating to the amount due,

11           “(3) either the time for filing an appeal pursu-  
12 ant to section 604 has passed or the appeal was de-  
13 nied, and

14           “(4) the amount due is not being litigated in  
15 any judicial forum,

16 then the security or part of the security, as the case may  
17 be, may be forfeited in favor of the Secretary to the extent  
18 of such tax due (plus interest if any).

19           “(h) REWARDS PROGRAM.—The Secretary is author-  
20 ized to maintain a program of awards wherein individuals  
21 that assist the Secretary or sales tax administering au-  
22 thorities in discovering or prosecuting tax fraud may be  
23 remunerated.

24           “(i) CROSS REFERENCE.—For interest due on taxes  
25 remitted late, see section 6601.

1 **“SEC. 502. REGISTRATION.**

2       “(a) IN GENERAL.—Any person liable to collect and  
3 remit taxes pursuant to section 103(a) who is engaged in  
4 a trade or business shall register as a seller with the sales  
5 tax administering authority administering the taxes im-  
6 posed by this subtitle.

7       “(b) AFFILIATED FIRMS.—Affiliated firms shall be  
8 treated as 1 person for purposes of this section. Affiliated  
9 firms may elect, upon giving notice to the Secretary in  
10 a form prescribed by the Secretary, to treat separate firms  
11 as separate persons for purposes of this subtitle.

12       “(c) DESIGNATION OF TAX MATTERS PERSON.—  
13 Every person registered pursuant to subsection (a) shall  
14 designate a tax matters person who shall be an individual  
15 whom the sales tax administering authority may contact  
16 regarding tax matters. Each person registered must pro-  
17 vide notice of a change in the identity of the tax matters  
18 person within 30 days of said change.

19       “(d) EFFECT OF FAILURE TO REGISTER.—Any per-  
20 son that is required to register and who fails to do so is  
21 prohibited from selling taxable property or services. The  
22 Secretary or a sales tax administering authority may bring  
23 an action seeking a temporary restraining order, an in-  
24 junction, or such other order as may be appropriate to  
25 enforce this section.

1 **“SEC. 503. ACCOUNTING.**

2 “(a) CASH METHOD TO BE USED GENERALLY.—  
3 Registered sellers and other persons shall report trans-  
4 actions using the cash method of accounting unless an  
5 election to use the accrual method of accounting is made  
6 pursuant to subsection (b).

7 “(b) ELECTION TO USE ACCRUAL METHOD.—A per-  
8 son may elect with respect to a calender year to remit  
9 taxes and report transactions with respect to the month  
10 where a sale was invoiced and accrued.

11 “(c) CROSS REFERENCE.—See section 205 for rules  
12 relating to bad debts for sellers electing the accrual meth-  
13 od.

14 **“SEC. 504. PENALTIES.**

15 “(a) FAILURE TO REGISTER.—Each person who is  
16 required to register pursuant to section 502 but fails to  
17 do so prior to notification by the sales tax administering  
18 authority shall be liable for a penalty of \$500.

19 “(b) RECKLESS OR WILLFUL FAILURE TO COLLECT  
20 TAX.—

21 “(1) CIVIL PENALTY; FRAUD.—Each person  
22 who is required to and recklessly or willfully fails to  
23 collect taxes imposed by this subtitle shall be liable  
24 for a penalty equal to the greater of \$500 or 20 per-  
25 cent of tax not collected.

1           “(2) CRIMINAL PENALTY.—Each person who is  
2           required to and willfully fails as part of a trade or  
3           business to collect taxes imposed by this subtitle  
4           may be fined an amount up to the amount deter-  
5           mined in accordance with paragraph (1) or impris-  
6           oned for a period of not more than 1 year or both.

7           “(c) RECKLESS OR WILLFUL ASSERTION OF INVALID  
8           EXEMPTION.—

9           “(1) CIVIL PENALTY; FRAUD.—Each person  
10          who recklessly or willfully asserts an invalid inter-  
11          mediate or export sales exemption from the taxes  
12          imposed by this subtitle shall be liable for a penalty  
13          equal to the greater of \$500 or 20 percent of the tax  
14          not collected or remitted.

15          “(2) CRIMINAL PENALTY.—Each person who  
16          willfully asserts an invalid intermediate or export  
17          sales exemption from the taxes imposed by this sub-  
18          title may be fined an amount up to the amount de-  
19          termined in accordance with paragraph (1) or im-  
20          prisoned for a period of not more than 1 year or  
21          both.

22          “(d) RECKLESS OR WILLFUL FAILURE TO REMIT  
23          TAX COLLECTED.—

24          “(1) CIVIL PENALTY; FRAUD.—Each person  
25          who is required to and recklessly or willfully fails to

1 remit taxes imposed by this subtitle and collected  
2 from purchasers shall be liable for a penalty equal  
3 to the greater of \$1,000 or 50 percent of the tax not  
4 remitted.

5 “(2) CRIMINAL PENALTY.—Each person who  
6 willfully fails to remit taxes imposed by this subtitle  
7 and collected from purchasers may be fined an  
8 amount up to the amount determined in accordance  
9 with paragraph (1) or imprisoned for a period of not  
10 more than 2 years or both.

11 “(e) RECKLESS OR WILLFUL FAILURE TO PAY  
12 TAX.—Each person who is required to and recklessly or  
13 willfully fails to pay taxes imposed by this subtitle shall  
14 be liable for a penalty equal to the greater of \$500 or  
15 20 percent of the tax not paid.

16 “(f) PENALTY FOR LATE FILING.—

17 “(1) IN GENERAL.—In the case of a failure by  
18 any person who is required to and fails to file a re-  
19 port required by section 501 on or before the due  
20 date (determined with regard to any extension) for  
21 such report, such person shall pay a penalty for each  
22 month or fraction thereof that said report is late  
23 equal to the greater of—

24 “(A) \$50, or

1           “(B) 0.5 percent of the gross payments re-  
2           quired to be shown on the report.

3           “(2) INCREASED PENALTY ON RETURNS FILED  
4           AFTER WRITTEN INQUIRY.—The amount of the pen-  
5           alty under paragraph (1) shall be doubled with re-  
6           spect to any report filed after a written inquiry with  
7           respect to such report is received by the taxpayer  
8           from the sales tax administering authority.

9           “(3) LIMITATION.—The penalty imposed under  
10          this subsection shall not exceed 12 percent.

11          “(4) EXCEPTIONS.—

12                 “(A) REASONABLE CAUSE.—No penalty  
13                 shall be imposed under this subsection with re-  
14                 spect to any failure if it is shown that such fail-  
15                 ure is due to reasonable cause.

16                 “(B) OTHER WAIVER AUTHORITY.—In ad-  
17                 dition to penalties not imposed by reason of  
18                 subparagraph (A), the sales tax administering  
19                 authority, on application, shall waive the pen-  
20                 alty imposed by paragraph (1) once per reg-  
21                 istered person per 24-month period. The pre-  
22                 ceding sentence shall not apply to a penalty de-  
23                 termined under paragraph (2).

24          “(g) PENALTY FOR WILLFULLY OR RECKLESSLY AC-  
25          CEPTING A FALSE INTERMEDIATE OR EXPORT SALES



1 CERTIFICATE.—A person who willingly or recklessly ac-  
2 cepts a false intermediate or export sales certificate shall  
3 pay a penalty equal to 20 percent of the tax not collected  
4 by reason of said acceptance.

5 “(h) PENALTY FOR LATE REMITTANCE OF TAXES.—

6 “(1) IN GENERAL.—A person who is required  
7 to timely remit taxes imposed by this subtitle and  
8 remits taxes more than 1 month after such taxes are  
9 due shall pay a penalty equal to 1 percent per month  
10 (or fraction thereof) from the due date.

11 “(2) LIMITATION.—The penalty imposed under  
12 this subsection shall not exceed 24 percent.

13 “(3) EXCEPTIONS FOR REASONABLE CAUSE.—  
14 No penalty shall be imposed under paragraph (1)  
15 with respect to any late remittance if it is shown  
16 that such late remittance is due to reasonable cause.

17 “(i) PENALTY FOR FILING FALSE REBATE CLAIM.—

18 “(1) CIVIL PENALTY; FRAUD.—A person who  
19 willingly or recklessly files a false claim for a family  
20 consumption allowance rebate (within the meaning  
21 of chapter 3) shall—

22 “(A) pay a penalty equal to the greater of  
23 \$500 or 50 percent of the claimed annual re-  
24 bate amount not actually due, and

1           “(B) repay any rebates received as a result  
2           of the false rebate claim (together with inter-  
3           est).

4           “(2) CRIMINAL PENALTY.—A person who will-  
5           ingly files a false claim for a family consumption al-  
6           lowance rebate (within the meaning of chapter 3)  
7           may be fined an amount up to the amount deter-  
8           mined in accordance with paragraph (1) or impris-  
9           oned for a period not more than 1 year or both.

10          “(j) PENALTY FOR BAD CHECK.—If any check or  
11          money order in payment of any amount receivable under  
12          this subtitle is not duly paid, in addition to other penalties  
13          provided by law, the person who tendered such check shall  
14          pay a penalty equal to the greater of—

15                 “(1) \$25, or

16                 “(2) two percent of the amount of such check.

17          “(k) PENALTY FOR FAILURE TO MAINTAIN A SEPA-  
18          RATE SEGREGATED ACCOUNT.—Any person required to  
19          maintain a separate segregated account pursuant to sec-  
20          tion 501(e) that fails to maintain such a separate seg-  
21          regated account shall pay a penalty of \$1,000.

22          “(l) PENALTY FOR FAILURE TO DEPOSIT COL-  
23          LECTED TAXES IN A SEPARATE SEGREGATED AC-  
24          COUNT.—Any person required to deposit collected taxes  
25          into a separate segregated account maintained pursuant

1 to section 501(e) that fails to timely deposit said taxes  
2 into the separate segregated account shall pay a penalty  
3 equal to 1 percent of the amount required to be deposited.  
4 The penalty imposed by the previous sentence shall be tri-  
5 pled unless said taxes have been deposited in the separate  
6 segregated account or remitted to the sales tax admin-  
7 istering authority within 16 days of the date said deposit  
8 was due.

9       “(m) JOINT AND SEVERAL LIABILITY FOR TAX MAT-  
10 TERS PERSON AND RESPONSIBLE OFFICERS.—The tax  
11 matters person (designated pursuant to section 502(e))  
12 and responsible officers or partners of a firm shall be  
13 jointly and severally liable for the tax imposed by this sub-  
14 title and penalties imposed by this subtitle.

15       “(n) RIGHT OF CONTRIBUTION.—If more than 1 per-  
16 son is liable with respect to any tax or penalty imposed  
17 by this subtitle, each person who paid such tax or penalty  
18 shall be entitled to recover from other persons who are  
19 liable for such tax or penalty an amount equal to the ex-  
20 cess of the amount paid by such person over such person’s  
21 proportionate share of the tax or penalty.

22       “(o) CIVIL PENALTIES AND CRIMINAL FINES NOT  
23 EXCLUSIVE.—

1           “(1) CIVIL PENALTY.—The fact that a civil  
2           penalty has been imposed shall not prevent the im-  
3           position of a criminal fine.

