

103<sup>D</sup> CONGRESS  
1<sup>ST</sup> SESSION

# H. R. 356

To amend the Internal Revenue Code of 1986 to provide that the unearned income of children attributable to personal injury awards shall not be taxed at the marginal rate of the parents.

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IN THE HOUSE OF REPRESENTATIVES

JANUARY 5, 1993

Mr. SLATTERY introduced the following bill; which was referred to the  
Committee on Ways and Means

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## A BILL

To amend the Internal Revenue Code of 1986 to provide that the unearned income of children attributable to personal injury awards shall not be taxed at the marginal rate of the parents.

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. SHORT TITLE.**

4 This Act may be cited as the “Children’s Personal  
5 Injury Awards Tax Equity Act”.

1 **SEC. 2. TREATMENT OF UNEARNED INCOME OF CHILDREN**  
2 **ATTRIBUTABLE TO PERSONAL INJURY**  
3 **AWARDS.**

4 (a) IN GENERAL.—Paragraph (4) of section 1(g) of  
5 the Internal Revenue Code of 1986 (relating to taxation  
6 of unearned income of minor children at parent’s rate) is  
7 amended by redesignating subparagraph (B) as subpara-  
8 graph (C) and by inserting after subparagraph (A) the  
9 following new subparagraph:

10 “(B) EXCEPTION FOR UNEARNED INCOME  
11 ATTRIBUTABLE TO PERSONAL INJURY  
12 AWARDS.—

13 “(i) IN GENERAL.—There shall not be  
14 taken into account under subparagraph  
15 (A)(i) any qualified injury award income.

16 “(ii) QUALIFIED INJURY AWARD IN-  
17 COME.—For purposes of clause (i), the  
18 term ‘qualified injury award income’ means  
19 income attributable to an amount excluded  
20 from the gross income of the child by rea-  
21 son of section 104(a)(2) if—

22 “(I) the excluded amount is re-  
23 ceived by the child in a lump sum,  
24 and

25 “(II) the income accrues on the  
26 excluded amount while in a custodial

1 account (other than a trust) the  
2 amounts in which are prohibited  
3 under State law from being used to  
4 satisfy any person's obligation to sup-  
5 port or maintain the child.”

6 (b) EFFECTIVE DATE.—

7 (1) IN GENERAL.—The amendments made by  
8 this section shall apply to taxable years beginning  
9 after December 31, 1986.

10 (2) STATUTE OF LIMITATIONS.—If a credit or  
11 refund of any overpayment of tax resulting from the  
12 amendments made by this section is prevented at  
13 any time before the close of the 1-year period begin-  
14 ning on the date of the enactment of this Act by the  
15 operation of any law or rule of law (including res ju-  
16 dicata), credit or refund of such overpayment (to the  
17 extent attributable to the application of such amend-  
18 ments) may, nevertheless, be allowed or made if a  
19 claim for credit or refund is filed before the close of  
20 such 1-year period.

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