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## [H.R. 1562, the Contracting and Tax Accountability Act of 2015](#)

### FLOOR SITUATION

On Wednesday, April 15, 2015, the House will consider [H.R. 1562](#), *the Contracting and Tax Accountability Act of 2015*, under suspension of the rules. The bill was introduced on March 24, 2015 by Rep. Jason Chaffetz (R-UT) and was referred to the Committee on Oversight and Government Reform, which ordered the bill reported by voice vote on March 25, 2015.

### SUMMARY

H.R. 1562 would prohibit federal agencies from awarding contracts or grants above the simplified acquisition threshold (currently set at \$150,000) to persons or companies that have seriously delinquent tax debt. The bill requires any person applying for a contract or grant with the Federal government to submit a form certifying that they do not have a seriously delinquent tax debt, and authorizes the Secretary of the Treasury to disclose relevant information to the appropriate agency head. The bill defines seriously delinquent tax debt as a federal tax liability that “has been assessed by the Secretary of the Treasury under the Internal Revenue Code” and that “may be collected by the Secretary by levy or by a proceeding in court.”

H.R. 1562 also requires the heads of executive agencies to propose persons for debarment if: (1) their application for a federal contract includes a certification that they have a seriously delinquent tax debt; or (2) the agency head receives information from the Secretary of the Treasury showing that the applicant’s certification form is false. The debarment process may be waived, however, if the head of the executive agency provides a written finding to Congress of “urgent and compelling circumstances significantly affecting the interests of the United States.” If debarment is waived, the head of the relevant executive agency must, within 30 days, submit a report to Congress that includes the rationale for the waiver and relevant information supporting the waiver decision.

H.R. 1562 specifies that for the purposes of the Act the term person includes an individual, partnership or corporation, but excludes “an individual seeking assistance through a grant entitlement program.” The bill also includes exceptions to the prohibition for debts that are being paid in a timely manner and debts in which a due process hearing has been requested or is pending.

### BACKGROUND

H.R. 1562 is designed to ensure federal tax compliance by government contractors and grantees. The federal government already has awarded more than \$136 billion in contracts and \$246 billion in grants in 2015.<sup>1</sup> The Government Accountability Office (GAO) has previously reported that thousands of government contractors had substantial amounts of unpaid federal taxes. Specifically, about 27,000 defense contractors, 33,000 civilian agency contractors, and 3,800 General Services Administration contractors owed about \$3 billion, \$3.3 billion, and \$1.4 billion in unpaid taxes, respectively.<sup>2</sup> Many of the contractors had repeatedly failed to fulfill their tax obligations and have delinquencies that extend over multiple tax periods.

GAO previously reported that tens of thousands of recipients of federal grant and direct assistance programs collectively owed \$790 million in federal taxes as of September 30, 2006.<sup>3</sup> This figure, according to GAO, is likely substantially underestimated because GAO's analysis excluded the 80 percent of federal grants that are directly given to state and local governments which, in turn, disburse the grants to their ultimate recipients.

Furthermore, in its April 2011 report, GAO found that at least 3,700 American Recovery and Reinvestment Act ([Public Law 111-5](#)) contract and grant recipients owed more than \$750 million in known unpaid federal taxes while receiving over \$24 billion in Recovery Act funds.<sup>4</sup>

The Contracting and Tax Accountability Act of 2015 addresses these issues by prohibiting individuals, partnerships or companies with seriously delinquent tax debt, who are not making a good faith effort to pay their taxes or dispute them, from receiving federal contracts or grants.

The House passed a nearly identical bill ([H.R. 882](#)) by a vote of [407 to 0](#) on April 15, 2013. The Senate did not consider the House-passed bill during the 113<sup>th</sup> Congress.

## **COST**

[CBO estimates](#) that implementing H.R. 1562 would increase federal administrative costs by less than \$500,000 annually, assuming the availability of appropriated funds. The bill would affect direct spending by agencies not funded through annual appropriations; therefore, pay-as-you-go procedures apply. CBO also estimates that any net increase in direct spending by such agencies would not be significant.

## **STAFF CONTACT**

For questions or further information, contact the House Republican Policy Committee at 6-5539.

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<sup>1</sup> USASpending.gov

<sup>2</sup> See GAO-07-742T; "[TAX COMPLIANCE: Thousands of Federal Contractors Abuse the Federal Tax System](#)," April 19, 2007.

<sup>3</sup> See GAO-08-31; "[TAX COMPLIANCE: Federal Grant and Direct Assistance Recipients Who Abuse the Federal Tax System](#)," November 2007.

<sup>4</sup> See GAO-11-485; "[Recovery ACT: Thousands of Recovery Act Contract and Grant Recipients Owe Hundreds of Millions in Federal Taxes](#)," April 2011.