4           “(2) CRIMINAL FINE.—The fact that a criminal  
5           fine has been imposed shall not prevent the imposi-  
6           tion of a civil penalty.

7           “(p) CONFIDENTIALITY.—Any person who violates  
8           the requirements relating to confidentiality of tax informa-  
9           tion (as provided in section 605(e)) may be fined up to  
10           \$10,000 or imprisoned for a period of not more than 1  
11           year, or both.

12           “(q) CROSS REFERENCE.—For interest due on late  
13           payments, see section 6601.

14           **“SEC. 505. BURDEN OF PERSUASION AND BURDEN OF PRO-**  
15   **DUCTION.**

16           “In all disputes concerning taxes imposed by this sub-  
17           title, the person engaged in a dispute with the sales tax  
18           administering authority or the Secretary, as the case may  
19           be, shall have the burden of production of documents and  
20           records but the sales tax administering authority or the  
21           Secretary shall have the burden of persuasion. In all dis-  
22           putes concerning an exemption claimed by a purchaser,  
23           if the seller has on file an intermediate sale or export sale  
24           certificate from the purchaser and did not have reasonable  
25           cause to believe that the certificate was improperly pro-

1 vided by the purchaser with respect to such purchase  
2 (within the meaning of section 103), then the burden of  
3 production of documents and records relating to that ex-  
4 emption shall rest with the purchaser and not with the  
5 seller.

6 **“SEC. 506. ATTORNEYS’ AND ACCOUNTANCY FEES.**

7 “In all disputes concerning taxes imposed by this sub-  
8 title, the person engaged in a dispute with the sales tax  
9 administering authority or the Secretary, as the case may  
10 be, shall be entitled to reasonable attorneys’ fees, account-  
11 any fees, and other reasonable professional fees incurred  
12 in direct relation to the dispute unless the sales tax admin-  
13 istering authority or the Secretary establishes that its po-  
14 sition was substantially justified.

15 **“SEC. 507. SUMMONS, EXAMINATIONS, AUDITS, ETC.**

16 “(a) SUMMONS.—Persons are subject to administra-  
17 tive summons by the sales tax administering authority for  
18 records, documents, and testimony required by the sales  
19 tax administering authority to accurately determine liabil-  
20 ity for tax under this subtitle. A summons shall be served  
21 by the sales tax administering authority by an attested  
22 copy delivered in hand to the person to whom it is directed  
23 or left at his last known address. The summons shall de-  
24 scribe with reasonable certainty what is sought.

1           “(b) EXAMINATIONS AND AUDITS.—The sales tax ad-  
2 ministering authority has the authority to conduct at a  
3 reasonable time and place examinations and audits of per-  
4 sons who are or may be liable to collect and remit tax  
5 imposed by this subtitle and to examine the books, papers,  
6 records, or other data of such persons which may be rel-  
7 evant or material to the determination of tax due.

8           “(c) LIMITATION ON AUTHORITY IN CASE OF REFER-  
9 RAL.—No administrative summons may be issued by the  
10 sales tax administering authority and no action be com-  
11 menced to enforce an administrative summons with re-  
12 spect to any person if a Justice Department referral or  
13 referral to a State Attorney General’s Office is in effect  
14 with respect to such person relating to a tax imposed by  
15 this subtitle. Such referral is in effect with respect to any  
16 person if the sales tax administering authority or the Sec-  
17 retary has recommended to the Justice Department or a  
18 State Attorney General’s Office a grand jury investigation  
19 of such person or a criminal prosecution of such person  
20 that contemplates criminal sanctions under this title. A  
21 referral shall be terminated when—

22                   “(1) the Justice Department or a State Attor-  
23 ney General’s Office notifies the sales tax admin-  
24 istering authority or the Secretary that he will not—

1           “(A) prosecute such person for any offense  
2           connected with the internal revenue laws,

3           “(B) authorize a grand jury investigation  
4           of such person with respect to such offense, or

5           “(C) continue such a grand jury investiga-  
6           tion, or

7           “(2) a final disposition has been made of any  
8           criminal proceeding connected with the internal rev-  
9           enue laws, or conforming State sales tax, against  
10          such person.

11 **“SEC. 508. RECORDS.**

12          “Any person liable to remit taxes pursuant to this  
13 subtitle shall keep records (including a record of all section  
14 509 receipts provided, complete records of intermediate  
15 and export sales, including purchaser’s intermediate and  
16 export sales certificates and tax number and the net of  
17 tax amount of purchase) sufficient to determine the  
18 amounts reported, collected, and remitted for a period of  
19 6 years after the latter of the filing of the report for which  
20 the records formed the basis or when the report was due  
21 to be filed. Any purchaser who purchased taxable property  
22 or services but did not pay tax by reason of asserting an  
23 intermediate and export sales exemption shall keep records  
24 sufficient to determine whether said exemption was valid

1 for a period of 7 years after the purchase of taxable prop-  
2 erty or services.

3 **“SEC. 509. TAX TO BE SEPARATELY STATED AND CHARGED.**

4 “(a) IN GENERAL.—For each purchase of taxable  
5 property or services for which a tax is imposed by section  
6 101, the seller shall charge the tax imposed by section 101  
7 separately from the purchase. For purchase of taxable  
8 property or services for which a tax is imposed by section  
9 101, the seller shall provide to the purchaser a receipt for  
10 each transaction that includes—

11 “(1) the property or services price exclusive of  
12 tax,

13 “(2) the amount of tax paid,

14 “(3) the property or service price inclusive of  
15 tax,

16 “(4) the tax rate (the amount of tax paid (per  
17 paragraph (2))) divided by the property or service  
18 price inclusive of tax (per paragraph (3)),

19 “(5) the date that the good or service was sold,

20 “(6) the name of the vendor, and

21 “(7) the vendor registration number.

22 “(b) VENDING MACHINE EXCEPTION.—The require-  
23 ments of subsection (a) shall be inapplicable in the case  
24 of sales by vending machines. Vending machines for pur-  
25 poses of this subsection are machines—



1           “(1) that dispense taxable property in exchange  
2           for coins or currency, and

3           “(2) that sell no single item exceeding \$10 per  
4           unit in price.

5           “(c) FINANCIAL INTERMEDIATION SERVICES EXCEP-  
6           TION.—The requirements of subsection (a) shall be inap-  
7           plicable in the case of sales financial intermediation serv-  
8           ice. Receipts shall be issued when the tax is imposed (in  
9           accordance with section 803 (relating to timing of tax on  
10          financial intermediation services)).

11          **“SEC. 510. COORDINATION WITH TITLE 11.**

12          “No addition to tax shall be made under section 504  
13          with respect to a period during which a case is pending  
14          under title 11, United States Code—

15                 “(1) if such tax was incurred by the estate and  
16                 the failure occurred pursuant to an order of the  
17                 court finding probable insufficiency of funds of the  
18                 estate to pay administrative expenses, or

19                 “(2) if—

20                         “(A) such tax was incurred by the debtor  
21                         before the earlier of the order for relief or (in  
22                         the involuntary case) the appointment of a  
23                         trustee, and

24                         “(B) the petition was filed before the due  
25                         date prescribed by law (including extensions)

1           for filing a return of such tax, or the date for  
2           making the addition to tax occurs on or after  
3           the date the petition was filed.

4 **“SEC. 511. APPLICABLE INTEREST RATE.**

5           “(a) IN GENERAL.—

6           “(1) FEDERAL SHORT-TERM RATE.—In the  
7           case of a debt instrument, investment, financing  
8           lease, or account with a term of not over 3 years,  
9           the applicable interest rate is the Federal short-term  
10          rate.

11          “(2) FEDERAL MID-TERM RATE.—In the case  
12          of a debt instrument, investment, financing lease, or  
13          account with a term of over 3 years but not over 9  
14          years, the applicable interest rate is the Federal  
15          mid-term rate.

16          “(3) FEDERAL LONG-TERM RATE.—In the case  
17          of a debt instrument, investment, financing lease, or  
18          account with a term of over 9 years, the applicable  
19          interest rate is the Federal long-term rate.

20          “(b) FEDERAL SHORT-TERM RATE.—The Federal  
21          short-term rate shall be the rate determined by the Sec-  
22          retary based on the average market yield (selected by the  
23          Secretary and ending in the calendar month in which the  
24          determination is made during any one month) on out-

1 standing marketable obligations of the United States with  
 2 remaining periods to maturity of 3 years or fewer.

3 “(c) FEDERAL MID-TERM RATE.—The Federal mid-  
 4 term rate shall be the rate determined by the Secretary  
 5 based on the average market yield (selected by the Sec-  
 6 retary and ending in the calendar month in which the de-  
 7 termination is made during any 1 month) on outstanding  
 8 marketable obligations of the United States with remain-  
 9 ing periods to maturity of more than 3 years and not over  
 10 9 years.

11 “(d) FEDERAL LONG-TERM RATE.—The Federal  
 12 long-term rate shall be the rate determined by the Sec-  
 13 retary based on the average market yield (selected by the  
 14 Secretary and ending in the calendar month in which the  
 15 determination is made during any 1 month) on out-  
 16 standing marketable obligations of the United States with  
 17 remaining periods to maturity of over 9 years.

18 “(e) DETERMINATION OF RATES.—During each cal-  
 19 endar month, the Secretary shall determine the Federal  
 20 short-term rate, the Federal mid-term rate and the Fed-  
 21 eral long-term rate which shall apply during the following  
 22 calendar month.

23 **“CHAPTER 6—COLLECTIONS; APPEALS;**  
 24 **TAXPAYER RIGHTS**

“Sec. 601. Collections.

“Sec. 602. Power to levy, etc.

“Sec. 603. Problem resolution offices.

“Sec. 604. Appeals.

“Sec. 605. Taxpayer rights.

“Sec. 606. Installment agreements compromises.

1 **“SEC. 601. COLLECTIONS.**

2 “The sales tax administering authority shall collect  
3 the taxes imposed by this subtitle, except as provided in  
4 section 404 (relating to Federal administration in certain  
5 States).

6 **“SEC. 602. POWER TO LEVY, ETC.**

7 “(a) IN GENERAL.—The sales tax administering au-  
8 thority may levy and seize property, garnish wages or sal-  
9 ary and file liens to collect amounts due under this sub-  
10 title, pursuant to enforcement of—

11 “(1) a judgment duly rendered by a court of  
12 law,

13 “(2) an amount due if the taxpayer has failed  
14 to exercise his appeals rights under section 604, or

15 “(3) an amount due if the appeals process de-  
16 termined that an amount remained due and the tax-  
17 payer has failed to timely petition the Tax Court for  
18 relief.

19 “(b) EXEMPTION FROM LEVY, SEIZURE, AND GAR-  
20 NISHMENTS.—There shall be exempt from levy, seizure,  
21 and garnishment or penalty in connection with any tax  
22 imposed by this subtitle—

23 “(1) wearing apparel, school books, fuel, provi-  
24 sions, furniture, personal effects, tools of a trade or

1 profession, livestock in a household up to an aggregate  
2 value of \$15,000, and

3 “(2) monthly money income equal to 150 per-  
4 cent of the monthly poverty level (as defined in sec-  
5 tion 303).

