

106TH CONGRESS
1ST SESSION

H. R. 873

To amend the Internal Revenue Code of 1986 to clarify that employees of a political subdivision of a State shall not lose their exemption from the hospital insurance tax by reason of the consolidation of the subdivision with the State.

IN THE HOUSE OF REPRESENTATIVES

FEBRUARY 25, 1999

Mr. NEAL of Massachusetts (for himself, Mr. MOAKLEY, Mr. MARKEY, Mr. MEEHAN, Mr. FRANK of Massachusetts, Mr. MCGOVERN, Mr. DELAHUNT, Mr. OLVER, Mr. TIERNEY, and Mr. CAPUANO) 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 clarify that employees of a political subdivision of a State shall not lose their exemption from the hospital insurance tax by reason of the consolidation of the subdivision with the State.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

1 **SECTION 1. CLARIFICATION OF EMPLOYMENT RELATION-**
2 **SHIP WHERE POLITICAL SUBDIVISION OF**
3 **STATE IS CONSOLIDATED WITH STATE.**

4 (a) IN GENERAL.—Subparagraph (D) of section
5 3121(u)(2) of the Internal Revenue Code of 1986 (relating
6 to application of hospital insurance tax to Federal, State,
7 and local employment) is amended by adding at the end
8 the following new clause:

9 “(iii) An employee of a political sub-
10 division of a State shall not be treated as
11 having terminated such employee’s employ-
12 ment relationship with such subdivision by
13 reason of the abolition of such subdivision
14 (or other consolidation of any agency or in-
15 strumentality of such subdivision with the
16 State) if, as a result of such abolition (or
17 other consolidation), such employee be-
18 comes an employee of the State and con-
19 tinues to hold the same or substantially the
20 same position with the State.”

21 (b) EFFECTIVE DATE.—The amendment made by
22 subsection (a) shall apply to all abolitions and other con-
23 solidations, whether occurring before, on, or after the date
24 of the enactment of this Act.

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