

112TH CONGRESS  
1ST SESSION

# H. R. 2263

To amend the Internal Revenue Code of 1986 to exclude from Federal tax certain payments made in connection with reductions in force.

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IN THE HOUSE OF REPRESENTATIVES

JUNE 21, 2011

Mr. PAUL introduced the following bill; which was referred to the Committee on Ways and Means

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## A BILL

To amend the Internal Revenue Code of 1986 to exclude from Federal tax certain payments made in connection with reductions in force.

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 “Unemployed Tax Relief  
5 Act of 2011”.

6 **SEC. 2. EXCLUSION FROM INCOME FOR PAYMENTS IN CON-**  
7 **NECTION WITH REDUCTIONS IN FORCE.**

8 (a) IN GENERAL.—Part III of subchapter B of chap-  
9 ter 1 of the Internal Revenue Code of 1986 is amended  
10 by inserting after section 139D the following new section:

1 **“SEC. 139E. PAYMENTS IN CONNECTION WITH REDUCTIONS**  
2 **IN FORCE.**

3 “(a) IN GENERAL.—In the case of an individual who  
4 is separated from employment as a result of a reduction  
5 in force of the employer, gross income shall not include—

6 “(1) the last regular payment of wages (as de-  
7 fined in section 3121) or compensation (as defined  
8 in section 3231), as the case may be, for service per-  
9 formed before such separation, and

10 “(2) any severance amount received in connec-  
11 tion with such separation.

12 “(b) EMPLOYMENT TAXES.—Amounts excluded from  
13 gross income under subsection (a) shall not be taken into  
14 account as wages for purposes of subtitle C.

15 “(c) SEVERANCE AMOUNT.—For purposes of this  
16 section, a severance amount includes—

17 “(1) any amount based on months of service  
18 which is not in the nature of retirement,

19 “(2) any amount in lieu of unused vacation  
20 time or sick leave,

21 “(3) any amount in lieu of a required notice pe-  
22 riod, and

23 “(4) any stock option offered as part of a sever-  
24 ance package.”.

25 (b) TRUST FUNDS HELD HARMLESS.—There is  
26 hereby appropriated (out of any money in the Treasury

1 not otherwise appropriated) for each fiscal year to each  
2 employment-related fund an amount equal to the reduc-  
3 tion in the transfers to such fund for such fiscal year by  
4 reason of the amendment made by subsection (a). For  
5 purposes of the preceding sentence, the term “employ-  
6 ment-related fund” means a fund the contributions to  
7 which are determined in relation to taxes imposed under  
8 subtitle C of the Internal Revenue Code of 1986.

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

“Sec. 139E. Payments in connection with reductions in force.”.

13 (d) EFFECTIVE DATE.—The amendment made by  
14 this section shall apply to amounts received after Decem-  
15 ber 31, 2009.

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