6 “(c) LIENS TO BE TIMELY RELEASED.—Subject to  
7 such reasonable regulations as the Secretary may provide,  
8 any lien imposed with respect to a tax imposed by this  
9 title shall be released not later than 30 days after—

10 “(1) the liability was satisfied or became unen-  
11 forceable, or

12 “(2) a bond was accepted as security.

13 **“SEC. 603. PROBLEM RESOLUTION OFFICES.**

14 “(a) PROBLEM RESOLUTION OFFICE TO BE ESTAB-  
15 LISHED.—Each sales tax administering authority shall es-  
16 tablish an independent Problem Resolution Office and ap-  
17 point an adequate number of problem resolution officers.  
18 The head of the problem resolution office must be ap-  
19 pointed by, and serve at the pleasure of either the State  
20 Governor (in the case of an administering State) or the  
21 President of the United States.

22 “(b) AUTHORITY OF PROBLEM RESOLUTION OFFI-  
23 CERS.—Problem resolution officers shall have the author-  
24 ity to investigate complaints and issue a Taxpayer Assist-  
25 ance Order to administratively enjoin any collection activ-

1 ity if, in the opinion of the problem resolution officer, said  
2 collection activity is reasonably likely to not be in compli-  
3 ance with law or to prevent hardship (other than by reason  
4 of having to pay taxes lawfully due). Problem resolution  
5 officers shall also have the authority to issue Taxpayer As-  
6 sistance Orders releasing or returning property that has  
7 been levied upon or seized, ordering that a lien be released  
8 and that garnished wages be returned. A Taxpayer Assist-  
9 ance Order may only be rescinded or modified by the prob-  
10 lem resolution officer that issued it, by the highest official  
11 in the relevant sales tax administering authority or by its  
12 general counsel upon a finding that the collection activity  
13 is justified by clear and convincing evidence. The authority  
14 to reverse this Taxpayer Assistance Order may not be del-  
15 egated.

16       “(c) FORM OF REQUEST FOR TAXPAYER ASSISTANCE  
17 ORDER.—The Secretary shall establish a form and proce-  
18 dure to aid persons requesting the assistance of the Prob-  
19 lem Resolution Office and to aid the Problem Resolution  
20 Office in understanding the needs of the person seeking  
21 assistance. The use of this form, however, shall not be a  
22 prerequisite to a problem resolution officer taking action,  
23 including issuing a Taxpayer Assistance Order.

24       “(d) CONTENT OF TAXPAYER ASSISTANCE ORDER.—  
25 A Taxpayer Assistance Order shall contain the name of

1 the problem resolution officer, any provision relating to  
2 the running of any applicable period of limitation, the  
3 name of the person that the Taxpayer Assistance Order  
4 assists, the government office (or employee or officer of  
5 said government office) to whom it is directed and the ac-  
6 tion or cessation of action that the Taxpayer Assistance  
7 Order requires of said government officer (or employee or  
8 officer of said government office). The Taxpayer Assist-  
9 ance Order need not contain findings of fact or its legal  
10 basis; however, the problem resolution officer must provide  
11 findings of fact and the legal basis for the issuance of the  
12 Taxpayer Assistance Order to the sales tax administering  
13 authority upon the request of an officer of said authority  
14 within 2 weeks of the receipt of such request.

15       “(e) INDEPENDENCE PROTECTED.—Problem resolu-  
16 tion officers shall not be disciplined or adversely affected  
17 for the issuance of administrative injunctions unless a pat-  
18 tern of issuing injunctions that are manifestly unreason-  
19 able is proven in an administrative hearing by a prepon-  
20 derance of the evidence.

21       “(f) OTHER RIGHTS NOT LIMITED.—Nothing in this  
22 section shall limit the authority of the sales tax admin-  
23 istering authority, the registered person or other person  
24 from pursuing any legal remedy in any court with jurisdic-  
25 tion over the dispute at issue.

1           “(g) LIMITATIONS.—The running of any applicable  
2 period of limitation shall be suspended for a period of 8  
3 weeks following the issuance of a Taxpayer Assistance  
4 Order or, if specified, for a longer period set forth in the  
5 Taxpayer Assistance Order provided the suspension does  
6 not exceed 6 months.

7           **“SEC. 604. APPEALS.**

8           “(a) ADMINISTRATIVE APPEALS.—The sales tax ad-  
9 ministering authority shall establish an administrative ap-  
10 peals process wherein the registered person or other per-  
11 son in disagreement with a decision of the sales tax admin-  
12 istering authority asserting liability for tax is provided a  
13 full and fair hearing in connection with any disputes said  
14 person has with the sales tax administering authority.

15           “(b) TIMING OF ADMINISTRATIVE APPEALS.—Said  
16 administrative appeal must be made within 60 days of re-  
17 ceiving a final notice of amount due pursuant to section  
18 605(d) unless leave for an extension is granted by the ap-  
19 peals officer in a form prescribed by the Secretary. Leave  
20 shall be granted to avoid hardship.

21           **“SEC. 605. TAXPAYER RIGHTS.**

22           “(a) RIGHTS TO BE DISCLOSED.—The sales tax ad-  
23 ministering authority shall provide to any person against  
24 whom it has—

25                   “(1) commenced an audit or investigation,



1           “(2) issued a final notice of amount due,

2           “(3) filed an administrative lien, levy, or gar-  
3           nishment,

4           “(4) commenced other collection action,

5           “(5) commenced an action for civil penalties, or

6           “(6) any other legal action,

7 a document setting forth in plain English the rights of  
8 the person. The document shall explain the administrative  
9 appeals process, the authority of the Problem Resolution  
10 Office (established pursuant to section 603) and how to  
11 contact that Office, the burden of production and persua-  
12 sion that the person and the sales tax administering au-  
13 thority bear (pursuant to section 505), the right of the  
14 person to professional fees (pursuant to section 506), the  
15 right to record interviews and such other rights as the per-  
16 son may possess under this subtitle. Said document will  
17 also set forth the procedures for entering into an install-  
18 ment agreement.

19           “(b) RIGHT TO PROFESSIONAL ASSISTANCE.—In all  
20 dealings with the sales tax administering authority, a per-  
21 son shall have the right to assistance, at their own ex-  
22 pense, of one or more professional advisors.

23           “(c) RIGHT TO RECORD INTERVIEWS.—Any person  
24 who is interviewed by an agent of the sales tax admin-

1 istering authority shall have the right to video or audio  
2 tape the interview at the person's own expense.

3 “(d) RIGHT TO FINAL NOTICE OF AMOUNT DUE.—

4 No collection or enforcement action will be commenced  
5 against a person until 30 days after they have been pro-  
6 vided with a final notice of amount due under this subtitle  
7 by the sales tax administering authority. The final notice  
8 of amount due shall set forth the amount of tax due (along  
9 with any interest and penalties due) and the factual and  
10 legal basis for such amounts being due with sufficient  
11 specificity that such basis can be understood by a reason-  
12 able person who is not a tax professional reading the no-  
13 tice. The final notice shall be sent by certified mail, return  
14 receipt requested, to—

15 “(1) the address last provided by a registered  
16 seller, or

17 “(2) the best available address to a person who  
18 is not a registered seller.

19 “(e) CONFIDENTIALITY OF TAX INFORMATION.—

20 “(1) IN GENERAL.—All reports and report in-  
21 formation (related to any internal revenue law) shall  
22 be confidential and except as authorized by this  
23 title—

1           “(A) no officer or employee (including  
2 former officers and employees) of the United  
3 States,

4           “(B) no officer or employee (including  
5 former officers and employees) of any State or  
6 local agency who has had access to returns or  
7 return information, and

8           “(C) no other person who has had access  
9 to returns or return information,  
10 shall disclose any report or report information ob-  
11 tained by him in any manner in connection with his  
12 service as such officer or employee or otherwise.

13           “(2) DESIGNNEES.—The sales tax administering  
14 authority may, subject to such requirements as the  
15 Secretary may impose, disclose the report and report  
16 information of a person to that person or persons as  
17 that person may designate to receive said informa-  
18 tion or return.

19           “(3) OTHER SALES TAX ADMINISTERING AU-  
20 THORITIES.—A sales tax administering authority  
21 may impose, disclose the report and report informa-  
22 tion to another sales tax administering authority.

23           “(4) INCOMPETENCY.—A sales tax admin-  
24 istering authority may, subject to such requirements  
25 as the Secretary may impose, disclose the report and

1 report information to the committee, trustee, or  
2 guardian of a person who is incompetent.

3 “(5) DECEASED PERSONS.—A sales tax admin-  
4 istering authority may, subject to such requirements  
5 as the Secretary may impose, disclose the report and  
6 report information to the decedent’s—

7 “(A) administrator, executor, estate trust-  
8 ee, or

9 “(B) heir at law, next of kin, or beneficiary  
10 under a will who has a material interest that  
11 will be affected by the information.

12 “(6) BANKRUPTCY.—A sales tax administering  
13 authority may, subject to such requirements as the  
14 Secretary may impose, disclose the report and report  
15 information to a person’s trustee in bankruptcy.

16 “(7) CONGRESS.—Upon written request from  
17 the Chairman of the Committee on Ways and  
18 Means, the Chairman of the Committee on Finance  
19 of the Senate, or the Chairman or Chief of Staff of  
20 the Joint Committee on Taxation, a sales tax admin-  
21 istering authority shall disclose the report and report  
22 information, except that any report or report infor-  
23 mation that can be associated with or otherwise  
24 identify a particular person shall be furnished to  
25 such committee only when sitting in closed executive

1 session unless such person otherwise consents in  
2 writing to such disclosure.

3 “(8) WAIVER OF PRIVACY RIGHTS.—A person  
4 may waive confidentiality rights provided by this sec-  
5 tion. Such waiver must be in writing.

6 “(9) INTERNAL USE.—Disclosure of the report  
7 or report information by officers or employees of a  
8 sales tax administering authority to other officers or  
9 employees of a sales tax administering authority in  
10 the ordinary course of tax administration activities  
11 shall not constitute unlawful disclosure of the report  
12 or report information.

13 “(10) STATISTICAL USE.—Upon request in  
14 writing by the Secretary of Commerce, the Secretary  
15 shall furnish such reports and report information to  
16 officers and employees of the Department of Com-  
17 merce as the Secretary may prescribe by regulation  
18 for the purposes of, and only to the extent necessary  
19 in, the structuring of censuses and national eco-  
20 nomic accounts and conducting related statistical ac-  
21 tivities authorized by law.

22 “(11) DEPARTMENT OF THE TREASURY.—Re-  
23 turns and return information shall be open for in-  
24 spection by officers and employees of the Depart-  
25 ment of the Treasury whose official duties require

1 such inspection or disclosure for the purpose of, and  
2 only to the extent necessary for, preparing economic  
3 or financial forecasts, projections, analyses, or esti-  
4 mates. Such inspection or disclosure shall be per-  
5 mitted only upon written request that sets forth the  
6 reasons why such inspection or disclosure is nec-  
7 essary and is signed by the head of the bureau or  
8 office of the Department of the Treasury requesting  
9 the inspection or disclosure.

