

111TH CONGRESS
2D SESSION

H. R. 4561

To amend the Internal Revenue Code of 1986 to provide a limited exclusion from gross income for the discharge of indebtedness of individuals.

IN THE HOUSE OF REPRESENTATIVES

FEBRUARY 2, 2010

Mr. LEWIS of Georgia 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 a limited exclusion from gross income for the discharge of indebtedness of individuals.

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. EXCLUSION FROM GROSS INCOME FOR DIS-**
4 **CHARGE OF INDEBTEDNESS OF INDIVIDUALS.**

5 (a) IN GENERAL.—Paragraph (1) of section 108(a)
6 of the Internal Revenue Code of 1986 is amended by strik-
7 ing “or” at the end of subparagraph (D), by striking the
8 period at the end of subparagraph (E) and inserting “,
9 or”, and by adding at the end the following new subpara-
10 graph:

1 “(F) the indebtedness discharged is quali-
2 fied individual indebtedness.”.

3 (b) QUALIFIED INDIVIDUAL INDEBTEDNESS.—Sec-
4 tion 108 of such Code is amended by adding at the end
5 the following new subsection:

6 “(j) SPECIAL RULES RELATING TO QUALIFIED INDIVIDUAL INDEBTEDNESS.—

8 “(1) QUALIFIED INDIVIDUAL INDEBTEDNESS
9 DEFINED.—For purposes of this section, the term
10 ‘qualified individual indebtedness’ means any indebt-
11 edness of an individual other than indebtedness
12 which is—

13 “(A) discharged on account of services per-
14 formed for the lender, or

15 “(B) held at any time by a person related
16 to such individual.

17 For purposes of subparagraph (B), a person shall be
18 treated as related to another person if the relation-
19 ship between such persons would result in a dis-
20 allowance of losses under section 267 or 707(b).

21 “(2) DOLLAR LIMITATION.—The amount of
22 qualified individual indebtedness excluded from gross
23 income under subsection (a)(1)(F) with respect to
24 any individual for any taxable year shall not exceed
25 the excess of—

1 “(A) \$10,000, over

2 “(B) the aggregate amount excluded from
3 the gross income of such individual under sub-
4 section (a)(1) for such taxable year and all
5 prior taxable years (determined without regard
6 to the amount excluded under subsection
7 (a)(1)(F) for such taxable year).

8 “(3) JOINT RETURNS.—In the case of a joint
9 return—

10 “(A) the dollar limitation under paragraph
11 (2) shall be applied separately to each spouse,
12 and

13 “(B) the taxpayer may elect to treat any
14 indebtedness of either spouse as indebtedness of
15 the other spouse.”.

16 (c) COORDINATION.—

17 (1) IN GENERAL.—Paragraph (2) of section
18 108(a) of such Code is amended by adding at the
19 end the following new subparagraph:

20 “(D) PRECEDENCE OF INDIVIDUAL IN-
21 DEBTEDNESS EXCLUSION.—

22 “(i) INDIVIDUAL INDEBTEDNESS EX-
23 CLUSION TAKES PRECEDENCE OVER IN-
24 SOLVENCY EXCLUSION UNLESS ELECTED
25 OTHERWISE.—Paragraph (1)(B) shall not

1 apply to a discharge to which paragraph
2 (1)(F) applies unless the taxpayer elects to
3 apply paragraph (1)(B) in lieu of para-
4 graph (1)(F).

5 “(ii) OTHER EXCLUSIONS TAKE PRECE-
6 DENCE.—Subparagraph (F) shall not
7 apply to a discharge to which subpara-
8 graph (C), (D), or (E) applies.”.

9 (2) TITLE 11 EXCLUSION TAKES PRECE-
10 DENCE.—Subparagraph (A) of section 108(a)(2) of
11 such Code is amended by striking “and (E)” and in-
12 serting “(E), and (F)”.

13 (d) EFFECTIVE DATE.—The amendments made by
14 this section shall apply to discharges of indebtedness after
15 the date of the enactment of this Act.

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