

105TH CONGRESS
1ST SESSION

H. R. 2492

To amend the Internal Revenue Code of 1986 to exclude certain severance payments from gross income and to allow a refundable credit for job training expenses of older long-time employees who are laid off.

IN THE HOUSE OF REPRESENTATIVES

SEPTEMBER 17, 1997

Mr. SMITH of New Jersey 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 exclude certain severance payments from gross income and to allow a refundable credit for job training expenses of older long-time employees who are laid off.

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 “Career Transition As-
5 sistance Act of 1997”.

1 **SEC. 2. EXCLUSION FROM INCOME OF SEVERANCE PAY-**
 2 **MENT AMOUNTS.**

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

8 **“SEC. 139. SEVERANCE PAYMENTS.**

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

12 “(b) LIMITATIONS.—

13 “(1) AMOUNT.—The amount to which the ex-
 14 clusion under subsection (a) applies shall not ex-
 15 ceed—

16 “(A) \$15,000, with respect to any separa-
 17 tion from employment, reduced by

18 “(B) the aggregate amount excluded from
 19 gross income under subsection (a) in prior tax-
 20 able years on account of such separation.

21 “(2) YEARS TO WHICH EXCLUSION APPLIES.—

22 No qualified severance payment shall be excluded
 23 from gross income under subsection (a) unless such
 24 payment is received in the taxable year in which sep-
 25 aration from employment occurs or in one of the two
 26 succeeding taxable years.

1 “(c) QUALIFIED SEVERANCE PAYMENT.—For pur-
 2 poses of this section, the term ‘qualified severance pay-
 3 ment’ means any payment received by an individual if—

4 “(1) such payment was paid by such individ-
 5 ual’s employer on account of such individual’s sepa-
 6 ration from employment, and

7 “(2) such separation was in connection with a
 8 reduction in the work force of the employer.”

9 (b) CLERICAL AMENDMENT.—The table of sections
 10 for part III of subchapter B of chapter 1 of such Code
 11 is amended by striking the item relating to section 139
 12 and inserting the following new items:

“Sec. 139. Severance payments.

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

13 (c) EFFECTIVE DATE.—The amendments made by
 14 this section shall apply to taxable years beginning after
 15 December 31, 1996.

16 **SEC. 3. REFUNDABLE CREDIT FOR RETRAINING EXPENSES**
 17 **FOR CERTAIN OLDER LONG-TIME EMPLOY-**
 18 **EES WHO ARE LAID OFF.**

19 (a) IN GENERAL.—Subpart C of part IV of sub-
 20 chapter A of chapter 1 of the Internal Revenue Code of
 21 1986 (relating to refundable credits) is amended by redes-
 22 ignating section 35 as section 36 and by inserting after
 23 section 34 the following new section:

1 **“SEC. 35. RETRAINING EXPENSES FOR CERTAIN OLDER**
 2 **LONG-TIME EMPLOYEES WHO ARE LAID OFF.**

3 “(a) ALLOWANCE OF CREDIT.—In the case of an eli-
 4 gible individual, there shall be allowed as a credit against
 5 the tax imposed by this subtitle an amount equal to the
 6 qualified job training expenses which are paid or incurred
 7 during the taxable year.

8 “(b) MAXIMUM CREDIT.—The amount of qualified
 9 job training expenses of an individual which may be taken
 10 into account under subsection (a) with respect to a reduc-
 11 tion in a work force for the taxable year shall not exceed
 12 \$2,000, reduced by the amount of such expenses which
 13 were taken into account under subsection (a) (or would
 14 have been so taken into account but for subsection (c))
 15 with respect to such reduction for all prior taxable years.

16 “(c) LIMITATION BASED ON ADJUSTED GROSS IN-
 17 COME.—

18 “(1) IN GENERAL.—The dollar amount con-
 19 tained in subsection (b) shall be reduced (but not
 20 below zero) by an amount which bears the same
 21 ratio to such limitation as—

22 “(A) the excess of—

23 “(i) the taxpayer’s adjusted gross in-
 24 come for such taxable year, over

25 “(ii) the applicable dollar amount,
 26 bears to

1 “(B) \$20,000.