10 **“SEC. 606. INSTALLMENT AGREEMENTS; COMPROMISES.**

11 “The sales tax administering authority is authorized  
12 to enter into written agreements with any person under  
13 which the person is allowed to satisfy liability for payment  
14 of any tax under this subtitle (and penalties and interest  
15 relating thereto) in installment payments if the sales tax  
16 administering authority determines that such agreement  
17 will facilitate the collection of such liability. The agree-  
18 ment shall remain in effect for the term of the agreement  
19 unless the information that the person provided to the  
20 sales tax administering authority was materially inac-  
21 curate or incomplete. The sales tax administering author-  
22 ity may compromise any amounts alleged to be due.

23 **“CHAPTER 7—SPECIAL RULES**

“Sec. 701. Hobby activities.

“Sec. 702. Gaming activities.

“Sec. 703. Government purchases.

“Sec. 704. Government enterprises.

“Sec. 705. Mixed use property.

“Sec. 706. Not-for-profit organizations.

1 **“SEC. 701. HOBBY ACTIVITIES.**

2 “(a) HOBBY ACTIVITIES.—Neither the exemption af-  
3 fforded by section 102 for intermediate sales nor the cred-  
4 its available pursuant to section 202 or 203 shall be avail-  
5 able for any taxable property or service purchased for use  
6 in an activity if that activity is not engaged in for-profit.

7 “(b) STATUS DEEMED.—If the activity has received  
8 gross payments for the sale of taxable property or services  
9 that exceed the sum of—

10 “(1) taxable property and services purchased,

11 “(2) wages and salary paid, and

12 “(3) taxes (of any type) paid,

13 in two or more of the most recent 3 calendar years during  
14 which it operated then the business activity shall be con-  
15 clusively deemed to be engaged in for profit.

16 **“SEC. 702. GAMING ACTIVITIES.**

17 “(a) REGISTRATION.—Any person selling one or  
18 more chances is a gaming sponsor and shall register, in  
19 a form prescribed by the Secretary, with the sales tax ad-  
20 ministering authority as a gaming sponsor.

21 “(b) CHANCE DEFINED.—For purposes of this sec-  
22 tion, the term ‘chance’ means a lottery ticket, a raffle tick-  
23 et, chips, other tokens, a bet or bets placed, a wager or  
24 wagers placed, or any similar device where the purchase

1 of the right gives rise to an obligation by the gaming spon-  
2 sor to pay upon the occurrence of—

3 “(1) a random or unpredictable event, or

4 “(2) an event over which neither the gaming  
5 sponsor nor the person purchasing the chance has  
6 control over the outcome.

7 “(c) CHANCES NOT TAXABLE PROPERTY OR SERV-  
8 ICE.—Notwithstanding any other provision in this sub-  
9 title, a chance is not taxable property or services for pur-  
10 poses of section 101.

11 “(d) TAX ON GAMING SERVICES IMPOSED.—A 23-  
12 percent tax is hereby imposed on the taxable gaming serv-  
13 ices of a gaming sponsor. This tax shall be paid and remit-  
14 ted by the gaming sponsor. The tax shall be remitted by  
15 the 15th day of each month with respect to taxable gaming  
16 services during the previous calendar month.

17 “(e) TAXABLE GAMING SERVICES DEFINED.—For  
18 purposes of this section, the term ‘taxable gaming services’  
19 means—

20 “(1) gross receipts of the gaming sponsor from  
21 the sale of chances, minus

22 “(2) the sum of—

23 “(A) total gaming payoffs to chance pur-  
24 chasers (or their designees), and



1           “(B) gaming specific taxes (other than the  
2           tax imposed by this section) imposed by the  
3           Federal, State, or local government.

4 **“SEC. 703. GOVERNMENT PURCHASES.**

5           “(a) GOVERNMENT PURCHASES.—

6           “(1) PURCHASES BY THE FEDERAL GOVERN-  
7           MENT.—Purchases by the Federal Government of  
8           taxable property and services shall be subject to the  
9           tax imposed by section 101.

10           “(2) PURCHASE BY STATE GOVERNMENTS AND  
11           THEIR POLITICAL SUBDIVISIONS.—Purchases by  
12           State governments and their political subdivisions of  
13           taxable property and services shall be subject to the  
14           tax imposed by section 101.

15           “(b) CROSS REFERENCES.—For purchases by gov-  
16           ernment enterprises see section 704.

17 **“SEC. 704. GOVERNMENT ENTERPRISES.**

18           “(a) GOVERNMENT ENTERPRISES TO COLLECT AND  
19           REMIT TAXES ON SALES.—Nothing in this subtitle shall  
20           be construed to exempt any Federal, State, or local gov-  
21           ernmental unit or political subdivision (whether or not the  
22           State is an administering State) operating a government  
23           enterprise from collecting and remitting tax imposed by  
24           this subtitle on any sale of taxable property or services.  
25           Government enterprises shall comply with all duties im-

1 posed by this subtitle and shall be liable for penalties and  
2 subject to enforcement action in the same manner as pri-  
3 vate persons that are not government enterprises.

4 “(b) GOVERNMENT ENTERPRISE.—Any entity owned  
5 or operated by a Federal, State, or local governmental unit  
6 or political subdivision that receives gross payments from  
7 private persons is a government enterprise, except that a  
8 government-owned entity shall not become a government  
9 enterprise for purposes of this section unless in any quar-  
10 ter it has revenues from selling taxable property or serv-  
11 ices that exceed \$2,500.

12 “(c) GOVERNMENT ENTERPRISES INTERMEDIATE  
13 SALES.—

14 “(1) IN GENERAL.—Government enterprises  
15 shall not be subject to tax on purchases that would  
16 not be subject to tax pursuant to section 102(b) if  
17 the government enterprise were a private enterprise.

18 “(2) EXCEPTION.—Government enterprises  
19 may not use the exemption afforded by section  
20 102(b) to serve as a conduit for tax-free purchases  
21 by government units that would otherwise be subject  
22 to taxation on purchases pursuant to section 703.  
23 Transfers of taxable property or services purchased  
24 exempt from tax from a government enterprise to  
25 such government unit shall be taxable.

1       “(d) SEPARATE BOOKS OF ACCOUNT.—Any govern-  
2 ment enterprise must maintain books of account, separate  
3 from the nonenterprise government accounts, maintained  
4 in accordance with generally accepted accounting prin-  
5 ciples.

6       “(e) TRADE OR BUSINESS.—A government enterprise  
7 shall be treated as a trade or business for purposes of this  
8 subtitle.

9       “(f) ENTERPRISE SUBSIDIES CONSTITUTE TAXABLE  
10 PURCHASE.—A transfer of funds to a government enter-  
11 prise by a government entity without full consideration  
12 shall constitute a taxable government purchase with the  
13 meaning of section 703 to the extent that the transfer of  
14 funds exceeds the fair market value of the consideration.

15 **“SEC. 705. MIXED USE PROPERTY.**

16       “(a) MIXED USE PROPERTY OR SERVICE.—

17               “(1) MIXED USE PROPERTY OR SERVICE DE-  
18 FINED.—For purposes of this section, the term  
19 ‘mixed use property or service’ is a taxable property  
20 or taxable service used for both taxable use or con-  
21 sumption and for a purpose that would not be sub-  
22 ject to tax pursuant to section 102(a)(1).

23               “(2) TAXABLE THRESHOLD.—Mixed use prop-  
24 erty or service shall be subject to tax notwith-  
25 standing section 102(a)(1) unless such property or

1 service is used more than 95 percent for purposes  
2 that would give rise to an exemption pursuant to  
3 section 102(a)(1) during each calendar year (or por-  
4 tions thereof) it is owned.

5 “(3) MIXED USE PROPERTY OR SERVICES  
6 CREDIT.—A person registered pursuant to section  
7 502 is entitled to a business use conversion credit  
8 (pursuant to section 202) equal to the product of—

9 “(A) the mixed use property amount,

10 “(B) the business use ratio, and

11 “(C) the rate of tax imposed by section  
12 101.

13 “(4) MIXED USE PROPERTY AMOUNT.—The  
14 mixed use property amount for each month (or frac-  
15 tion thereof) in which the property was owned shall  
16 be—

17 “(A) one-three-hundred-sixtieth of the  
18 gross payments for real property for 360  
19 months or until the property is sold,

20 “(B) one-eighty-fourth of the gross pay-  
21 ments for tangible personal property for 84  
22 months or until the property is sold,

23 “(C) one-sixtieth of the gross payments for  
24 vehicles for 60 months or until the property is  
25 sold, or

1           “(D) for other types of taxable property or  
2           services, a reasonable amount or in accordance  
3           with regulations prescribed by the Secretary.

4           “(5) BUSINESS USE RATIO.—For purposes of  
5           this section, the term ‘business use ratio’ means the  
6           ratio of business use to total use for a particular cal-  
7           endar month (or portion thereof if the property was  
8           owned for only part of said calendar month). For ve-  
9           hicles, the business use ratio will be the ratio of  
10          business purpose miles to total miles in a particular  
11          calendar month. For real property, the business use  
12          ratio is the ratio of floor space used primarily for  
13          business purposes to total floor space in a particular  
14          calendar month. For tangible personal property (ex-  
15          cept for vehicles), the business use ratio is the ratio  
16          of total time used for business purposes to total time  
17          used in a particular calendar year. For other prop-  
18          erty or services, the business ratio shall be cal-  
19          culated using a reasonable method. Reasonable  
20          records must be maintained to support a person’s  
21          business use of the mixed use property or service.

22          “(b) TIMING OF BUSINESS USE CONVERSION CRED-  
23          IT ARISING OUT OF OWNERSHIP OF MIXED USE PROP-  
24          ERTY.—A person entitled to a credit pursuant to sub-  
25          section (a)(3) arising out of the ownership of mixed use

1 property must account for the mixed use on a calendar  
2 year basis, and may file for the credit with respect to  
3 mixed use property in any month following the calendar  
4 year giving rise to the credit.

5 “(c) CROSS REFERENCE.—For business use conver-  
6 sion credit, see section 202.

7 **“SEC. 706. NOT-FOR-PROFIT ORGANIZATIONS.**

8 “(a) NOT-FOR-PROFIT ORGANIZATIONS.—Dues, con-  
9 tributions, and similar payments to qualified not-for-profit  
10 organizations shall not be considered gross payments for  
11 taxable property or services for purposes of this subtitle.

12 “(b) DEFINITION.—For purposes of this section, the  
13 term ‘qualified not-for-profit organization’ means a not-  
14 for-profit organization organized and operated exclu-  
15 sively—

16 “(1) for religious, charitable, scientific, testing  
17 for public safety, literary, or educational purposes,

18 “(2) as civic leagues or social welfare organiza-  
19 tions,

20 “(3) as labor, agricultural, or horticultural or-  
21 ganizations,

22 “(4) as chambers of commerce, business  
23 leagues, or trade associations, or

24 “(5) as fraternal beneficiary societies, orders, or  
25 associations,

1 no part of the net earnings of which inures to the benefit  
2 of any private shareholder or individual.

3 “(c) **QUALIFICATION CERTIFICATES.**—Upon applica-  
4 tion in a form prescribed by the Secretary, the sales tax  
5 administering authority shall provide qualification certifi-  
6 cates to qualified not-for-profit organizations.

