

to the Internal Revenue Service upon the filing of such complaint with the court.

**(e) Finding of court to include correct amount of payment**

The decision of the court awarding damages in an action brought under subsection (a) shall include a finding of the correct amount which should have been reported in the information return.

**(f) Information return**

For purposes of this section, the term “information return” means any statement described in section 6724(d)(1)(A).

(Added Pub. L. 104-168, title VI, § 601(a), July 30, 1996, 110 Stat. 1462; amended Pub. L. 105-206, title VI, § 6023(29), July 22, 1998, 112 Stat. 826.)

PRIOR PROVISIONS

A prior section 7434 was renumbered 7437 of this title.

AMENDMENTS

1998—Subsec. (b)(3). Pub. L. 105-206 substituted “attorneys’ fees” for “attorneys fees”.

EFFECTIVE DATE

Pub. L. 104-168, title VI, § 601(c), July 30, 1996, 110 Stat. 1462, provided that: “The amendments made by this section [enacting this section and renumbering former section 7434 as 7435 of this title] shall apply to fraudulent information returns filed after the date of the enactment of this Act [July 30, 1996].”

**§ 7435. Civil damages for unauthorized enticement of information disclosure**

**(a) In general**

If any officer or employee of the United States intentionally compromises the determination or collection of any tax due from an attorney, certified public accountant, or enrolled agent representing a taxpayer in exchange for information conveyed by the taxpayer to the attorney, certified public accountant, or enrolled agent for purposes of obtaining advice concerning the taxpayer’s tax liability, such taxpayer may bring a civil action for damages against the United States in a district court of the United States. Such civil action shall be the exclusive remedy for recovering damages resulting from such actions.

**(b) Damages**

In any action brought under subsection (a), upon a finding of liability on the part of the defendant, the defendant shall be liable to the plaintiff in an amount equal to the lesser of \$500,000 or the sum of—

- (1) actual, direct economic damages sustained by the plaintiff as a proximate result of the information disclosure, and
- (2) the costs of the action.

Damages shall not include the taxpayer’s liability for any civil or criminal penalties, or other losses attributable to incarceration or the imposition of other criminal sanctions.

**(c) Payment authority**

Claims pursuant to this section shall be payable out of funds appropriated under section 1304 of title 31, United States Code.

**(d) Period for bringing action**

Notwithstanding any other provision of law, an action to enforce liability created under this

section may be brought without regard to the amount in controversy and may be brought only within 2 years after the date the actions creating such liability would have been discovered by exercise of reasonable care.

**(e) Mandatory stay**

Upon a certification by the Commissioner or the Commissioner’s delegate that there is an ongoing investigation or prosecution of the taxpayer, the district court before which an action under this section is pending shall stay all proceedings with respect to such action pending the conclusion of the investigation or prosecution.

**(f) Crime-fraud exception**

Subsection (a) shall not apply to information conveyed to an attorney, certified public accountant, or enrolled agent for the purpose of perpetrating a fraud or crime.

(Added Pub. L. 104-168, title XII, § 1203(a), July 30, 1996, 110 Stat. 1470.)

PRIOR PROVISIONS

A prior section 7435 was renumbered 7437 of this title.

EFFECTIVE DATE

Pub. L. 104-168, title XII, § 1203(c), July 30, 1996, 110 Stat. 1471, provided that: “The amendments made by this section [enacting this section and renumbering former section 7435 as 7436 of this title] shall apply to actions after the date of the enactment of this Act [July 30, 1996].”

**§ 7436. Proceedings for determination of employment status**

**(a) Creation of remedy**

If, in connection with an audit of any person, there is an actual controversy involving a determination by the Secretary as part of an examination that—

- (1) one or more individuals performing services for such person are employees of such person for purposes of subtitle C, or
- (2) such person is not entitled to the treatment under subsection (a) of section 530 of the Revenue Act of 1978 with respect to such an individual,

upon the filing of an appropriate pleading, the Tax Court may determine whether such a determination by the Secretary is correct and the proper amount of employment tax under such determination. Any such redetermination by the Tax Court shall have the force and effect of a decision of the Tax Court and shall be reviewable as such.

**(b) Limitations**

**(1) Petitioner**

A pleading may be filed under this section only by the person for whom the services are performed.

**(2) Time for filing action**

If the Secretary sends by certified or registered mail notice to the petitioner of a determination by the Secretary described in subsection (a), no proceeding may be initiated under this section with respect to such determination unless the pleading is filed before the 91st day after the date of such mailing.

**(3) No adverse inference from treatment while action is pending**

If, during the pendency of any proceeding brought under this section, the petitioner changes his treatment for employment tax purposes of any individual whose employment status as an employee is involved in such proceeding (or of any individual holding a substantially similar position) to treatment as an employee, such change shall not be taken into account in the Tax Court's determination under this section.

**(c) Small case procedures**

**(1) In general**

At the option of the petitioner, concurred in by the Tax Court or a division thereof before the hearing of the case, proceedings under this section may (notwithstanding the provisions of section 7453) be conducted subject to the rules of evidence, practice, and procedure applicable under section 7463 if the amount of employment taxes placed in dispute is \$50,000 or less for each calendar quarter involved.

