

114TH CONGRESS
2D SESSION

S. 2712

To restore amounts improperly withheld for tax purposes from severance payments to individuals who retired or separated from service in the Armed Forces for combat-related injuries, and for other purposes.

IN THE SENATE OF THE UNITED STATES

MARCH 17, 2016

Mr. BOOZMAN (for himself and Mr. WARNER) introduced the following bill;
which was read twice and referred to the Committee on Finance

A BILL

To restore amounts improperly withheld for tax purposes from severance payments to individuals who retired or separated from service in the Armed Forces for combat-related injuries, and for other purposes.

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 “Combat-Injured Vet-
5 erans Tax Fairness Act of 2016”.

6 **SEC. 2. FINDINGS.**

7 Congress makes the following findings:

1 (1) Approximately 10,000 to 11,000 individuals
2 are retired from service in the Armed Forces for
3 medical reasons each year.

4 (2) Some of such individuals are separated from
5 service in the Armed Forces for combat-related inju-
6 ries (as defined in section 104(b)(3) of the Internal
7 Revenue Code of 1986).

8 (3) Congress has recognized the tremendous
9 personal sacrifice of veterans with combat-related in-
10 juries by, among other things, specifically excluding
11 from taxable income severance pay received for com-
12 bat-related injuries.

13 (4) Since 1991, the Secretary of Defense has
14 improperly withheld taxes from severance pay for
15 wounded veterans, thus denying them their due com-
16 pensation and a significant benefit intended by Con-
17 gress.

18 (5) Many veterans owed redress are beyond the
19 statutory period to file an amended tax return be-
20 cause they were not or are not aware that taxes were
21 improperly withheld.

1 **SEC. 3. RESTORATION OF AMOUNTS IMPROPERLY WITH-**
2 **HELD FOR TAX PURPOSES FROM SEVERANCE**
3 **PAYMENTS TO VETERANS WITH COMBAT-RE-**
4 **LATED INJURIES.**

5 (a) IN GENERAL.—Not later than one year after the
6 date of the enactment of this Act, the Secretary of Defense
7 shall—

8 (1) identify—

9 (A) the severance payments—

10 (i) that the Secretary paid after Janu-
11 ary 17, 1991;

12 (ii) that the Secretary computed
13 under section 1212 of title 10, United
14 States Code;

15 (iii) that were not considered gross in-
16 come pursuant to section 104(a)(4) of the
17 Internal Revenue Code of 1986; and

18 (iv) from which the Secretary withheld
19 amounts for tax purposes; and

20 (B) the individuals to whom such sever-
21 ance payments were made; and

22 (2) with respect to each person identified under
23 paragraph (1)(B), provide—

24 (A) notice of—

1 (i) the amount of severance payments
2 in paragraph (1)(A) which were improperly
3 withheld for tax purposes; and

4 (ii) such other information determined
5 to be necessary by the Secretary of Treas-
6 ury to carry out the purposes of this sec-
7 tion; and

8 (B) instructions for filing amended tax re-
9 turns to recover the amounts improperly with-
10 held for tax purposes.

11 (b) EXTENSION OF LIMITATION ON TIME FOR CRED-
12 IT OR REFUND.—

13 (1) PERIOD FOR FILING CLAIM.—If a claim for
14 credit or refund under section 6511(a) of the Inter-
15 nal Revenue Code of 1986 relates to a specified
16 overpayment, the 3-year period of limitation pre-
17 scribed by such subsection shall not expire before
18 the date which is 1 year after the date the informa-
19 tion return described in subsection (a)(2) is filed.
20 The allowable amount of credit or refund of a speci-
21 fied overpayment shall be determined without regard
22 to the amount of tax paid within the period provided
23 in section 6511(b)(2).

24 (2) SPECIFIED OVERPAYMENT.—For purposes
25 of paragraph (1), the term “specified overpayment”

1 means an overpayment attributable to a severance
2 payment described in subsection (a)(1).

3 **SEC. 4. REQUIREMENT THAT SECRETARY OF DEFENSE EN-**
4 **SURE AMOUNTS ARE NOT WITHHELD FOR**
5 **TAX PURPOSES FROM SEVERANCE PAY-**
6 **MENTS NOT CONSIDERED GROSS INCOME.**

7 The Secretary of Defense shall take such actions as
8 may be necessary to ensure that amounts are not withheld
9 for tax purposes from severance payments made by the
10 Secretary to individuals when such payments are not con-
11 sidered gross income pursuant to section 104(a)(4) of the
12 Internal Revenue Code of 1986.

13 **SEC. 5. REPORT TO CONGRESS.**

14 (a) IN GENERAL.—After completing the identifica-
15 tion required by section 3(a) and not later than one year
16 after the date of the enactment of this Act, the Secretary
17 of Defense shall submit to the appropriate committees of
18 Congress a report on the actions taken by the Secretary
19 to carry out this Act.

20 (b) CONTENTS.—The report submitted under sub-
21 section (a) shall include the following:

22 (1) The number of individuals identified under
23 section 3(a)(1)(B).

24 (2) Of all the severance payments described in
25 section 3(a)(1)(A), the aggregate amount that the

1 Secretary withheld for tax purposes from such pay-
2 ments.

3 (3) A description of the actions the Secretary
4 plans to take to carry out section 4.

5 (c) APPROPRIATE COMMITTEES OF CONGRESS DE-
6 FINED.—In this section, the term “appropriate commit-
7 tees of Congress” means—

8 (1) the Committee on Armed Services, the
9 Committee on Veterans’ Affairs, and the Committee
10 on Finance of the Senate; and

11 (2) the Committee on Armed Services, the
12 Committee on Veterans’ Affairs, and the Committee
13 on Ways and Means of the House of Representa-
14 tives.

○