

106TH CONGRESS
1ST SESSION

H. R. 2019

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.

IN THE HOUSE OF REPRESENTATIVES

JUNE 7, 1999

Mrs. JOHNSON of Connecticut (for herself, Mr. ENGLISH, Mrs. THURMAN, Mr. FOLEY, Mr. COOKSEY, Mr. SHOWS, Mr. SANDLIN, Mrs. CLAYTON, Mr. WYNN, and Mr. PAUL) 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 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. TREATMENT OF UNEARNED INCOME OF CHIL-**
4 **DREN ATTRIBUTABLE TO PERSONAL INJURY**
5 **AWARDS.**

6 (a) IN GENERAL.—Paragraph (4) of section 1(g) of
7 the Internal Revenue Code of 1986 (relating to taxation

1 of unearned income of minor children at parent’s rate) is
2 amended by redesignating subparagraph (B) as subpara-
3 graph (C) and by inserting after subparagraph (A) the
4 following new subparagraph:

5 “(B) EXCEPTION FOR UNEARNED INCOME
6 ATTRIBUTABLE TO PERSONAL INJURY
7 AWARDS.—

8 “(i) IN GENERAL.—There shall not be
9 taken into account under subparagraph
10 (A)(i) any qualified injury award income.

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

17 “(I) the excluded amount is re-
18 ceived by the child in a lump sum,
19 and

20 “(II) the income accrues on the
21 excluded amount while in a custodial
22 account (other than a trust) the
23 amounts in which are prohibited
24 under State law from being used to

1 satisfy any person's obligation to sup-
2 port or maintain the child.”

3 (b) EFFECTIVE DATE.—The amendment made by
4 this section shall apply to taxable years beginning after
5 December 31, 1999.

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