

103<sup>D</sup> CONGRESS  
2<sup>D</sup> SESSION

# H. R. 3903

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

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IN THE HOUSE OF REPRESENTATIVES

FEBRUARY 24, 1994

Mr. JEFFERSON 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 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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