

1 “(e) MINE RESCUE TEAM TRAINING CREDIT.—No
2 deduction shall be allowed for that portion of the expenses
3 otherwise allowable as a deduction for the taxable year
4 which is equal to the amount of the credit determined for
5 the taxable year under section 45N(a).”.

6 (d) CLERICAL AMENDMENT.—The table of sections
7 for subpart D of part IV of subchapter A of chapter 1
8 is amended by adding at the end the following new item:
“Sec. 45N. Mine rescue team training credit.”.

9 (e) EFFECTIVE DATE.—The amendments made by
10 this section shall apply to taxable years beginning after
11 December 31, 2005.

12 **SEC. 406. WHISTLEBLOWER REFORMS.**

13 (a) AWARDS TO WHISTLEBLOWERS.—

14 (1) IN GENERAL.—Section 7623 (relating to ex-
15 penses of detection of underpayments and fraud,
16 etc.) is amended—

17 (A) by striking “The Secretary” and in-
18 serting “(a) IN GENERAL.—The Secretary”,

19 (B) by striking “and” at the end of para-
20 graph (1) and inserting “or”,

21 (C) by striking “(other than interest)”,

22 and

23 (D) by adding at the end the following new
24 subsection:

25 “(b) AWARDS TO WHISTLEBLOWERS.—

1 “(1) IN GENERAL.—If the Secretary proceeds
2 with any administrative or judicial action described
3 in subsection (a) based on information brought to
4 the Secretary’s attention by an individual, such indi-
5 vidual shall, subject to paragraph (2), receive as an
6 award at least 15 percent but not more than 30 per-
7 cent of the collected proceeds (including penalties,
8 interest, additions to tax, and additional amounts)
9 resulting from the action (including any related ac-
10 tions) or from any settlement in response to such ac-
11 tion. The determination of the amount of such
12 award by the Whistleblower Office shall depend upon
13 the extent to which the individual substantially con-
14 tributed to such action.

15 “(2) AWARD IN CASE OF LESS SUBSTANTIAL
16 CONTRIBUTION.—

17 “(A) IN GENERAL.—In the event the ac-
18 tion described in paragraph (1) is one which the
19 Whistleblower Office determines to be based
20 principally on disclosures of specific allegations
21 (other than information provided by the indi-
22 vidual described in paragraph (1)) resulting
23 from a judicial or administrative hearing, from
24 a governmental report, hearing, audit, or inves-
25 tigation, or from the news media, the Whistle-

1 blower Office may award such sums as it con-
2 siders appropriate, but in no case more than 10
3 percent of the collected proceeds (including pen-
4 alties, interest, additions to tax, and additional
5 amounts) resulting from the action (including
6 any related actions) or from any settlement in
7 response to such action, taking into account the
8 significance of the individual's information and
9 the role of such individual and any legal rep-
10 resentative of such individual in contributing to
11 such action.

12 “(B) NONAPPLICATION OF PARAGRAPH
13 WHERE INDIVIDUAL IS ORIGINAL SOURCE OF
14 INFORMATION.—Subparagraph (A) shall not
15 apply if the information resulting in the initi-
16 ation of the action described in paragraph (1)
17 was originally provided by the individual de-
18 scribed in paragraph (1).

19 “(3) REDUCTION IN OR DENIAL OF AWARD.—
20 If the Whistleblower Office determines that the
21 claim for an award under paragraph (1) or (2) is
22 brought by an individual who planned and initiated
23 the actions that led to the underpayment of tax or
24 actions described in subsection (a)(2), then the
25 Whistleblower Office may appropriately reduce such

1 award. If such individual is convicted of criminal
2 conduct arising from the role described in the pre-
3 ceding sentence, the Whistleblower Office shall deny
4 any award.

5 “(4) APPEAL OF AWARD DETERMINATION.—
6 Any determination regarding an award under para-
7 graph (1), (2), or (3) may, within 30 days of such
8 determination, be appealed to the Tax Court (and
9 the Tax Court shall have jurisdiction with respect to
10 such matter).

11 “(5) APPLICATION OF THIS SUBSECTION.—This
12 subsection shall apply with respect to any action—

13 “(A) against any taxpayer, but in the case
14 of any individual, only if such individual’s gross
15 income exceeds \$200,000 for any taxable year
16 subject to such action, and

17 “(B) if the tax, penalties, interest, addi-
18 tions to tax, and additional amounts in dispute
19 exceed \$2,000,000.

20 “(6) ADDITIONAL RULES.—

21 “(A) NO CONTRACT NECESSARY.—No con-
22 tract with the Internal Revenue Service is nec-
23 essary for any individual to receive an award
24 under this subsection.