2 “(2) ROUNDING.—Any amount determined
3 under paragraph (1) which is not a multiple of \$10
4 shall be rounded to the next lowest \$10.

5 “(3) APPLICABLE DOLLAR AMOUNT.—For pur-
6 poses of this subsection, the term ‘applicable dollar
7 amount’ means—

8 “(A) in the case of a taxpayer filing a joint
9 return, \$100,000,

10 “(B) in the case of any other taxpayer
11 (other than a married individual filing a sepa-
12 rate return), \$75,000, and

13 “(C) in the case of a married individual fil-
14 ing a separate return, \$50,000.

15 A rule similar to the rule of section 219(g)(4) shall
16 apply for purposes of this paragraph.

17 “(d) DEFINITIONS.—For purposes of this section—

18 “(1) ELIGIBLE INDIVIDUAL.—The term ‘eligible
19 individual’ means any individual if—

20 “(A) during the taxable year or the preced-
21 ing taxable year, such individual separated from
22 employment in connection with a reduction in
23 the work force of his employer (other than a
24 seasonal reduction), and

25 “(B) as of the date of such separation—

1 “(i) such individual had attained age
2 50, and

3 “(ii) during the 30-year period ending
4 on the date of such separation, such indi-
5 vidual had been employed by such em-
6 ployer (or any predecessor of such em-
7 ployer) as a full-time employee for periods
8 aggregating 20 years or more.

9 “(2) QUALIFIED JOB TRAINING EXPENSES.—

10 “(A) IN GENERAL.—The term ‘qualified
11 job training expenses’ means—

12 “(i) tuition and fees required for the
13 enrollment or attendance of the eligible in-
14 dividual—

15 “(I) at an eligible educational in-
16 stitution, or

17 “(II) in an applicable training
18 program,

19 “(ii) fees, books, supplies, and equip-
20 ment required for an eligible individual
21 for—

22 “(I) courses of instruction at an
23 eligible educational institution, or

24 “(II) an applicable training pro-
25 gram, and

1 “(iii) a reasonable allowance for meals
2 and lodging while attending an eligible
3 educational institution or an applicable
4 training program.

5 “(B) ELIGIBLE EDUCATIONAL INSTITU-
6 TION.—The term ‘eligible educational institution’
7 means—

8 “(i) an institution of higher education,
9 or

10 “(ii) a vocational school.

11 “(C) INSTITUTION OF HIGHER EDU-
12 CATION.—The term ‘institution of higher edu-
13 cation’ means the institutions described in sec-
14 tion 1201(a) or 481(a) of the Higher Education
15 Act of 1965.

16 “(D) VOCATIONAL SCHOOL.—The term
17 ‘vocational school’ means an area vocational
18 education school as defined in subparagraph
19 (C) or (D) of section 521(4) of the Carl D. Per-
20 kins Vocational and Applied Technology Edu-
21 cation Act to the extent such school is located
22 within any State (as defined in such section).

23 “(E) APPLICABLE TRAINING PROGRAM.—
24 The term ‘applicable training program’
25 means—

1 “(i) any applicable program (as de-
 2 fined in section 314(g) of the Job Training
 3 Partnership Act), and

4 “(ii) any training program approved
 5 under section 236 of the Trade Act of
 6 1974.”

7 (b) TECHNICAL AMENDMENTS.—

8 (1) Paragraph (2) of section 1324(b) of title
 9 31, United States Code, is amended by inserting
 10 “from section 35 of such Code, or” after “1978,”.

11 (2) The table of sections for subpart C of part
 12 IV of subchapter A of chapter 1 of such Code is
 13 amended by striking the last item and inserting the
 14 following new items:

“Sec. 35. Retraining expenses for certain older long-time employ-
 ees who are laid off.

“Sec. 36. Overpayments of tax.”

15 (c) EFFECTIVE DATE.—The amendments made by
 16 this section shall apply to taxable years beginning after
 17 December 31, 1996.

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