7 “(d) **TAXABLE TRANSACTIONS.**—If a qualified not-  
8 for-profit organization provides taxable property or serv-  
9 ices in connection with contributions, dues, or similar pay-  
10 ments to the organization, then it shall be required to  
11 treat the provision of said taxable property or services as  
12 a purchase taxable pursuant to this subtitle at the fair  
13 market value of said taxable property or services.

14 “(e) **EXEMPTIONS.**—Taxable property and services  
15 purchased by a qualified not-for-profit organization shall  
16 be eligible for the exemptions provided in section 102.

17 **“CHAPTER 8—FINANCIAL**  
18 **INTERMEDIATION SERVICES**

“Sec. 801. Determination of financial intermediation services amount.

“Sec. 802. Bad debts.

“Sec. 803. Timing of tax on financial intermediation services.

“Sec. 804. Financing leases.

“Sec. 805. Basic interest rate.

“Sec. 806. Foreign financial intermediation services.

19 **“SEC. 801. DETERMINATION OF FINANCIAL INTERMEDI-**  
20 **ATION SERVICES AMOUNT.**

21 “(a) **FINANCIAL INTERMEDIATION SERVICES.**—For  
22 purposes of this subtitle—

1           “(1) IN GENERAL.—The term ‘financial inter-  
2 mediation services’ means the sum of—

3           “(A) explicitly charged fees for financial  
4 intermediation services, and

5           “(B) implicitly charged fees for financial  
6 intermediation services.

7           “(2) EXPLICITLY CHARGED FEES FOR FINAN-  
8 CIAL INTERMEDIATION SERVICES.—The term ‘exple-  
9 itly charged fees for financial intermediation serv-  
10 ices’ includes—

11           “(A) brokerage fees,

12           “(B) explicitly stated banking, loan origi-  
13 nation, processing, documentation, credit check  
14 fees, or other similar fees,

15           “(C) safe-deposit box fees,

16           “(D) insurance premiums, to the extent  
17 such premiums are not allocable to the invest-  
18 ment account of the underlying insurance pol-  
19 icy,

20           “(E) trustees’ fees, and

21           “(F) other financial services fees (includ-  
22 ing mutual fund management, sales, and exit  
23 fees).

24           “(3) IMPLICITLY CHARGED FEES FOR FINAN-  
25 CIAL INTERMEDIATION SERVICES.—



1           “(A) IN GENERAL.—The term ‘implicitly  
2 charged fees for financial intermediation serv-  
3 ices’ includes the gross imputed amount in rela-  
4 tion to any underlying interest-bearing invest-  
5 ment, account, or debt.

6           “(B) GROSS IMPUTED AMOUNT.—For pur-  
7 poses of subparagraph (A), the term ‘gross im-  
8 puted amount’ means—

9           “(i) with respect to any underlying in-  
10 terest-bearing investment or account, the  
11 product of—

12           “(I) the excess (if any) of the  
13 basic interest rate (as defined in sec-  
14 tion 805) over the rate paid on such  
15 investment, and

16           “(II) the amount of the invest-  
17 ment or account, and

18           “(ii) with respect to any underlying  
19 interest-bearing debt, the product of—

20           “(I) the excess (if any) of the  
21 rate paid on such debt over the basic  
22 interest rate (as defined in section  
23 805), and

24           “(II) the amount of the debt.

1       “(b) SELLER OF FINANCIAL INTERMEDIATION SERV-  
2 ICES.—For purposes of section 103(a), the seller of finan-  
3 cial intermediation services shall be—

4               “(1) in the case of explicitly charged fees for fi-  
5 nancial intermediation services, the seller shall be  
6 the person who receives the gross payments for the  
7 charged financial intermediation services,

8               “(2) in the case of implicitly charged fees for fi-  
9 nancial intermediation services with respect to any  
10 underlying interest-bearing investment or account,  
11 the person making the interest payments on the in-  
12 terest-bearing investment or account, and

13               “(3) in the case of implicitly charged fees for fi-  
14 nancial intermediation services with respect to any  
15 interest-bearing debt, the person receiving the inter-  
16 est payments on the interest-bearing debt.

17 **“SEC. 802. BAD DEBTS.**

18       “(a) IN GENERAL.—For purposes of section 205(a),  
19 a bad debt shall be a business debt that becomes wholly  
20 or partially worthless to the payee.

21       “(b) BUSINESS LOAN.—For purposes of subsection  
22 (a), a business loan or debt is a bona fide loan or debt  
23 made for a business purpose that both parties intended  
24 be repaid.

25       “(c) DETERMINATION OF WORTHLESSNESS.—

1           “(1) IN GENERAL.—No loan or debt shall be  
2           considered wholly or partially worthless unless it has  
3           been in arrears for 180 days or more, except that if  
4           a debt is discharged wholly or partially in bank-  
5           ruptcy before 180 days has elapsed, then it shall be  
6           deemed wholly or partially worthless on the date of  
7           discharge.

8           “(2) DETERMINATION BY HOLDER.—A loan or  
9           debt that has been in arrears for 180 days or more  
10          may be deemed wholly or partially worthless by the  
11          holder unless a payment schedule has been entered  
12          into between the debtor and the lender.

13          “(d) CROSS REFERENCE.—See section 205(c) for tax  
14          on subsequent payments.

15       **“SEC. 803. TIMING OF TAX ON FINANCIAL INTERMEDIATION**  
16               **SERVICES.**

17          “The tax on financial intermediation services pro-  
18          vided by section 801 with respect to an underlying invest-  
19          ment account or debt shall be imposed and collected with  
20          the same frequency that statements are rendered by the  
21          financial institution in connection with the investment ac-  
22          count or debt but not less frequently than quarterly.

23       **“SEC. 804. FINANCING LEASES.**

24          “(a) DEFINITION.—For purposes of this section, the  
25          term ‘financing lease’ means any lease under which the

1 lessee has the right to acquire the property for 50 percent  
2 or less of its fair market value at the end of the lease  
3 term.

4 “(b) GENERAL RULE.—Financing leases shall be  
5 taxed in the method set forth in this section.

6 “(c) DETERMINATION OF PRINCIPAL AND INTEREST  
7 COMPONENTS OF FINANCING LEASE.—The Secretary  
8 shall promulgate rules for disaggregating the principal  
9 and interest components of a financing lease. The prin-  
10 cipal amount shall be determined to the extent possible  
11 by examination of the contemporaneous sales price or  
12 prices of property the same or similar as the leased prop-  
13 erty.

14 “(d) ALTERNATIVE METHOD.—In the event that con-  
15 temporaneous sales prices or property the same or similar  
16 as the leased property are not available, the principal and  
17 interest components of a financing lease shall be  
18 disaggregated using the applicable interest rate (as de-  
19 fined in section 511) plus 4 percent.

20 “(e) PRINCIPAL COMPONENT.—The principal compo-  
21 nent of the financing lease shall be subject to tax as if  
22 a purchase in the amount of the principal component had  
23 been made on the day on which said lease was executed.

24 “(f) INTEREST COMPONENT.—The financial inter-  
25 mediation services amount with respect to the interest

1 component of the financing lease shall be subject to tax  
2 under this subtitle.

3 “(g) COORDINATION.—If the principal component  
4 and financial intermediation services amount with respect  
5 to the interest component of a lease have been taxed pur-  
6 suant to this section, then the gross lease or rental pay-  
7 ments shall not be subject to additional tax.

8 **“SEC. 805. BASIC INTEREST RATE.**

9 “For purposes of this chapter, the basic interest rate  
10 with respect to a debt instrument, investment, financing  
11 lease, or account shall be the applicable interest rate (as  
12 determined in section 511). For debt instruments, invest-  
13 ments, or accounts of contractually fixed interest, the ap-  
14 plicable interest rate of the month of issuance shall apply.  
15 For debt instruments, investments, or accounts of variable  
16 interest rates and which have no reference interest rate,  
17 the applicable interest shall be the Federal short-term in-  
18 terest rate for each month. For debt instruments, invest-  
19 ments, or accounts of variable interest rates and which  
20 have a reference interest rate, the applicable interest shall  
21 be the applicable interest rate for the reference interest  
22 rate for each month.

1 **“SEC. 806. FOREIGN FINANCIAL INTERMEDIATION SERV-**  
2 **ICES.**

3 “(a) SPECIAL RULES RELATING TO INTERNATIONAL  
4 FINANCIAL INTERMEDIATION SERVICES.—Financial  
5 intermediation services shall be deemed as used or con-  
6 sumed within the United States if the person (or any re-  
7 lated party as defined in section 205(e)) purchasing the  
8 services is a resident of the United States.

9 “(b) DESIGNATION OF TAX REPRESENTATIVE.—Any  
10 person that provides financial intermediation services to  
11 United States residents must, as a condition of lawfully  
12 providing such services, designate, in a form prescribed  
13 by the Secretary, a tax representative for purposes of this  
14 subtitle. The tax representative shall be responsible for en-  
15 suring that the taxes imposed by this subtitle are collected  
16 and remitted and shall be jointly and severally liable for  
17 collecting and remitting these taxes. The Secretary may  
18 require reasonable bond of the tax representative. The  
19 Secretary or a sales tax administering authority may bring  
20 an action seeking a temporary restraining order, an in-  
21 junction, or such other order as may be appropriate to  
22 enforce this section.

23 “(c) CROSS REFERENCES.—For definition of person,  
24 see section 901.

25 **“CHAPTER 9—ADDITIONAL MATTERS**

“Sec. 901. Additional matters.

“Sec. 902. Transition matters.

“Sec. 903. Wages to be reported to Social Security Administration.

“Sec. 904. Trust Fund revenue.

“Sec. 905. Withholding of tax on nonresident aliens and foreign corporations.

1 **“SEC. 901. ADDITIONAL MATTERS.**

2       “(a) INTANGIBLE PROPERTY ANTI-AVOIDANCE  
3 RULE.—Notwithstanding section 2(a)(14)(a)(i), the sale  
4 of a copyright or trademark shall be treated as the sale  
5 of taxable services (within the meaning of section 101(a))  
6 if the substance of the sales of copyright or trademark  
7 constituted the sale of the services that produced the copy-  
8 righted material or the trademark.

9       “(b) DE MINIMIS PAYMENTS.—Up to \$400 of gross  
10 payments per calendar year shall be exempt from the tax  
11 imposed by section 101 if—

12               “(1) made by a person not in connection with  
13 a trade or business at any time during such calendar  
14 year prior to making said gross payments, and

15               “(2) made to purchase any taxable property or  
16 service which is imported into the United States by  
17 such person for use or consumption by such person  
18 in the United States.

19       “(c) DE MINIMIS SALES.—Up to \$1,200 per calendar  
20 year of gross payments shall be exempt from the tax im-  
21 posed by section 101 if received—

1           “(1) by a person not in connection with a trade  
2           or business during such calendar year prior to the  
3           receipt of said gross payments, and

4           “(2) in connection with a casual or isolated  
5           sale.

6           “(d) DE MINIMIS SALE OF FINANCIAL INTERMEDI-  
7           ATION SERVICES.—Up to \$10,000 per calendar year of  
8           gross payments received by a person from the sale of fi-  
9           nancial intermediation services (as determined in accord-  
10          ance with section 801) shall be exempt from the tax im-  
11          posed by section 101. The exemption provided by this sub-  
12          section is in addition to other exemptions afforded by this  
13          chapter. The exemption provided by this subsection shall  
14          not be available to large sellers (as defined in section  
15          501(e)(3)).

