

109<sup>TH</sup> CONGRESS  
2<sup>D</sup> SESSION

# H. R. 4019

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IN THE SENATE OF THE UNITED STATES

JULY 18, 2006

Received; read twice and referred to the Committee on Finance

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## AN ACT

To amend title 4 of the United States Code to clarify the treatment of self-employment for purposes of the limitation on State taxation of retirement income.

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. CLARIFICATION OF TREATMENT OF SELF-EM-**  
2 **PLOYMENT FOR PURPOSES OF THE LIMITA-**  
3 **TION ON STATE TAXATION OF RETIREMENT**  
4 **INCOME.**

5 (a) IN GENERAL.—Section 114(b)(1)(I) of title 4,  
6 United States Code, is amended—

7 (1) by inserting “(or any plan, program, or ar-  
8 rangement that is in writing, that provides for re-  
9 tirement payments in recognition of prior service to  
10 be made to a retired partner, and that is in effect  
11 immediately before retirement begins)” after “sec-  
12 tion 3121(v)(2)(C) of such Code”,

13 (2) by inserting “which may include income de-  
14 scribed in subparagraphs (A) through (H)” after  
15 “(not less frequently than annually”,

16 (3) by adding at the end the following:

17 “The fact that payments may be adjusted from  
18 time to time pursuant to such plan, program, or  
19 arrangement to limit total disbursements under  
20 a predetermined formula, or to provide cost of  
21 living or similar adjustments, will not cause the  
22 periodic payments provided under such plan,  
23 program, or arrangement to fail the ‘substan-  
24 tially equal periodic payments’ test.”, and

25 (4) by adding at the end the following:

1           “(4) For purposes of this section, the term ‘re-  
2           tired partner’ is an individual who is described as a  
3           partner in section 7701(a)(2) of the Internal Rev-  
4           enue Code of 1986 and who is retired under such in-  
5           dividual’s partnership agreement.”.

6           (b) APPLICATION.—The amendments made by this  
7           section apply to amounts received after December 31,  
8           1995.

Passed the House of Representatives July 17, 2006.

Attest:

KAREN L. HAAS,

*Clerk.*