

107TH CONGRESS
1ST SESSION

H. R. 3001

To amend the Internal Revenue Code of 1986 to exclude certain severance payments from gross income and to allow a refundable credit for job training expenses of older long-time employees who are laid off.

IN THE HOUSE OF REPRESENTATIVES

OCTOBER 2, 2001

Mr. SMITH of New Jersey (for himself, Mr. MORAN of Virginia, Mr. KING, Mr. BORSKI, Ms. HART, Mr. HALL of Ohio, Mr. FORD, and Mr. CALVERT) introduced the following bill; which was referred to the Committee on Ways and Means, and in addition to the Committee on Education and the Workforce, for a period to be subsequently determined by the Speaker, in each case for consideration of such provisions as fall within the jurisdiction of the committee concerned

A BILL

To amend the Internal Revenue Code of 1986 to exclude certain severance payments from gross income and to allow a refundable credit for job training expenses of older long-time employees who are laid off.

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 “Displaced Older Work-
5 er Assistance Act of 2001”.

1 **SEC. 2. EXCLUSION FROM INCOME OF SEVERANCE PAY-**
2 **MENT AMOUNTS.**

3 (a) IN GENERAL.—Part III of subchapter B of chap-
4 ter 1 of the Internal Revenue Code of 1986 (relating to
5 items specifically excluded from gross income) is amended
6 by redesignating section 139 as section 139A and by in-
7 serting after section 138 the following new section:

8 **“SEC. 139. SEVERANCE PAYMENTS.**

9 “(a) IN GENERAL.—In the case of an individual,
10 gross income shall not include any qualified severance pay-
11 ment.

12 “(b) LIMITATIONS.—

13 “(1) AMOUNT.—The amount to which the ex-
14 clusion under subsection (a) applies shall not
15 exceed—

16 “(A) \$15,000, with respect to any separa-
17 tion from employment, reduced by

18 “(B) the aggregate amount excluded from
19 gross income under subsection (a) in prior tax-
20 able years.

21 “(2) YEARS TO WHICH EXCLUSION APPLIES.—

22 No qualified severance payment shall be excluded
23 from gross income under subsection (a) unless such
24 payment is received in the taxable year in which sep-
25 aration from employment occurs or in one of the two
26 succeeding taxable years.

1 “(c) QUALIFIED SEVERANCE PAYMENT.—For pur-
2 poses of this section, the term ‘qualified severance pay-
3 ment’ means any payment received by an individual if—

4 “(1) such payment was paid by such individ-
5 ual’s employer on account of such individual’s sepa-
6 ration from employment, and

7 “(2) such individual received a written notice
8 from such employer indicating that such payment is
9 a severance payment.”

10 (b) CLERICAL AMENDMENT.—The table of sections
11 for part III of subchapter B of chapter 1 of such Code
12 is amended by striking the item relating to section 139
13 and inserting the following new items:

“Sec. 139. Severance payments.

“Sec. 139A. Cross references to other Acts.”

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

17 **SEC. 3. REFUNDABLE CREDIT FOR RETRAINING EXPENSES**
18 **FOR CERTAIN OLDER LONG-TIME EMPLOY-**
19 **EES WHO ARE LAID OFF.**

20 (a) IN GENERAL.—Subpart C of part IV of sub-
21 chapter A of chapter 1 of the Internal Revenue Code of
22 1986 (relating to refundable credits) is amended by redес-
23 ignating section 35 as section 36 and by inserting after
24 section 34 the following new section:

1 **“SEC. 35. RETRAINING EXPENSES FOR CERTAIN OLDER**
2 **LONG-TIME EMPLOYEES WHO ARE LAID OFF.**

3 “(a) ALLOWANCE OF CREDIT.—In the case of an eli-
4 gible individual, there shall be allowed as a credit against
5 the tax imposed by this subtitle an amount equal to the
6 qualified job training expenses which are paid or incurred
7 during the taxable year.

8 “(b) MAXIMUM CREDIT.—The amount of qualified
9 job training expenses of an individual which may be taken
10 into account under subsection (a) with respect to a reduc-
11 tion in a work force for the taxable year shall not exceed
12 \$2,000, reduced by the amount of such expenses which
13 were taken into account under subsection (a) (or would
14 have been so taken into account but for subsection (c))
15 with respect to such reduction for all prior taxable years.

16 “(c) LIMITATION BASED ON ADJUSTED GROSS IN-
17 COME.—

18 “(1) IN GENERAL.—The dollar amount con-
19 tained in subsection (b) shall be reduced (but not
20 below zero) by an amount which bears the same
21 ratio to such limitation as—

22 “(A) the excess of—

23 “(i) the taxpayer’s adjusted gross in-
24 come for such taxable year, over

25 “(ii) the applicable dollar amount,
26 bears to

1 “(B) \$20,000.

2 “(2) ROUNDING.—Any amount determined
3 under paragraph (1) which is not a multiple of \$10
4 shall be rounded to the next lowest \$10.