16          “(e) PROXY BUYING TAXABLE.—If a registered per-  
17          son provides taxable property or services to a person either  
18          as a gift, prize, reward, or as remuneration for employ-  
19          ment, and such taxable property or services were not pre-  
20          viously subject to tax pursuant to section 101, then the  
21          provision of such taxable property or services by the reg-  
22          istered person shall be deemed the conversion of such tax-  
23          able property or services to personal use subject to tax  
24          pursuant to section 103(c) at the tax inclusive fair market  
25          value of such taxable property or services.



1       “(f) SUBSTANCE OVER FORM.—The substance of a  
2 transaction will prevail over its form if the transaction has  
3 no bona fide economic purpose and is designed to evade  
4 tax imposed by this subtitle.

5       “(g) CERTAIN EMPLOYEE DISCOUNTS TAXABLE.—

6           “(1) EMPLOYEE DISCOUNT.—For purposes of  
7 this subsection, the term ‘employee discount’ means  
8 an employer’s offer of taxable property or services  
9 for sale to its employees or their families (within the  
10 meaning of section 302(b)) for less than the offer of  
11 such taxable property or services to the general pub-  
12 lic.

13           “(2) EMPLOYEE DISCOUNT AMOUNT.—For pur-  
14 poses of this subsection, the employee discount  
15 amount is the amount by which taxable property or  
16 services are sold pursuant to an employee discount  
17 below the amount for which such taxable property or  
18 services would have been sold to the general public.

19           “(3) TAXABLE AMOUNT.—If the employee dis-  
20 count amount exceeds 20 percent of the price that  
21 the taxable property or services would have been sold  
22 to the general public, then the sale of such taxable  
23 property or services by the employer shall be deemed  
24 the conversion of such taxable property or services  
25 to personal use and tax shall be imposed on the tax-

1       able employee discount amount. The taxable em-  
2       ployee discount amount shall be—

3               “(A) the employee discount amount, minus

4               “(B) 20 percent of the amount for which  
5       said taxable property or services would have  
6       been sold to the general public.

7       “(h) SATURDAY, SUNDAY, OR LEGAL HOLIDAY.—

8       When the last day prescribed for performing any act re-  
9       quired by this subtitle falls on a Saturday, Sunday, or  
10      legal holiday (in the jurisdiction where the return is to  
11      be filed), the performance of such act shall be considered  
12      timely if it is performed on the next day which is not a  
13      Saturday, Sunday, or legal holiday (in the jurisdiction  
14      where the return is to be filed).

15      **“SEC. 902. TRANSITION MATTERS.**

16           “(a) INVENTORY.—

17               “(1) QUALIFIED INVENTORY.—Inventory held  
18      by a trade or business on the close of business on  
19      December 31, 2024, shall be qualified inventory if it  
20      is sold—

21               “(A) before December 31, 2025,

22               “(B) by a registered person, and

23               “(C) subject to the tax imposed by section

24               101.

1           “(2) COSTS.—For purposes of this section,  
2 qualified inventory shall have the cost that it had for  
3 Federal income tax purposes for the trade or busi-  
4 ness as of December 31, 2024 (including any  
5 amounts capitalized by reason of section 263A of the  
6 Internal Revenue Code of 1986 as in effect on De-  
7 cember 31, 2024).

8           “(3) TRANSITIONAL INVENTORY CREDIT.—The  
9 trade or business which held the qualified inventory  
10 on the close of business on December 31, 2024, shall  
11 be entitled to a transitional inventory credit equal to  
12 the cost of the qualified inventory (determined in ac-  
13 cordance with paragraph (2)) times the rate of tax  
14 imposed by section 101.

15           “(4) TIMING OF CREDIT.—The credit provided  
16 under paragraph (3) shall be allowed with respect to  
17 the month when the inventory is sold subject to the  
18 tax imposed by this subtitle. Said credit shall be re-  
19 ported as an intermediate and export sales credit  
20 and the person claiming said credit shall attach sup-  
21 porting schedules in the form that the Secretary  
22 may prescribe.

23           “(b) WORK-IN-PROCESS.—For purposes of this sec-  
24 tion, inventory shall include work-in-process.

1       “(c) QUALIFIED INVENTORY HELD BY BUSINESSES  
2 NOT SELLING SAID QUALIFIED INVENTORY AT RE-  
3 TAIL.—

4               “(1) IN GENERAL.—Qualified inventory held by  
5 businesses that sells said qualified inventory not sub-  
6 ject to tax pursuant to section 102(a) shall be eligi-  
7 ble for the transitional inventory credit only if that  
8 business (or a business that has successor rights  
9 pursuant to paragraph (2)) receives certification in  
10 a form satisfactory to the Secretary that the quali-  
11 fied inventory was subsequently sold subject to the  
12 tax imposed by this subtitle.

13               “(2) TRANSITIONAL INVENTORY CREDIT RIGHT  
14 MAY BE SOLD.—The business entitled to the transi-  
15 tional inventory credit may sell the right to receive  
16 said transitional inventory credit to the purchaser of  
17 the qualified inventory that gave rise to the credit  
18 entitlement. Any purchaser of such qualified inven-  
19 tory (or property or services into which the qualified  
20 inventory has been incorporated) may sell the right  
21 to said transitional inventory credit to a subsequent  
22 purchaser of said qualified inventory (or property or  
23 services into which the qualified inventory has been  
24 incorporated).

1 **“SEC. 903. WAGES TO BE REPORTED TO SOCIAL SECURITY**  
2 **ADMINISTRATION.**

3 “(a) IN GENERAL.—Employers shall submit such in-  
4 formation to the Social Security Administration as is re-  
5 quired by the Social Security Administration to calculate  
6 Social Security benefits under title II of the Social Secu-  
7 rity Act, including wages paid, in a form prescribed by  
8 the Secretary. A copy of the employer submission to the  
9 Social Security Administration relating to each employee  
10 shall be provided to each employee by the employer.

11 “(b) WAGES.—For purposes of this section, the term  
12 ‘wages’ means all cash remuneration for employment (in-  
13 cluding tips to an employee by third parties provided that  
14 the employer or employee maintains records documenting  
15 such tips) including self-employment income; except that  
16 such term shall not include—

17 “(1) any insurance benefits received (including  
18 death benefits),

19 “(2) pension or annuity benefits received,

20 “(3) tips received by an employee over \$5,000  
21 per year, and

22 “(4) benefits received under a government enti-  
23 tlement program (including Social Security benefits  
24 and unemployment compensation benefits).

25 “(c) SELF-EMPLOYMENT INCOME.—For purposes of  
26 subsection (b), the term ‘self-employment income’ means

1 gross payments received for taxable property or services  
2 minus the sum of—

3 “(1) gross payments made for taxable property  
4 or services (without regard to whether tax was paid  
5 pursuant to section 101 on such taxable property or  
6 services), and

7 “(2) wages paid by the self-employed person to  
8 employees of the self-employed person.

9 **“SEC. 904. TRUST FUND REVENUE.**

10 “(a) SECRETARY TO MAKE ALLOCATION OF SALES  
11 TAX REVENUE.—The Secretary shall allocate the revenue  
12 received by virtue of the tax imposed by section 101 in  
13 accordance with this section. The revenue shall be allo-  
14 cated among—

15 “(1) the general revenue,

16 “(2) the old-age and survivors insurance trust  
17 fund,

18 “(3) the disability insurance trust fund,

19 “(4) the hospital insurance trust fund, and

20 “(5) the Federal supplementary medical insur-  
21 ance trust fund.

22 “(b) GENERAL RULE.—

23 “(1) GENERAL REVENUE.—The proportion of  
24 total revenue allocated to the general revenue shall  
25 be the same proportion as the rate in section

1 101(b)(4) bears to the combined Federal tax rate  
2 percentage (as defined in section 101(b)(3)).

3 “(2) The amount of revenue allocated to the  
4 old-age and survivors insurance and disability insur-  
5 ance trust funds shall be the same proportion as the  
6 old-age, survivors and disability insurance rate (as  
7 defined in subsection (d)) bears to the combined  
8 Federal tax rate percentage (as defined in section  
9 101(b)(3)).

10 “(3) The amount of revenue allocated to the  
11 hospital insurance and Federal supplementary med-  
12 ical insurance trust funds shall be the same propor-  
13 tion as the hospital insurance rate (as defined in  
14 subsection (e)) bears to the combined Federal tax  
15 rate percentage (as defined in section 101(b)(3)).

16 “(c) CALENDAR YEAR 2025.—Notwithstanding sub-  
17 section (b), the revenue allocation pursuant to subsection  
18 (a) for calendar year 2025 shall be as follows:

19 “(1) 64.83 percent of total revenue to general  
20 revenue,

21 “(2) 27.43 percent of total revenue to the old-  
22 age and survivors insurance and disability insurance  
23 trust funds, and

1           “(3) 7.74 percent of total revenue to the hos-  
2           pital insurance and Federal supplementary medical  
3           insurance trust funds.

4           “(d) OLD-AGE, SURVIVORS AND DISABILITY INSUR-  
5           ANCE RATE.—The old-age, survivors and disability insur-  
6           ance rate shall be determined by the Social Security Ad-  
7           ministration. The old-age, survivors and disability insur-  
8           ance rate shall be that sales tax rate which is necessary  
9           to raise the same amount of revenue that would have been  
10          raised by imposing a 12.4 percent tax on the Social Secu-  
11          rity wage base (including self-employment income) as de-  
12          termined in accordance with chapter 21 of the Internal  
13          Revenue Code most recently in effect prior to the enact-  
14          ment of this Act. The rate shall be determined using actu-  
15          arially sound methodology and announced at least 6  
16          months prior to the beginning of the calendar year for  
17          which it applies.

18          “(e) HOSPITAL INSURANCE RATE.—The hospital in-  
19          surance rate shall be determined by the Social Security  
20          Administration. The hospital insurance rate shall be that  
21          sales tax rate which is necessary to raise the same amount  
22          of revenue that would have been raised by imposing a 2.9  
23          percent tax on the Medicare wage base (including self-em-  
24          ployment income) as determined in accordance with chap-  
25          ter 21 of the Internal Revenue Code most recently in effect



1 prior to the enactment of this Act. The rate shall be deter-  
2 mined using actuarially sound methodology and an-  
3 nounced at least 6 months prior to the beginning of the  
4 calendar year for which it applies.

5 “(f) ASSISTANCE.—The Secretary shall provide such  
6 technical assistance as the Social Security Administration  
7 shall require to determine the old-age, survivors and dis-  
8 ability insurance rate and the hospital insurance rate.

9 “(g) FURTHER ALLOCATIONS.—

10 “(1) OLD-AGE, SURVIVORS AND DISABILITY IN-  
11 SURANCE.—The Secretary shall allocate revenue re-  
12 ceived because of the old-age, survivors and dis-  
13 ability insurance rate to the old-age and survivors  
14 insurance trust fund and the disability insurance  
15 trust fund in accordance with law or, in the absence  
16 of other statutory provision, in the same proportion  
17 that the old-age and survivors insurance trust fund  
18 receipts bore to the sum of the old-age and survivors  
19 insurance trust fund receipts and the disability in-  
20 surance trust fund receipts in calendar year 2024  
21 (taking into account only receipts pursuant to chap-  
22 ter 21 of the Internal Revenue Code).

