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Tax Regs in Plain English

IRS Restructuring and Reform Act of 1998

3707 - Illegal Tax Protector Designation

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Section 3707

A. Provision(s) covered: Act § 3707 (No Code section affected) Illegal Tax Protestor Designation Prohibited.

B. Background: The IRS designates individuals who meet certain criteria as "illegal tax protestors" in the IRS Master File. Congress was concerned that taxpayers may be unfairly stigmatized by a designation as an illegal tax protester.

C. Change(s):

1. The IRS shall not designate any more taxpayers as "illegal tax protesters." Removal of existing "illegal tax protester" designations from the individual master file is not required to begin before January 1, 1999.
2. IRS personnel must disregard any designation in a taxpayer's file (i.e., revenue agents report or other paper records) as of the date of enactment.
3. As of the date of enactment, IRS personnel should not describe taxpayers in written documents as "illegal tax protesters." 4. The IRS may designate appropriate taxpayers as nonfilers. The IRS must remove the nonfiler designation once the taxpayer has filed valid tax returns for two consecutive years and paid all taxes shown on these returns.

D. Impact: The provision requires reprogramming master file databases.

E. Necessary Actions

1. Actions/Procedures:

- . The IRS master file must be reprogrammed to remove the illegal tax protester designation.
- b. The IRS master file must be reprogrammed to add a nonfiler designation.
- c. All IRS personnel (district director, appeals, service center, counsel, regional offices and national office) must cease using the "illegal tax protester" designation.
- d. The IRM and CCDM must be revised to reflect these new procedures.
- e. The IRS master file must be programmed to monitor the nonfiler designation and remove the designation once a taxpayer has filed valid tax returns for two consecutive years and paid all the taxes shown on those returns.

2. Things we CAN do:

- . IRS can designate appropriate taxpayers as nonfilers.
- b. IRS may continue its current practice of tracking "potentially dangerous taxpayers."

3. 3. Things IRS CAN'T do:

- . The Service can no longer designate taxpayers as "illegal tax protesters." or any other like designation.
- b. The Service can not continue to designate a taxpayer as a nonfiler if the taxpayer files valid returns for two consecutive years and paid all the taxes shown on those returns. Service position is that "valid returns for two consecutive years" contemplates that the returns be filed timely, as opposed to delinquent filing of past years' returns. Further guidance on this issue will be forthcoming.

F. Other Special Comments: It is reasonable that the IRS explore further the designation of potentially dangerous taxpayers for protection of IRS personnel and determine whether a broadening of that category, based upon objective criteria for potential violence would be warranted.

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