

107TH CONGRESS
1ST SESSION

H. R. 3139

To amend the Internal Revenue Code of 1986 to provide for capital gains treatment for certain termination payments received by former insurance salesmen.

IN THE HOUSE OF REPRESENTATIVES

OCTOBER 16, 2001

Mr. SAM JOHNSON of Texas (for himself and Mr. KLECZKA) introduced the following bill; which was referred to the Committee on Ways and Means

A BILL

To amend the Internal Revenue Code of 1986 to provide for capital gains treatment for certain termination payments received by former insurance salesmen.

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 “Fair Tax Treatment
5 for Insurance Agents’ Termination Payments Act of
6 2001”.

1 **SEC. 2. CAPITAL GAINS TREATMENT OF QUALIFIED TERMI-**
2 **NATION PAYMENTS RECEIVED BY FORMER**
3 **INSURANCE SALESMEN.**

4 (a) IN GENERAL.—Part IV of subchapter P of chap-
5 ter 1 of the Internal Revenue Code of 1986 is amended
6 by adding at the end the following new section:

7 **“SEC. 1261. QUALIFIED TERMINATION PAYMENTS RE-**
8 **CEIVED BY FORMER INSURANCE SALESMEN.**

9 “(a) GENERAL.—A qualified termination payment re-
10 ceived during the taxable year from an insurance company
11 by an individual in the capacity of a former insurance
12 salesman for such company shall be considered a sale or
13 exchange of a capital asset held for more than 12 months.

14 “(b) QUALIFIED TERMINATION PAYMENT.—For pur-
15 poses of this section, the term ‘qualified termination pay-
16 ment’ means any amount received by a former insurance
17 salesman if—

18 “(1) such amount is received after termination
19 of such individual’s agreement to perform services as
20 an insurance salesman for such company,

21 “(2) such individual performs no services for
22 such company after such termination and before the
23 close of such taxable year,

24 “(3) such individual enters into a covenant not
25 to compete against such company which applies to at

1 least the 1-year period beginning on the date of such
2 termination, and

3 “(4) the amount of such payment depends pri-
4 marily on policies sold by or credited to the account
5 of such individual or the extent to which such poli-
6 cies remain in force for some period after such ter-
7 mination, or both.”.

8 (b) CLERICAL AMENDMENT.—The table of sections
9 for such part IV is amended by adding at the end the
10 following new item:

 “Sec. 1261. Qualified termination payments received by former
 insurance salesmen.”

11 (c) EFFECTIVE DATE.—The amendments made by
12 this section shall apply to taxable years ending after the
13 date of the enactment of this Act.

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