23 “(2) HOSPITAL INSURANCE.—The Secretary  
24 shall allocate revenue received because of the hos-  
25 pital insurance rate to the hospital insurance trust

1 fund and the Federal supplementary medical insur-  
2 ance trust fund in accordance with law or, in the ab-  
3 sence of other statutory provision, in the same pro-  
4 portion that hospital insurance trust fund receipts  
5 bore to the sum of the hospital insurance trust fund  
6 receipts and Federal supplementary medical insur-  
7 ance trust fund receipts in calendar year 2024 (tak-  
8 ing into account only receipts pursuant to chapter  
9 21 of the Internal Revenue Code).

10 **“SEC. 905. WITHHOLDING OF TAX ON NONRESIDENT ALIENS**  
11 **AND FOREIGN CORPORATIONS.**

12 “(a) IN GENERAL.—All persons, in whatever capacity  
13 acting (including lessees or mortgagors or real or personal  
14 property, fiduciaries, employers, and all officers and em-  
15 ployees of the United States) having control, receipt, cus-  
16 tody, disposal, or payment of any income to the extent  
17 such income constitutes gross income from sources within  
18 the United States of any nonresident alien individual, for-  
19 eign partnership, or foreign corporation shall deduct and  
20 withhold from that income a tax equal to 23 percent there-  
21 of.

22 “(b) EXCEPTION.—No tax shall be required to be de-  
23 ducted from interest on portfolio debt investments.

24 “(c) TREATY COUNTRIES.—In the case of payments  
25 to nonresident alien individuals, foreign partnerships, or

1 foreign corporations that have a residence in (or the na-  
2 tionality of a country) that has entered into a tax treaty  
3 with the United States, then the rate of withholding tax  
4 prescribed by the treaty shall govern.”.

5 **SEC. 202. CONFORMING AND TECHNICAL AMENDMENTS.**

6 (a) REPEALS.—The following provisions of the Inter-  
7 nal Revenue Code of 1986 are repealed:

8 (1) Subchapter A of chapter 61 of subtitle D  
9 (as redesignated by section 104) (relating to infor-  
10 mation and returns).

11 (2) Sections 6103 through 6116 of subchapter  
12 B of chapter 61 of subtitle D (as so redesignated).

13 (3) Section 6157 (relating to unemployment  
14 taxes).

15 (4) Section 6163 (relating to estate taxes).

16 (5) Section 6164 (relating to corporate taxes).

17 (6) Section 6166 (relating to estate taxes).

18 (7) Section 6167 (relating to foreign expropria-  
19 tion losses).

20 (8) Sections 6201, 6205, and 6207 (relating to  
21 assessments).

22 (9) Subchapter C of chapter 63 of subtitle D  
23 (as so redesignated) (relating to tax treatment of  
24 partnership items).

1           (10) Section 6305 (relating to collections of cer-  
2           tain liabilities).

3           (11) Sections 6314, 6315, 6316, and 6317 (re-  
4           lating to payments of repealed taxes).

5           (12) Sections 6324, 6324A, and 6324B (relat-  
6           ing to liens for estate and gift taxes).

7           (13) Section 6344 (relating to cross references).

8           (14) Section 6411 (relating to carrybacks).

9           (15) Section 6413 (relating to employment  
10          taxes).

11          (16) Section 6414 (relating to withheld income  
12          taxes).

13          (17) Section 6422 (relating to cross references).

14          (18) Section 6425 (relating to overpayment of  
15          corporate estimated taxes).

16          (19) Section 6504 (relating to cross references).

17          (20) Section 6652 (relating to failure to file  
18          certain information returns).

19          (21) Sections 6654 and 6655 (relating to fail-  
20          ure to payment estimated income tax).

21          (22) Section 6662 (relating to penalties).

22          (23) Sections 6677 through 6711 (relating to  
23          income tax related penalties).

24          (24) Part II of subchapter B of chapter 68 (re-  
25          lating to certain information returns).

1           (25) Part I of subchapter A of chapter 70 (re-  
2 relating to termination of taxable year).

3           (26) Section 6864 (relating to certain  
4 carrybacks).

5           (27) Section 7103 (relating to cross references).

6           (28) Section 7204 (relating to withholding  
7 statements).

8           (29) Section 7211 (relating certain statements).

9           (30) Section 7231 (relating to failure to obtain  
10 certain licenses).

11          (31) Section 7270 (relating to insurance poli-  
12 cies).

13          (32) Section 7404 (relating to estate taxes).

14          (33) Section 7407 (relating to income tax pre-  
15 parers).

16          (34) Section 7408 (relating to income tax shel-  
17 ters).

18          (35) Section 7409 (relating to 501(c)(3) organi-  
19 zations).

20          (36) Section 7427 (relating to income tax pre-  
21 parers).

22          (37) Section 7428 (relating to 501(c)(3) organi-  
23 zations).

24          (38) Section 7476 (relating to declaratory judg-  
25 ments relating to retirement plans).

1           (39) Section 7478 (relating to declaratory judg-  
2           ments relating to certain tax-exempt obligations).

3           (40) Section 7508 (relating to postponing time  
4           for certain actions required by the income, estate,  
5           and gift tax).

6           (41) Section 7509 (relating to Postal Service  
7           payroll taxes).

8           (42) Section 7512 (relating to payroll taxes).

9           (43) Section 7517 (relating to estate and gift  
10          tax evaluation).

11          (44) Section 7518 (relating to Merchant Marine  
12          tax incentives).

13          (45) Section 7519 (relating to taxable years).

14          (46) Section 7520 (relating to insurance and  
15          annuity valuation tables).

16          (47) Section 7523 (relating to reporting Fed-  
17          eral income and outlays on Form 1040s).

18          (48) Section 7611 (relating to church income  
19          tax exemptions and church unrelated business in-  
20          come tax inquiries).

21          (49) Section 7654 (relating to possessions' in-  
22          come taxes).

23          (50) Section 7655 (relating to cross references).

24          (51) Section 7701(a)(16).

25          (52) Section 7701(a)(19).

1 (53) Section 7701(a)(20).

2 (54) Paragraphs (32) through (38) of section  
3 7701(a).

4 (55) Paragraphs (41) through (46) of section  
5 7701(a).

6 (56) Section 7701(b).

7 (57) Subsections (e) through (m) of section  
8 7701.

9 (58) Section 7702 (relating to life insurance  
10 contracts).

11 (59) Section 7702A (relating to modified en-  
12 dowment contracts).

13 (60) Section 7702B (relating to long-term care  
14 insurance).

15 (61) Section 7703 (relating to the determina-  
16 tion of marital status).

17 (62) Section 7704 (relating to publicly traded  
18 partnerships).

19 (63) Section 7805.

20 (64) Section 7851.

21 (65) Section 7872.

22 (66) Section 7873.

23 (b) OTHER CONFORMING AND TECHNICAL AMEND-  
24 MENTS.—

1           (1) Section 6151 of such Code is amended by  
2           striking subsection (b) and by redesignating sub-  
3           section (c) as subsection (b).

4           (2) Section 6161 of such Code is amended to  
5           read as follows:

6           **“SEC. 6161. EXTENSION OF TIME FOR PAYING TAX.**

7           “‘The Secretary, except as otherwise provided in this  
8           title, may extend the time for payment of the amount of  
9           the tax shown or required to be shown on any return, re-  
10          port, or declaration required under authority of this title  
11          for a reasonable period not to exceed 6 months (12 months  
12          in the case of a taxpayer who is abroad).”.

13          (3) Section 6211(a) of such Code is amended—

14                 (A) by striking “income, estate, and gift  
15                 taxes imposed by subtitles A and B and”,

16                 (B) by striking “subtitle A or B, or”, and

17                 (C) by striking “, as defined in subsection  
18                 (b)(2),” in paragraph (2).

19          (4) Section 6211(b) of such Code is amended to  
20          read as follows:

21          “(b) **REBATE DEFINED.**—For purposes of subsection  
22          (a)(2), the term ‘rebate’ means so much of an abatement,  
23          credit, refund, or other payment, as was made on the  
24          ground that the tax imposed by chapter 41, 42, 43, or



1 44 was less than the excess of the amount specified in  
2 subsection (a)(1) over the rebates previously made.”.

3 (5) Section 6212(b) of such Code is amended to  
4 read as follows:

5 “(b) ADDRESS FOR NOTICE OF DEFICIENCY.—In the  
6 absence of notice to the Secretary under section 6903 of  
7 the existence of a fiduciary relationship, notice of a defi-  
8 ciency in respect of a tax imposed by chapter 42, 43, or  
9 44 if mailed to the taxpayer at his last known address,  
10 shall be sufficient for purposes of such chapter and this  
11 chapter even if such taxpayer is deceased, or is under a  
12 legal disability, or, in the case of a corporation has termi-  
13 nated its existence.”.

14 (6) Section 6302(b) of such Code is amended  
15 by striking “21,”.

16 (7) Section 6302 of such Code is amended by  
17 striking subsections (g) and (i) and by redesignating  
18 subsection (h) as subsection (g).

19 (8) Section 6325 of such Code is amended by  
20 striking subsection (c) and by redesignating sub-  
21 sections (d) through (h) as subsections (c) through  
22 (g), respectively.

23 (9) Section 6402(d) of such Code is amended  
24 by striking paragraph (3).

1           (10) Section 6402 of such Code is amended by  
2 striking subsection (j) and by redesignating sub-  
3 section (k) as subsection (j).

4           (11) Section 6501(b) of such Code is amend-  
5 ed—

6                 (A) by striking “except tax imposed by  
7 chapter 3, 4, 21, or 24,” in paragraph (1), and

8                 (B) by striking paragraph (2) and by re-  
9 designating paragraphs (3) and (4) as para-  
10 graphs (2) and (3), respectively.

11           (12) Section 6501(c) of such Code is amended  
12 by striking paragraphs (5) through (9).

13           (13) Section 6501(e) of such Code is amended  
14 by striking “subsection (c)—” and all that follows  
15 through “subtitle D” in paragraph (3) and inserting  
16 “subsection (c), in the case of a return of a tax im-  
17 posed under a provision of subtitle B”.

18           (14) Section 6501 of such Code is amended by  
19 striking subsections (f) through (k) and subsections  
20 (m) and (n) and by redesignating subsection (1) as  
21 subsection (f).

22           (15) Section 6503(a) of such Code is amend-  
23 ed—

24                 (A) by striking paragraph (2),

1 (B) by striking “DEFICIENCY.—” and all  
2 that follows through “The running” and insert-  
3 ing “DEFICIENCY.—The running”, and

4 (C) by striking “income, estate, gift and”.

5 (16) Section 6503 of such Code is amended by  
6 striking subsections (e), (f), (i), and (k) and by re-  
7 designating subsections (g), (h), and (j) as sub-  
8 sections (e), (f), and (g), respectively.

