

107TH CONGRESS
1ST SESSION

H. R. 3320

To amend the Internal Revenue Code of 1986 to encourage guaranteed lifetime income payments from annuities and similar payments of life insurance proceeds at dates later than death by taxing the income portion of such payments at capital gains rates.

IN THE HOUSE OF REPRESENTATIVES

NOVEMBER 16, 2001

Mr. ENGLISH (for himself, Mrs. THURMAN, and Mrs. JOHNSON of Connecticut) 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 encourage guaranteed lifetime income payments from annuities and similar payments of life insurance proceeds at dates later than death by taxing the income portion of such payments at capital gains rates.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

1 **SECTION 1. LIFETIME ANNUITY PAYOUTS AND SIMILAR**
2 **PAYMENTS OF LIFE INSURANCE PROCEEDS**
3 **AT DATES LATER THAN DEATH TAXED AT**
4 **CAPITAL GAINS RATES.**

5 (a) IN GENERAL.—Subsection (h) of section 1 of the
6 Internal Revenue Code of 1986 (relating to maximum cap-
7 ital gains rate) is amended by adding at the end the fol-
8 lowing new paragraph:

9 “(13) NET CAPITAL GAIN INCREASED BY CER-
10 TAIN ANNUITY AND LIFE INSURANCE PAYMENTS.—

11 “(A) IN GENERAL.—For purposes of this
12 subsection, the amount (if any) of net capital
13 gain, determined without regard to this para-
14 graph, for any taxable year shall be increased
15 by—

16 “(i) the amount received as an annu-
17 ity under an annuity contract which is in-
18 cludible in income under section 72, and

19 “(ii) the amount received as a pay-
20 ment of life insurance proceeds at a date
21 later than death which is includible in in-
22 come under section 101(d).

23 “(B) AMOUNT RECEIVED AS AN ANNUITY
24 UNDER ANNUITY CONTRACT.—For purposes of
25 subparagraph (A)(i), an amount is received as
26 an annuity under an annuity contract if such

1 amount is received as an annuity under any
2 portion of an annuity contract and is part of a
3 series of payments made over—

4 “(i) the life of the annuitant,

5 “(ii) the joint lives of 2 or more annu-
6 itants,

7 “(iii) the life of the annuitant with a
8 minimum period of payments certain or
9 with a minimum amount which must be
10 paid in any event, or

11 “(iv) the joint lives of 2 or more an-
12 nuitants with a minimum period of pay-
13 ments certain or with a minimum amount
14 which must be paid in any event.

15 “(C) AMOUNT RECEIVED AS PAYMENT OF
16 LIFE INSURANCE PROCEEDS AT A DATE LATER
17 THAN DEATH.—For purposes of subparagraph
18 (A)(ii), an amount is received as a payment of
19 life insurance proceeds at a date later than
20 death if such amount is part of a series of pay-
21 ments made over—

22 “(i) the life of the beneficiary of the
23 life insurance contract,

24 “(ii) the joint lives of 2 or more bene-
25 ficiaries of the life insurance contract,

1 “(iii) the life of the beneficiary of the
2 life insurance contract with a minimum pe-
3 riod of payments certain or with a min-
4 imum amount which must be paid in any
5 event, or

6 “(iv) the joint lives of 2 or more bene-
7 ficiaries of the life insurance contract with
8 a minimum period of payments certain or
9 with a minimum amount which must be
10 paid in any event.

11 “(D) EXCEPTION FOR DEFERRED COM-
12 PENSATION PLANS AND RETIREMENT PLANS.—
13 Subparagraphs (A), (B), and (C) shall not
14 apply to amounts received under an eligible de-
15 ferred compensation plan (as defined in section
16 457(b)) or under a qualified retirement plan (as
17 defined in section 4974(c)).”.

18 (b) ALTERNATIVE MINIMUM TAX.—The last sentence
19 of paragraph (3) of section 55(b) of such Code is amended
20 by inserting “(including the modification made by para-
21 graph (13) thereof)” after “section 1(h)” the first place
22 it appears.

23 (c) CONFORMING AMENDMENTS.—

24 (1) Section 72(a) of such Code is amended—

1 (A) by striking “ANNUITIES.—Except”
2 and inserting “ANNUITIES.—

3 “(1) INCLUSION IN GROSS INCOME.—Except”,
4 and

5 (B) by adding at the end the following:

6 “(2) CROSS REFERENCE.—

**“For taxation at capital gains rates of certain
amounts includible in income under this section,
see section 1(h)(13).”.**

7 (2) Section 101(d) of such Code is amended by
8 adding at the end the following new paragraph:

9 “(4) CROSS REFERENCE.—

**“For taxation at capital gains rates of certain
amounts includible in income under this subsection,
see section 1(h)(13).”.**

10 (d) EFFECTIVE DATE.—The amendments made by
11 this section shall apply to amounts received in calendar
12 years beginning after the date of enactment of this Act.

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