

119TH CONGRESS
1ST SESSION

S. 2358

To amend the Internal Revenue Code of 1986 to modify the procedural rules for penalties.

IN THE SENATE OF THE UNITED STATES

JULY 21, 2025

Mr. SCOTT of South Carolina (for himself, Ms. LUMMIS, Mr. TILLIS, Mr. GRASSLEY, Mr. BARRASSO, Mr. CRAPO, and Mr. RISCH) introduced the following bill; which was read twice and referred to the Committee on Finance

A BILL

To amend the Internal Revenue Code of 1986 to modify the procedural rules for penalties.

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.**

4 This Act may be cited as the “IRS Accountability and
5 Taxpayer Protection Act”.

1 **SEC. 2. MODIFICATION OF PROCEDURAL REQUIREMENTS**
2 **FOR PENALTIES AND DISALLOWANCE PERI-**
3 **ODS.**

4 (a) IN GENERAL.—Section 6751(b) of the Internal
5 Revenue Code of 1986 is amended—

6 (1) by striking paragraph (1) and inserting the
7 following:

8 “(1) IN GENERAL.—No penalty under this title
9 shall be assessed, and no disallowance period shall
10 take effect, unless—

11 “(A) the initial determination to apply
12 such penalty or disallowance period, as applica-
13 ble, is personally approved (in writing) by the
14 immediate supervisor of the individual making
15 such determination, and

16 “(B) the approval described in subpara-
17 graph (A) is obtained on or before the date any
18 notice is sent to the taxpayer regarding the ap-
19 plication of such penalty or disallowance pe-
20 riod.”, and

21 (2) by adding at the end the following:

22 “(3) INITIAL DETERMINATION.—

23 “(A) IN GENERAL.—For purposes of this
24 subsection, the term ‘initial determination’
25 means the first determination, provided in a
26 written notice to a taxpayer, that, based on spe-

1 cific facts and circumstances with respect to
2 such taxpayer—

3 “(i) a specific penalty applies to such
4 taxpayer for a specific amount, or

5 “(ii) a disallowance period applies to
6 such taxpayer for a specific period.

7 “(B) REQUESTS OR INQUIRIES.—No re-
8 quest or inquiry made by the Secretary shall be
9 deemed to be an initial determination unless
10 such request or inquiry provides the taxpayer
11 with an offer to agree to a specific penalty for
12 a specific amount (with the exception of any
13 penalty offered under a settlement initiative to
14 a class of taxpayers) or a disallowance period
15 for a specific period.”.

16 (b) DISALLOWANCE PERIOD.—Section 6751 of the
17 Internal Revenue Code of 1986 is amended by adding at
18 the end the following new subsection:

19 “(d) DISALLOWANCE PERIOD.—

20 “(1) IN GENERAL.—For purposes of this sec-
21 tion, the term ‘disallowance period’ means—

22 “(A) with respect to any credit under sec-
23 tion 24, the period determined under section
24 24(g)(1),

1 “(B) with respect to any credit under sec-
2 tion 25A, the period determined under section
3 25A(b)(4)(A), and

4 “(C) with respect to any credit under sec-
5 tion 32, the period determined under section
6 32(k)(1).

7 “(2) APPROVAL REQUIRED FOR DISALLOWANCE
8 PERIOD AUTOMATICALLY CALCULATED THROUGH
9 ELECTRONIC MEANS.—With respect to the applica-
10 tion of any disallowance period, subsection (b)(2)(B)
11 shall not apply.”.

12 (c) EFFECTIVE DATE.—The amendments made by
13 this section shall apply to notices sent after the date of
14 the enactment of this Act.

15 (d) REPORT.—Not later than 24 months after the
16 date of enactment of this Act, and annually thereafter,
17 the Secretary of the Treasury (or the Secretary’s delegate)
18 shall make publicly available a report regarding all pen-
19 alties assessed by the Internal Revenue Service pursuant
20 to the Internal Revenue Code of 1986 during the pre-
21 ceding calendar year, with all relevant data regarding such
22 penalties to be collected and reported with respect to—

23 (1) every organizational unit of the Internal
24 Revenue Service that has power to assess, abate, or
25 otherwise enforce any penalty imposed by the Inter-

1 nal Revenue Service under the Internal Revenue
2 Code of 1986, and

3 (2) the progression of such penalties at each
4 step of the determination, assessment, and review
5 processes, as well as the final result with respect to
6 such penalties.

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