

103^D CONGRESS
2^D SESSION

S. 1968

To amend the Internal Revenue Code of 1986 to permit the tax-free rollover of certain payments made by employers to separated employees.

IN THE SENATE OF THE UNITED STATES

MARCH 24 (legislative day, FEBRUARY 22), 1994

Mr. BREAUX (for himself and Mr. JOHNSTON) introduced the following bill;
which was read twice and referred to the Committee on Finance

A BILL

To amend the Internal Revenue Code of 1986 to permit the tax-free rollover of certain payments made by employers to separated employees.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. TAX-FREE ROLLOVER OF CERTAIN SEPARA-**
4 **TION PAYMENTS.**

5 (a) GENERAL RULE.—Part III of subchapter B of
6 chapter 1 of the Internal Revenue Code of 1986 (relating
7 to items specifically excluded from gross income) is
8 amended by redesignating section 137 as section 138 and
9 by inserting after section 136 the following new section:

1 **“SEC. 137. TAX-FREE ROLLOVER OF CERTAIN SEPARATION**
2 **PAYMENTS.**

3 **“(a) GENERAL RULE.—If—**

4 **“(1) an individual receives a qualified separa-**
5 **tion payment, and**

6 **“(2) within 60 days after the date on which**
7 **such individual receives such payment, such individ-**
8 **ual transfers any portion of such payment to an in-**
9 **dividual retirement account,**

10 **then such payment (to the extent so transferred) shall not**
11 **be included in gross income for the taxable year in which**
12 **received.**

13 **“(b) QUALIFIED SEPARATION PAYMENT.—For pur-**
14 **poses of this section, the term ‘qualified separation pay-**
15 **ment’ means any payment received by an individual if—**

16 **“(1) such payment was voluntarily paid by such**
17 **individual’s employer on account of such individual’s**
18 **separation from employment before attainment of**
19 **normal retirement age, and**

20 **“(2) such separation was in connection with a**
21 **substantial reduction in the work force of the em-**
22 **ployer.**

23 **“(c) TRANSFER TREATED AS ROLLOVER CONTRIBU-**
24 **TION.—For purposes of this title, a transfer to an individ-**
25 **ual retirement account which results in an amount being**
26 **excluded from gross income under subsection (a) shall be**

1 treated as a rollover contribution described in section
2 408(d)(3).”.

3 (b) TECHNICAL AMENDMENTS.—Sections 219(d)(2),
4 408(a)(1) and 4973(b)(2)(A) of such Code are each
5 amended by striking “402(c)” and inserting “137,
6 402(c)”.

7 (c) CLERICAL AMENDMENT.—The table of sections
8 for part III of subchapter B of chapter 1 of such Code
9 is amended by striking the item relating to section 137
10 and inserting the following:

“Sec. 137. Tax-free rollover of certain separation payments.
“Sec. 138. Cross-references to other Acts.”.

11 (d) EFFECTIVE DATE.—

12 (1) IN GENERAL.—The amendments made by
13 this section shall apply to payments received on or
14 after January 1, 1993.

15 (2) TRANSITIONAL RULE.—In the case of any
16 payment received on or after January 1, 1993, and
17 before the date of the enactment of this Act, the 60-
18 day period referred to in section 137(a)(2) of the In-
19 ternal Revenue Code of 1986 (as added by this sec-
20 tion) shall not expire before the date 60 days after
21 the date of the enactment of this Act.

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