

Calendar No. 41

114TH CONGRESS }
1st Session }

SENATE

{ REPORT
114-18

WOUNDED WARRIOR TAX EQUITY ACT OF 2015

APRIL 14, 2015.—Ordered to be printed

Mr. HATCH, from the Committee on Finance,
submitted the following

R E P O R T

[To accompany S. 907]

The Committee on Finance, having considered an original bill, S. 907, to amend the Internal Revenue Code of 1986 to prevent the extension of the tax collection period merely because the taxpayer is a member of the Armed Forces who is hospitalized as a result of combat zone injuries, having considered the same, reports favorably thereon without amendment and recommends that the bill do pass.

CONTENTS

	Page
I. LEGISLATIVE BACKGROUND	1
II. EXPLANATION OF THE BILL	2
A. Truncate the Collection Period for Taxpayers Hospitalized for Combat Zone Injuries (sec. 2 of the bill and secs. 6502 and 7508(e) of the Code)	2
III. BUDGET EFFECTS OF THE BILL	3
IV. VOTES OF THE COMMITTEE	3
V. REGULATORY IMPACT AND OTHER MATTERS	4
VI. CHANGES IN EXISTING LAW MADE BY THE BILL, AS REPORTED	4

I. LEGISLATIVE BACKGROUND

The Committee on Finance, having considered S. 907, the “Wounded Warrior Tax Equity Act of 2015,” to amend the Internal Revenue Code of 1986 to prevent the extension of the tax collection period merely because the taxpayer is a member of the Armed Forces who is hospitalized as a result of combat zone injuries, reports favorably thereon without amendment and recommends that the bill do pass.

Background and need for legislative action

Background.—Based on a proposal recommended by Senators Cornyn and Casey, the Committee on Finance marked up original legislation (a bill to amend the Internal Revenue Code of 1986 to prevent the extension of the tax collection period merely because the taxpayer is a member of the Armed Forces who is hospitalized as a result of combat zone injuries) on February 11, 2015, and, with a majority present, ordered the bill favorably reported.

Need for legislative action.—The Committee believes that it is important to protect combat troops from an extension of IRS collection activity merely because the taxpayer is a member of the Armed Forces who is hospitalized as a result of combat zone injuries. The Committee notes that, in some cases, civilians may receive the benefit of IRS administrative discretion to suspend collection activity during periods of hospitalization without those civilians having to agree to an extension of IRS collection activity beyond ten years. Thus, the Committee believes the suspension of the collection statute is unnecessary in the case of hospitalized members of the Armed Forces.

II. EXPLANATION OF THE BILL**A. TRUNCATE THE COLLECTION PERIOD FOR TAXPAYERS HOSPITALIZED FOR COMBAT ZONE INJURIES (SEC. 2 OF THE BILL AND SECS. 6502 AND 7508(e) OF THE CODE)****PRESENT LAW**

The Code provides active duty military and civilians in designated combat zones additional time in which to file tax returns, pay tax liabilities and take other actions required in order to comply with their tax obligations.¹ A commensurate amount of time is provided for the IRS to complete actions required with respect to assessment and collection of the obligations of such active duty military and civilian taxpayers. The additional time provided equals the actual time in duty status, which includes hospitalization resulting from service, plus 180 days. In other words, in determining how much time remains in which to perform a task required by the Code, both the taxpayer and the IRS may disregard the period of active duty.

The Code provides that collection activities generally may only occur within ten years after assessment.² The effect of the provisions described above is to extend the 10-year collection period for combat zone taxpayers.

REASONS FOR CHANGE

The Committee believes that it is important to protect combat troops from an extension of IRS collection activity merely because the taxpayer is a member of the Armed Forces who is hospitalized as a result of combat zone injuries. The Committee notes that, in some cases, civilians may receive the benefit of IRS administrative discretion to suspend collection activity during periods of hos-

¹Sec. 7508. Unless otherwise stated, all section references are to the Internal Revenue Code of 1986, as amended (the "Code").

²Sec. 6502.

pitalization without those civilians having to agree to an extension of IRS collection activity beyond ten years. Thus, the Committee believes the tolling of the collection statute of limitations period is unnecessary in the case of hospitalized members of the Armed Forces.