9 (17) Section 6511 of such Code is amended by  
10 striking subsections (d) and (g) and by redesignig-  
11 nating subsections (f) and (h) as subsections (d) and  
12 (e), respectively.

13 (18) Section 6512(b)(1) of such Code is amend-  
14 ed by striking “of income tax for the same taxable  
15 year, of gift tax for the same calendar year or cal-  
16 endar quarter, of estate tax in respect of the taxable  
17 estate of the same decedent, or”.

18 (19) Section 6513 of such Code is amended—

19 (A) by striking “(a) EARLY RETURN OR  
20 ADVANCE PAYMENT OF TAX.—”, and

21 (B) by striking subsections (b) and (e).

22 (20) Chapter 67 of such Code is amended by  
23 striking subchapters A through D and inserting the  
24 following:

1 **“SEC. 6601. INTEREST ON OVERPAYMENTS AND UNDER-**  
2 **PAYMENT.**

3 “(a) UNDERPAYMENTS.—If any amount of tax im-  
4 posed by this title is not paid on or before the last date  
5 prescribed for payment, interest on such amount at the  
6 Federal short-term rate (as defined in section 511(b))  
7 shall be paid from such last date to the date paid.

8 “(b) OVERPAYMENTS.—Interest shall be allowed and  
9 paid upon any overpayment in respect of any internal rev-  
10 enue tax at the Federal short-term rate (as defined in sec-  
11 tion 511(b)) from 60 days after the date of the overpay-  
12 ment until the date the overpayment is refunded.”.

13 (21) Section 6651(a)(1) of such Code is amend-  
14 ed by striking “subchapter A of chapter 61 (other  
15 than part III thereof),”.

16 (22) Section 6656 of such Code is amended by  
17 striking subsection (c) and by redesignating sub-  
18 section (d) as subsection (c).

19 (23) Section 6663 of such Code is amended by  
20 striking subsection (c).

21 (24) Section 6664(c) of such Code is amend-  
22 ed—

23 (A) by striking “Exception.—” and all  
24 that follows through “No penalty” and insert-  
25 ing “Exception.—No penalty”, and

26 (B) by striking paragraphs (2) and (3).

1           (25) Chapter 72 of such Code is amended by  
2 striking all matter preceding section 7011.

3           (26) Section 7422 of such Code is amended by  
4 striking subsections (h) and (i) and by redesignating  
5 subsections (j) and (k) as subsections (h) and (i), re-  
6 spectively.

7           (27) Section 7451 of such Code is amended to  
8 read as follows:

9 **“SEC. 7451. FEE FOR FILING PETITION.**

10           “‘The Tax Court is authorized to impose a fee in an  
11 amount not in excess of \$60 to be fixed by the Tax Court  
12 for the filing of any petition for the redetermination of  
13 a deficiency.’”.

14           (28) Section 7454 of such Code is amended by  
15 striking subsection (b) and by redesignating sub-  
16 section (c) as subsection (b).

17           (29) Section 7463(a) of such Code is amend-  
18 ed—

19                   (A) by striking paragraphs (2) and (3),

20                   (B) by redesignating paragraph (4) as  
21 paragraph (2), and

22                   (C) by striking “D” in paragraph (2) (as  
23 so redesignated) and inserting “B”.

1           (30) Section 7463(c) of such Code is amended  
2           by striking “sections 6214(a) and” and inserting  
3           “section”.

4           (31) Section 7463(e) of such Code is amended  
5           by striking “, to the extent that the procedures de-  
6           scribed in subchapter B of chapter 63 apply”.

7           (32) Section 7481 of such Code is amended by  
8           striking subsection (d).

9           (33) Section 7608 of such Code is amended by  
10          striking “subtitle E” each place it appears and in-  
11          serting “subtitle C”.

12          (34) Section 7701(a)(29) of such Code is  
13          amended by striking “1986” and inserting “2023”.

14          (35) Section 7809(c) of such Code is amended  
15          by striking paragraphs (1) and (4) and by redesign-  
16          ating paragraphs (2) and (3) as paragraphs (1)  
17          and (2), respectively.

18          (36) Section 7871(a) of such Code is amended  
19          by striking paragraphs (1) and (3) through (6) and  
20          by redesignating paragraphs (2) and (7) as para-  
21          graphs (1) and (2), respectively.

22          (37) Section 7871 of such Code is amended by  
23          striking subsection (c) and by redesignating sub-  
24          sections (d) and (e) as subsections (c) and (d), re-  
25          spectively.

1           (38) Section 8021 of such Code is amended by  
2 striking subsection (a) and by redesignating sub-  
3 sections (b) through (f) as subsections (a) through  
4 (e), respectively.

5           (39) Section 8022(2)(A) of such Code is  
6 amended by striking “, particularly the income tax”.

7           (40) Section 8023 of such Code is amended by  
8 striking “Internal Revenue Service” each place it ap-  
9 pears and inserting “Department of the Treasury”.

10           (41) Section 9501(b)(2) of such Code is amend-  
11 ed by striking subparagraph (C).

12           (42) Section 9702(a) of such Code is amended  
13 by striking paragraph (4).

14           (43) Section 9705(a) of such Code is amended  
15 by striking paragraph (4) and by redesignating  
16 paragraph (5) as paragraph (4).

17           (44) Section 9706(d)(2)(A) of such Code is  
18 amended by striking “6103” and inserting “605(e)”.

19           (45) Section 9707 of such Code is amended by  
20 striking subsection (f).

21           (46) Section 9712(d) of such Code is amended  
22 by striking paragraph (5) and by redesignating  
23 paragraph (6) as paragraph (5).

24           (47) Section 9803(a) of such Code is amended  
25 by striking “(as defined in section 414(f))”.

1       **TITLE III—OTHER MATTERS**

2       **SEC. 301. PHASE-OUT OF ADMINISTRATION OF REPEALED**  
3               **FEDERAL TAXES.**

4           (a) **APPROPRIATIONS.**—Appropriations for any ex-  
5 penses of the Internal Revenue Service including proc-  
6 essing tax returns for years prior to the repeal of the taxes  
7 repealed by title I of this Act, revenue accounting, man-  
8 agement, transfer of payroll and wage data to the Social  
9 Security Administration for years after fiscal year 2027  
10 shall not be authorized.

11          (b) **RECORDS.**—Federal records related to the admin-  
12 istration of taxes repealed by title I of this Act shall be  
13 destroyed by the end of fiscal year 2027, except that any  
14 records necessary to calculate Social Security benefits  
15 shall be retained by the Social Security Administration  
16 and any records necessary to support ongoing litigation  
17 with respect to taxes owed or refunds due shall be retained  
18 until final disposition of such litigation.

19          (c) **CONFORMING AMENDMENTS.**—Section 7802 of  
20 the Internal Revenue Code of 1986 is amended—

21               (1) by striking subsections (a) and (b) and by  
22               redesignating subsections (c) and (d) as subsections  
23               (a) and (b),



1           (2) by striking “Internal Revenue Service” each  
2           place it appears and inserting “Department of the  
3           Treasury”, and

4           (3) by striking “Commissioner” or “Commis-  
5           sioner of Internal Revenue” each place they appear  
6           and inserting “Secretary”.

7           (d) EFFECTIVE DATE.—The amendments made by  
8           subsection (c) shall take effect on January 1, 2027.

9           **SEC. 302. ADMINISTRATION OF OTHER FEDERAL TAXES.**

10          (a) IN GENERAL.—Section 7801 of the Internal Rev-  
11          enue Code of 1986 (relating to the authority of the De-  
12          partment of the Treasury) is amended by adding at the  
13          end the following:

14          “(d) EXCISE TAX BUREAU.—There shall be in the  
15          Department of the Treasury an Excise Tax Bureau to ad-  
16          minister those excise taxes not administered by the Bu-  
17          reau of Alcohol, Tobacco, Firearms and Explosives.

18          “(e) SALES TAX BUREAU.—There shall be in the De-  
19          partment of the Treasury a Sales Tax Bureau to admin-  
20          ister the national sales tax in those States where it is re-  
21          quired pursuant to section 404, and to discharge other  
22          Federal duties and powers relating to the national sales  
23          tax (including those required by sections 402, 403, and  
24          405). The Office of Revenue Allocation shall be within the  
25          Sales Tax Bureau.”.

1 (b) ASSISTANT GENERAL COUNSELS.—Section  
2 7801(a)(2) of such Code is amended to read as follows:

3 “(2) ASSISTANT GENERAL COUNSELS.—The  
4 Secretary of the Treasury may appoint, without re-  
5 gard to the provisions of the civil service laws, and  
6 fix the duties of not more than 5 assistant general  
7 counsels.”.

8 **SEC. 303. SALES TAX INCLUSIVE SOCIAL SECURITY BENE-**  
9 **FITS INDEXATION.**

10 Subparagraph (D) of section 215(i)(1) of the Social  
11 Security Act (42 U.S.C. 415(i)(1)) (relating to cost-of-liv-  
12 ing increases in Social Security benefits) is amended to  
13 read as follows:

14 “(D)(i) the term ‘CPI increase percentage’,  
15 with respect to a base quarter or cost-of-living quar-  
16 ter in any calendar year, means the percentage  
17 (rounded to the nearest one-tenth of 1 percent) by  
18 which the Consumer Price Index for that quarter (as  
19 prepared by the Department of Labor) exceeds such  
20 index for the most recent prior calendar quarter  
21 which was a base quarter under subparagraph  
22 (A)(ii) or, if later, the most recent cost-of-living  
23 computation quarter under subparagraph (B),

24 “(ii) if the Consumer Price Index (as so pre-  
25 pared) does not include the national sales tax paid,

1 then the term ‘CPI increase percentage’, with re-  
2 spect to a base quarter or cost-of-living quarter in  
3 any calendar year, means the percentage (rounded  
4 to the nearest one-tenth of 1 percent) by which the  
5 product of—

6 “(I) the Consumer Price Index for that  
7 quarter (as so prepared), and

8 “(II) the national sales tax factor,  
9 exceeds such index for the most recent prior cal-  
10 endar quarter which was a base quarter under sub-  
11 paragraph (A)(ii) or, if later, the most recent cost  
12 of living computation quarter under subparagraph  
13 (B), and

14 “(iii) the national sales tax factor is equal to  
15 one plus the quotient that is—

16 “(I) the sales tax rate imposed by section  
17 101 of the Internal Revenue Code of 2023, di-  
18 vided by

19 “(II) the quantity that is one minus such  
20 sales tax rate.”.

1 **TITLE IV—SUNSET OF SALES**  
2 **TAX IF SIXTEENTH AMEND-**  
3 **MENT NOT REPEALED**

4 **SEC. 401. ELIMINATION OF SALES TAX IF SIXTEENTH**  
5 **AMENDMENT NOT REPEALED.**

6 If the Sixteenth Amendment to the Constitution of  
7 the United States is not repealed before the end of the  
8 7-year period beginning on the date of the enactment of  
9 this Act, then all provisions of, and amendments made by,  
10 this Act shall not apply to any use or consumption in any  
11 year beginning after December 31 of the calendar year  
12 in which or with which such period ends, except that the  
13 Sales Tax Bureau of the Department of the Treasury shall  
14 not be terminated until 6 months after such December 31.

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