5 “(3) APPLICABLE DOLLAR AMOUNT.—For pur-
6 poses of this subsection, the term ‘applicable dollar
7 amount’ means—

8 “(A) in the case of a taxpayer filing a joint
9 return, \$100,000,

10 “(B) in the case of any other taxpayer
11 (other than a married individual filing a sepa-
12 rate return), \$75,000, and

13 “(C) in the case of a married individual fil-
14 ing a separate return, \$50,000.

15 A rule similar to the rule of section 219(g)(4) shall
16 apply for purposes of this paragraph.

17 “(d) DEFINITIONS.—For purposes of this section—

18 “(1) ELIGIBLE INDIVIDUAL.—The term ‘eligible
19 individual’ means any individual if—

20 “(A) during the taxable year or the pre-
21 ceding taxable year, such individual separated
22 from employment in connection with a reduc-
23 tion in the work force of such individual’s em-
24 ployer (other than a seasonal reduction), and

1 “(B) as of the date of such separation,
2 such individual had attained age 50.

3 “(2) QUALIFIED JOB TRAINING EXPENSES.—

4 “(A) IN GENERAL.—The term ‘qualified
5 job training expenses’ means—

6 “(i) tuition and fees required for the
7 enrollment or attendance of the eligible
8 individual—

9 “(I) at an eligible educational in-
10 stitution, or

11 “(II) in an applicable training
12 program,

13 “(ii) fees, books, supplies, and equip-
14 ment required for an eligible individual
15 for—

16 “(I) courses of instruction at an
17 eligible educational institution, or

18 “(II) an applicable training pro-
19 gram, and

20 “(iii) a reasonable allowance for meals
21 and lodging while attending an eligible
22 educational institution or an applicable
23 training program.

1 “(B) ELIGIBLE EDUCATIONAL INSTITU-
2 TION.—The term ‘eligible educational institu-
3 tion’ means—

4 “(i) an institution of higher education
5 (as defined in section 101 or 102 of the
6 Higher Education Act of 1965), or

7 “(ii) an area vocational technical edu-
8 cation school (as defined in subparagraph
9 (C) or (D) of section 3(3) of the Carl D.
10 Perkins Vocational and Technical Edu-
11 cation Act of 1998) to the extent such
12 school is located within any State (as de-
13 fined in section 3 of such Act).

14 “(C) APPLICABLE TRAINING PROGRAM.—
15 The term ‘applicable training program’
16 means—

17 “(i) any program under the Carl D.
18 Perkins Vocational and Technical Edu-
19 cation Act of 1998, chapter 5 of subtitle B
20 of title I of the Workforce Investment Act
21 of 1998, or the Wagner-Peyser Act, and

22 “(ii) any training program approved
23 under section 236 of the Trade Act of
24 1974.”

25 (b) TECHNICAL AMENDMENTS.—

1 (1) Paragraph (2) of section 1324(b) of title
2 31, United States Code, is amended by inserting
3 “from section 35 of such Code, or” after “1978,”.

4 (2) The table of sections for subpart C of part
5 IV of subchapter A of chapter 1 of such Code is
6 amended by striking the last item and inserting the
7 following new items:

 “Sec. 35. Retraining expenses for certain older long-time employ-
 ees who are laid off.

 “Sec. 36. Overpayments of tax.”

8 (c) **EFFECTIVE DATE.**—The amendments made by
9 this section shall apply to taxable years beginning after
10 December 31, 2000.

11 **SEC. 4. STUDY ON SPECIAL NEEDS OF DISPLACED OLDER**
12 **WORKERS.**

13 (a) **IN GENERAL.**—The Comptroller General of the
14 United States, in collaboration with the Secretary of
15 Labor and the head of any other Federal agency offering
16 a job training or retraining program, shall conduct a study
17 on the special needs of displaced older workers. The study
18 shall—

19 (1) examine the unique differences in needs and
20 challenges that older workers face when finding a
21 new job after a layoff or work separation in compari-
22 son to younger workers facing such challenges;

23 (2) include an assessment of whether existing
24 Federal job training or retraining programs ade-

1 quately serve and meet the special needs and chal-
2 lenges of older workers;

3 (3) include an assessment of whether older
4 workers are disproportionately impacted by job
5 losses attributable to international trade; and

6 (4) include an assessment of the financial in-
7 centives for typical private firms to invest in worker
8 training for older workers in comparison to such in-
9 centives for younger workers.

10 (b) SUBMISSION OF REPORTS TO CONGRESS.—

11 (1) FINAL REPORT.—Not later than 2 years
12 after the date of the enactment of this Act, the
13 Comptroller General shall submit to the Congress a
14 report on the study required by subsection (a). The
15 report shall include such legislative and administra-
16 tive recommendations as the Comptroller General
17 determines are necessary or appropriate to improve
18 the effectiveness of existing Federal programs in
19 serving the needs of displaced older workers.

20 (2) INTERIM REPORT.—Not later than 6
21 months after the date of the enactment of this Act,
22 the Comptroller General shall submit to the Con-
23 gress an interim report with respect to the study re-
24 quired by this section.

1 (c) OLDER WORKER DEFINED.—For purposes of this
2 section, the term “older worker” means an individual who
3 is in or desires to be in the workforce and who has at-
4 tained age 50.

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