

104TH CONGRESS
2D SESSION

H. R. 3042

To amend the Internal Revenue Code of 1986 to allow individuals an exclusion from gross income for certain amounts of unearned income.

IN THE HOUSE OF REPRESENTATIVES

MARCH 7, 1996

Mr. FIELDS of Louisiana 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 allow individuals an exclusion from gross income for certain amounts of unearned income.

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 “Tax-Free Savings and
5 Investment Income Act”.

6 **SEC. 2. EXCLUSION OF CERTAIN AMOUNTS OF UNEARNED**
7 **INCOME OF INDIVIDUALS.**

8 (a) IN GENERAL.—Part III of subchapter B of chap-
9 ter 1 of the Internal Revenue Code of 1986 (relating to
10 amounts specifically excluded from gross income) is

1 amended by inserting after section 115 the following new
2 section:

3 **“SEC. 116. PARTIAL EXCLUSION OF UNEARNED INCOME RE-**
4 **CEIVED BY INDIVIDUALS.**

5 “(a) EXCLUSION FROM GROSS INCOME.—In the case
6 of an individual, gross income does not include unearned
7 income.

8 “(b) LIMITATION.—The aggregate amount excluded
9 under subsection (a) for any taxable year shall not exceed
10 \$5,000 (\$10,000 in the case of a joint return).

11 “(c) UNEARNED INCOME.—For purposes of this sec-
12 tion, the term ‘unearned income’ means income other
13 than—

14 “(1) wages, salaries, tips, and other employee
15 compensation, and

16 “(2) earned income (as defined in section
17 401(c)(2)).

18 Such term includes any income from a pension or annuity.

19 “(d) CERTAIN NONRESIDENT ALIENS INELIGIBLE
20 FOR EXCLUSION.—In the case of a nonresident alien indi-
21 vidual, subsection (a) shall apply only—

22 “(1) in determining the tax imposed for the
23 taxable year pursuant to section 871(b)(1) and only
24 in respect of unearned income which is effectively

1 connected with the conduct of a trade or business
2 within the United States, or

3 “(2) in determining the tax imposed for the
4 taxable year pursuant to section 877(b).

5 “(e) ESTATES AND TRUSTS INELIGIBLE FOR EXCLU-
6 SION.—Subsection (a) shall not apply to an estate or
7 trust.”

8 (b) CLERICAL AMENDMENT.—The table of sections
9 for part III of subchapter B of chapter 1 of such Code
10 is amended by inserting after the item relating to section
11 115 the following new item:

“Sec. 116. Partial exclusion of unearned income received by indi-
viduals.”

12 (c) EFFECTIVE DATE.—The amendments made by
13 this section shall apply to taxable years beginning after
14 the date of the enactment of this Act.

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