1 “(B) REPRESENTATION.—Any individual
2 described in paragraph (1) or (2) may be rep-
3 resented by counsel.

4 “(C) SUBMISSION OF INFORMATION.—No
5 award may be made under this subsection
6 based on information submitted to the Sec-
7 retary unless such information is submitted
8 under penalty of perjury.”.

9 (2) ASSIGNMENT TO SPECIAL TRIAL JUDGES.—

10 (A) IN GENERAL.—Section 7443A(b) (re-
11 lating to proceedings which may be assigned to
12 special trial judges) is amended by striking
13 “and” at the end of paragraph (5), by redesign-
14 ating paragraph (6) as paragraph (7), and by
15 inserting after paragraph (5) the following new
16 paragraph:

17 “(6) any proceeding under section 7623(b)(4),
18 and”.

19 (B) CONFORMING AMENDMENT.—Section
20 7443A(c) is amended by striking “or (5)” and
21 inserting “(5), or (6)”.

22 (3) DEDUCTION ALLOWED WHETHER OR NOT
23 TAXPAYER ITEMIZES.—Subsection (a) of section 62
24 (relating to general rule defining adjusted gross in-

1 come) is amended by inserting after paragraph (20)
2 the following new paragraph:

3 “(21) ATTORNEYS FEES RELATING TO AWARDS
4 TO WHISTLEBLOWERS.—Any deduction allowable
5 under this chapter for attorney fees and court costs
6 paid by, or on behalf of, the taxpayer in connection
7 with any award under section 7623(b) (relating to
8 awards to whistleblowers). The preceding sentence
9 shall not apply to any deduction in excess of the
10 amount includible in the taxpayer’s gross income for
11 the taxable year on account of such award.”.

12 (b) WHISTLEBLOWER OFFICE.—

13 (1) IN GENERAL.—Not later than the date
14 which is 12 months after the date of the enactment
15 of this Act, the Secretary of the Treasury shall issue
16 guidance for the operation of a whistleblower pro-
17 gram to be administered in the Internal Revenue
18 Service by an office to be known as the “Whistle-
19 blower Office” which—

20 (A) shall at all times operate at the direc-
21 tion of the Commissioner of Internal Revenue
22 and coordinate and consult with other divisions
23 in the Internal Revenue Service as directed by
24 the Commissioner of Internal Revenue,

1 (B) shall analyze information received from
2 any individual described in section 7623(b) of
3 the Internal Revenue Code of 1986 and either
4 investigate the matter itself or assign it to the
5 appropriate Internal Revenue Service office,
6 and

7 (C) in its sole discretion, may ask for addi-
8 tional assistance from such individual or any
9 legal representative of such individual.

10 (2) REQUEST FOR ASSISTANCE.—The guidance
11 issued under paragraph (1) shall specify that any as-
12 sistance requested under paragraph (1)(C) shall be
13 under the direction and control of the Whistleblower
14 Office or the office assigned to investigate the mat-
15 ter under paragraph (1)(A). No individual or legal
16 representative whose assistance is so requested may
17 by reason of such request represent himself or her-
18 self as an employee of the Federal Government.

19 (c) REPORT BY SECRETARY.—The Secretary of the
20 Treasury shall each year conduct a study and report to
21 Congress on the use of section 7623 of the Internal Rev-
22 enue Code of 1986, including—

23 (1) an analysis of the use of such section dur-
24 ing the preceding year and the results of such use,
25 and

1 (2) any legislative or administrative rec-
2 ommendations regarding the provisions of such sec-
3 tion and its application.

4 (d) **EFFECTIVE DATE.**—The amendments made by
5 subsection (a) shall apply to information provided on or
6 after the date of the enactment of this Act.

7 **SEC. 407. FRIVOLOUS TAX SUBMISSIONS.**

8 (a) **CIVIL PENALTIES.**—Section 6702 is amended to
9 read as follows:

10 **“SEC. 6702. FRIVOLOUS TAX SUBMISSIONS.**

11 **“(a) CIVIL PENALTY FOR FRIVOLOUS TAX RE-**
12 **URNS.**—A person shall pay a penalty of \$5,000 if—

13 **“(1) such person files what purports to be a re-**
14 **turn of a tax imposed by this title but which—**

15 **“(A) does not contain information on**
16 **which the substantial correctness of the self-as-**
17 **essment may be judged, or**

18 **“(B) contains information that on its face**
19 **indicates that the self-assessment is substan-**
20 **tially incorrect, and**

21 **“(2) the conduct referred to in paragraph (1)—**

22 **“(A) is based on a position which the Sec-**
23 **retary has identified as frivolous under sub-**
24 **section (c), or**