

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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