**(2) Finality of decisions**

A decision entered in any proceeding conducted under this subsection shall not be reviewed in any other court and shall not be treated as a precedent for any other case not involving the same petitioner and the same determinations.

**(3) Certain rules to apply**

Rules similar to the rules of the last sentence of subsection (a), and subsections (c), (d), and (e), of section 7463 shall apply to proceedings conducted under this subsection.

**(d) Special rules**

**(1) Restrictions on assessment and collection pending action, etc.**

The principles of subsections (a), (b), (c), (d), and (f) of section 6213, section 6214(a), section 6215, section 6503(a), section 6512, and section 7481 shall apply to proceedings brought under this section in the same manner as if the Secretary's determination described in subsection (a) were a notice of deficiency.

**(2) Awarding of costs and certain fees**

Section 7430 shall apply to proceedings brought under this section.

**(e) Employment tax**

The term "employment tax" means any tax imposed by subtitle C.

(Added Pub. L. 105-34, title XIV, §1454(a), Aug. 5, 1997, 111 Stat. 1055; amended Pub. L. 105-206, title III, §3103(b)(1), July 22, 1998, 112 Stat. 731; Pub. L. 106-554, §1(a)(7) [title III, §314(f)], Dec. 21, 2000, 114 Stat. 2763, 2763A-643.)

REFERENCES IN TEXT

Section 530 of the Revenue Act of 1978, referred to in subsec. (a)(2), is section 530 of Pub. L. 95-600, which is set out as a note under section 3401 of this title.

PRIOR PROVISIONS

A prior section 7436 was renumbered section 7437 of this title.

AMENDMENTS

2000—Subsec. (a). Pub. L. 106-554 inserted "and the proper amount of employment tax under such determination" before period at end of first sentence.

1998—Subsec. (c)(1). Pub. L. 105-206 substituted "\$50,000" for "\$10,000".

EFFECTIVE DATE OF 2000 AMENDMENT

Amendment by Pub. L. 106-554 effective as if included in the provisions of the Taxpayer Relief Act of 1997, Pub. L. 105-34, to which such amendment relates, see section 1(a)(7) [title III, §314(g)] of Pub. L. 106-554, set out as a note under section 56 of this title.

EFFECTIVE DATE OF 1998 AMENDMENT

Pub. L. 105-206, title III, §3103(c), July 22, 1998, 112 Stat. 731, provided that: "The amendments made by this section [amending this section and sections 7443A and 7463 of this title] shall apply to proceedings commenced after the date of the enactment of this Act [July 22, 1998]."

**§ 7437. Cross references**

**(1) For determination of amount of any tax, additions to tax, etc., in title 11 cases, see section 505 of title 11 of the United States Code.**

**(2) For exclusion of tax liability from discharge in cases under title 11 of the United States Code, see section 523 of such title 11.**

**(3) For recognition of tax liens in cases under title 11 of the United States Code, see sections 545 and 724 of such title 11.**

**(4) For collection of taxes in connection with plans for individuals with regular income in cases under title 11 of the United States Code, see section 1328 of such title 11.**

**(5) For provisions permitting the United States to be made party defendant in a proceeding in a State court for the foreclosure of a lien upon real estate where the United States may have claim upon the premises involved, see section 2410 of Title 28 of the United States Code.**

**(6) For priority of lien of the United States in case of insolvency, see section 3713(a) of title 31, United States Code.**

**(7) For interest on judgments for overpayments, see section 2411(a) of Title 28 of the United States Code.**

**(8) For review of a Tax Court decision, see section 7482.**

**(9) For statute prohibiting suits to replevy property taken under revenue laws, see section 2463 of Title 28 of the United States Code.**

(Aug. 16, 1954, ch. 736, 68A Stat. 878, §7425; renumbered §7427, Pub. L. 89-719, title I, §109, Nov. 2, 1966, 80 Stat. 1141; renumbered §7428, and amended Pub. L. 94-455, title XII, §1203(b)(2)(A), title XIX, §1906(a)(45), Oct. 4, 1976, 90 Stat. 1690, 1830; renumbered §7430, Pub. L. 94-455, title XIII, §1306(a), Oct. 4, 1976, 90 Stat. 1717; Pub. L. 96-589, §6(d)(1), (i)(13), Dec. 24, 1980, 94 Stat. 3408, 3411; renumbered §7431, Pub. L. 97-248, title II, §292(a), Sept. 3, 1982, 96 Stat. 572; renumbered §7432, Pub. L. 97-248, title III, §357(a), Sept. 3, 1982, 96 Stat. 645; Pub. L. 97-258, §3(f)(14), Sept. 13, 1982, 96 Stat. 1065; renumbered §7434, Pub. L. 100-647, title VI, §§6240(a), 6241(a), Nov. 10, 1988, 102 Stat. 3746, 3747; renumbered §7435, Pub. L. 104-168, title VI, §601(a), July 30, 1996, 110 Stat. 1462; renumbered §7436, Pub. L. 104-168, title XII, §1203(a), July 30, 1996, 110 Stat. 1470; renumbered §7437, Pub. L. 105-34, title XIV, §1454(a), Aug. 5, 1997, 111 Stat. 1055.)

AMENDMENTS

1982—Par. (6). Pub. L. 97-258 substituted "section 3713(a) of title 31, United States Code" for "R.S. 3466 (31