EXPLANATION OF PROVISION

Under the provision, the collection period for taxpayers hospitalized for combat zone injuries shall not be suspended by reason of any period of continuous hospitalization or the 180 days after hospitalization. Accordingly, the collection period expires 10 years after assessment, plus the actual time spent in a combat zone, regardless of the length of the postponement period available for hospitalized taxpayers to comply with their tax obligations.

EFFECTIVE DATE

The provision applies to taxes assessed before, on, or after the date of the enactment of this Act.

III. BUDGET EFFECTS OF THE BILL

A. COMMITTEE ESTIMATES

In compliance with paragraph 11(a) of rule XXVI of the Standing Rules of the Senate and section 308(a)(1) of the Congressional Budget and Impoundment Control Act of 1974, as amended (the “Budget Act”), the following statement is made concerning the estimated budget effects of the revenue provisions of the “Wounded Warrior Tax Equity Act of 2015” as reported.

The bill is estimated to reduce Federal fiscal year budget receipts by less than \$500,000 for the period 2015–2025.

B. BUDGET AUTHORITY AND TAX EXPENDITURES

Budget authority

In compliance with section 308(a)(1) of the Budget Act, the Committee states that the provisions of the bill as reported do not involve new or increased budget authority.

Tax expenditures

In compliance with section 308(a)(2) of the Budget Act, the Committee states that certain provisions of the bill as reported affect the levels of tax expenditures (see part A., above).

C. CONSULTATION WITH CONGRESSIONAL BUDGET OFFICE

In accordance with section 403 of the Budget Act, the Committee advises that the Congressional Budget Office has not submitted a statement on the bill. The letter from the Congressional Budget Office will be provided separately.

IV. VOTES OF THE COMMITTEE

In compliance with paragraph 7(b) of rule XXVI of the Standing Rules of the Senate, the Committee states that, with a majority present, the “Wounded Warrior Tax Equity Act of 2015,” was ordered favorably reported by voice vote on February 11, 2015.

V. REGULATORY IMPACT AND OTHER MATTERS

A. REGULATORY IMPACT

Pursuant to paragraph 11(b) of rule XXVI of the Standing Rules of the Senate, the Committee makes the following statement concerning the regulatory impact that might be incurred in carrying out the provisions of the bill.

Impact on individuals and businesses, personal privacy and paperwork

The bill provides that the ten year collection period for taxpayers hospitalized for combat zone injuries is determined without regard to any period of continuous hospitalization. The provisions of the bill are not expected to impose additional administrative requirements or regulatory burdens on individuals or businesses.

The provisions of the bill do not impact personal privacy.

B. UNFUNDED MANDATES STATEMENT

This information is provided in accordance with section 423 of the Unfunded Mandates Reform Act of 1995 (Pub. L. No. 104-4).

The Committee has determined that the tax provisions of the reported bill do not contain Federal private sector mandates or Federal intergovernmental mandates on State, local, or tribal governments within the meaning of Public Law 104-4, the Unfunded Mandates Reform Act of 1995.

C. TAX COMPLEXITY ANALYSIS

Section 4022(b) of the Internal Revenue Service Reform and Restructuring Act of 1998 ("IRS Reform Act") requires the staff of the Joint Committee on Taxation (in consultation with the Internal Revenue Service and the Treasury Department) to provide a tax complexity analysis. The complexity analysis is required for all legislation reported by the Senate Committee on Finance, the House Committee on Ways and Means, or any committee of conference if the legislation includes a provision that directly or indirectly amends the Internal Revenue Code and has widespread applicability to individuals or small businesses. The staff of the Joint Committee on Taxation has determined that there are no provisions that are of widespread applicability to individuals or small businesses.

VI. CHANGES IN EXISTING LAW MADE BY THE BILL, AS REPORTED

In the opinion of the Committee, it is necessary in order to expedite the business of the Senate, to dispense with the requirements of paragraph 12 of rule XXVI of the Standing Rules of the Senate (relating to the showing of changes in existing law made by the bill as reported by the Committee).