

105TH CONGRESS  
1ST SESSION

# H. R. 1652

To amend the Internal Revenue Code of 1986 to clarify the exemption from the self-employment tax for termination payments received by former life insurance salesmen.

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## IN THE HOUSE OF REPRESENTATIVES

MAY 16, 1997

Mr. WELLER 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 clarify the exemption from the self-employment tax for termination payments received by former life insurance salesmen.

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. CLARIFICATION OF EXEMPTION FROM SELF-**  
4 **EMPLOYMENT TAX FOR CERTAIN TERMI-**  
5 **NATION PAYMENTS RECEIVED BY FORMER**  
6 **LIFE INSURANCE SALESMEN.**

7 (a) INTERNAL REVENUE CODE.—Section 1402 of the  
8 Internal Revenue Code of 1986 (relating to definitions)

1 is amended by adding at the end the following new sub-  
2 section:

3       “(k) CODIFICATION OF TREATMENT OF CERTAIN  
4 TERMINATION PAYMENTS RECEIVED BY FORMER LIFE  
5 INSURANCE SALESMEN.—Nothing in subsection (a) shall  
6 be construed as including in the net earnings from self-  
7 employment of an individual any amount received during  
8 the taxable year from a life insurance company on account  
9 of services performed by such individual as a life insurance  
10 salesman for such company if—

11               “(1) such amount is received after termination  
12       of such individual’s agreement to perform such serv-  
13       ices for such company,

14               “(2) such individual performs no services for  
15       such company after such termination and before the  
16       close of such taxable year, and

17               “(3) the amount of such payment—

18                       “(A) depends solely on policies sold by  
19       such individual during the last year of such  
20       agreement and the extent to which such policies  
21       remain in force for some period after such ter-  
22       mination, and

23                       “(B) does not depend to any extent on  
24       length of service or overall earnings from serv-  
25       ices performed for such company.”

1           (b) SOCIAL SECURITY ACT.—Section 211 of the So-  
2 cial Security Act is amended by adding at the end the fol-  
3 lowing new subsection:

4           “Codification of Treatment of Certain Termination  
5 Payments Received by Former Life Insurance Salesmen

6           “(j) Nothing in subsection (a) shall be construed as  
7 including in the net earnings from self-employment of an  
8 individual any amount received during the taxable year  
9 from a life insurance company on account of services per-  
10 formed by such individual as a life insurance salesman for  
11 such company if—

12                   “(1) such amount is received after termination  
13 of such individual’s agreement to perform such serv-  
14 ices for such company,

15                   “(2) such individual performs no services for  
16 such company after such termination and before the  
17 close of such taxable year, and

18                   “(3) the amount of such payment—

19                           “(A) depends solely on policies sold by  
20 such individual during the last year of such  
21 agreement and the extent to which such policies  
22 remain in force for some period after such ter-  
23 mination, and

1                   “(B) does not depend to any extent on  
2                   length of service or overall earnings from serv-  
3                   ices performed for such company.”

4           (c) EFFECTIVE DATE.—The amendments made by  
5 this section shall apply to taxable years beginning before,  
6 on, or after the date of the enactment of this Act.

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