

26 USC 6012  
note.  
Procedures.

**SEC. 2004. RETURN-FREE TAX SYSTEM.**

(a) **IN GENERAL.**—The Secretary of the Treasury or the Secretary’s delegate shall develop procedures for the implementation of a return-free tax system under which appropriate individuals would be permitted to comply with the Internal Revenue Code of 1986 without making the return required under section 6012 of such Code for taxable years beginning after 2007.

Deadline.

(b) **REPORT.**—Not later than June 30 of each calendar year after 1999, the Secretary shall report to the Committee on Ways and Means of the House of Representatives and the Committee on Finance of the Senate on—

(1) what additional resources the Internal Revenue Service would need to implement such a system;

(2) the changes to the Internal Revenue Code of 1986 that could enhance the use of such a system;

(3) the procedures developed pursuant to subsection (a); and

(4) the number and classes of taxpayers that would be permitted to use the procedures developed pursuant to subsection (a).

Deadlines.  
26 USC 6103  
note.  
Procedures.

**SEC. 2005. ACCESS TO ACCOUNT INFORMATION.**

(a) **IN GENERAL.**—Not later than December 31, 2006, the Secretary of the Treasury or the Secretary’s delegate shall develop procedures under which a taxpayer filing returns electronically (and their designees under section 6103(c) of the Internal Revenue Code of 1986) would be able to review the taxpayer’s account electronically, but only if all necessary safeguards to ensure the privacy of such account information are in place.

(b) **REPORT.**—Not later than December 31, 2003, the Secretary of the Treasury shall report on the progress the Secretary is making on the development of procedures under subsection (a) to the Committee on Ways and Means of the House of Representatives and the Committee on Finance of the Senate.

Taxpayer Bill of  
Rights 3.

**TITLE III—TAXPAYER PROTECTION AND RIGHTS**

26 USC 1 note.

**SEC. 3000. SHORT TITLE.**

This title may be cited as the “Taxpayer Bill of Rights 3”.

**Subtitle A—Burden of Proof**

**SEC. 3001. BURDEN OF PROOF.**

(a) **IN GENERAL.**—Chapter 76 (relating to judicial proceedings) is amended by adding at the end the following new subchapter:

**“Subchapter E—Burden of Proof**

“Sec. 7491. Burden of proof.

**“SEC. 7491. BURDEN OF PROOF.**

“(a) **BURDEN SHIFTS WHERE TAXPAYER PRODUCES CREDIBLE EVIDENCE.**—

“(1) GENERAL RULE.—If, in any court proceeding, a taxpayer introduces credible evidence with respect to any factual issue relevant to ascertaining the liability of the taxpayer for any tax imposed by subtitle A or B, the Secretary shall have the burden of proof with respect to such issue.

“(2) LIMITATIONS.—Paragraph (1) shall apply with respect to an issue only if—

Applicability.

“(A) the taxpayer has complied with the requirements under this title to substantiate any item;

“(B) the taxpayer has maintained all records required under this title and has cooperated with reasonable requests by the Secretary for witnesses, information, documents, meetings, and interviews; and

“(C) in the case of a partnership, corporation, or trust, the taxpayer is described in section 7430(c)(4)(A)(ii).

“(3) COORDINATION.—Paragraph (1) shall not apply to any issue if any other provision of this title provides for a specific burden of proof with respect to such issue.

“(b) USE OF STATISTICAL INFORMATION ON UNRELATED TAXPAYERS.—In the case of an individual taxpayer, the Secretary shall have the burden of proof in any court proceeding with respect to any item of income which was reconstructed by the Secretary solely through the use of statistical information on unrelated taxpayers.

“(c) PENALTIES.—Notwithstanding any other provision of this title, the Secretary shall have the burden of production in any court proceeding with respect to the liability of any individual for any penalty, addition to tax, or additional amount imposed by this title.”

(b) CONFORMING AMENDMENT.—The table of subchapters for chapter 76 is amended by adding at the end the following new item:

“SUBCHAPTER E. Burden of proof.”

(c) EFFECTIVE DATE.—

(1) IN GENERAL.—The amendments made by this section shall apply to court proceedings arising in connection with examinations commencing after the date of the enactment of this Act.

Applicability.  
26 USC 7491  
note.

(2) TAXABLE PERIODS OR EVENTS AFTER DATE OF ENACTMENT.—In any case in which there is no examination, such amendments shall apply to court proceedings arising in connection with taxable periods or events beginning or occurring after such date of enactment.

## Subtitle B—Proceedings by Taxpayers

Courts.

### SEC. 3101. EXPANSION OF AUTHORITY TO AWARD COSTS AND CERTAIN FEES.

(a) INCREASE IN ATTORNEY'S FEES.—

(1) INCREASE IN HOURLY AMOUNT.—Clause (iii) of section 7430(c)(1)(B) (relating to reasonable litigation costs) is amended by striking “\$110” and inserting “\$125”.

(2) AWARD OF HIGHER ATTORNEY'S FEES BASED ON COMPLEXITY OF ISSUES.—Clause (iii) of section 7430(c)(1)(B) (relating to the award of costs and certain fees) is amended by inserting