

105TH CONGRESS  
2D SESSION

# S. 2644

To amend the Internal Revenue Code of 1986 to exclude certain severance payment amounts from income.

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## IN THE SENATE OF THE UNITED STATES

OCTOBER 20 (legislative day, OCTOBER 2), 1998

Mr. TORRICELLI introduced the following bill; which was read twice and referred to the Committee on Finance

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## A BILL

To amend the Internal Revenue Code of 1986 to exclude certain severance payment amounts from income.

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. EXCLUSION FROM INCOME OF SEVERANCE**

4 **PAYMENT AMOUNTS.**

5 (a) IN GENERAL.—Part III of subchapter B of chap-  
6 ter 1 of the Internal Revenue Code of 1986 (relating to  
7 items specifically excluded from gross income) is amended  
8 by redesignating section 139 as section 140 and by insert-  
9 ing after section 138 the following:

1 **“SEC. 139. SEVERANCE PAYMENTS.**

2 “(a) IN GENERAL.—In the case of an individual,  
3 gross income shall not include any qualified severance pay-  
4 ment.

5 “(b) LIMITATION.—The amount to which the exclu-  
6 sion under subsection (a) applies shall not exceed \$5,000  
7 with respect to any separation from employment.

8 “(c) QUALIFIED SEVERANCE PAYMENT.—For pur-  
9 poses of this section—

10 “(1) IN GENERAL.—The term ‘qualified sever-  
11 ance payment’ means any payment received by an  
12 individual if—

13 “(A) such payment was paid by such indi-  
14 vidual’s employer on account of such individ-  
15 ual’s separation from employment,

16 “(B) such separation was in connection  
17 with a reduction in the work force of the em-  
18 ployer, and

19 “(C) such individual does not attain em-  
20 ployment within 6 months of the date of such  
21 separation in which the amount of compensa-  
22 tion is equal to or greater than 95 percent of  
23 the amount of compensation for the employ-  
24 ment that is related to such payment.

25 “(2) LIMITATION.—Such term shall not include  
26 any payment received by an individual if the aggre-

1       gate payments received with respect to the separa-  
2       tion from employment exceed \$125,000.”

3       (b) CLERICAL AMENDMENT.—The table of sections  
4       for part III of subchapter B of chapter 1 of the Internal  
5       Revenue Code of 1986 is amended by striking the item  
6       relating to section 139 and inserting the following:

“Sec. 139. Severance payments.

“Sec. 140. Cross references to other Acts.”

7       (c) EFFECTIVE DATE.—The amendments made by  
8       this section shall apply to taxable years beginning after  
9       December 31, 1998.

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