

112TH CONGRESS  
2D SESSION

# H. R. 3899

To provide for rollover treatment to traditional IRAs of amounts received  
in airline carrier bankruptcy.

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IN THE HOUSE OF REPRESENTATIVES

FEBRUARY 3, 2012

Mr. LEWIS of Georgia (for himself and Mr. DAVIS of Kentucky) introduced  
the following bill; which was referred to the Committee on Ways and Means

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## A BILL

To provide for rollover treatment to traditional IRAs of  
amounts received in airline carrier bankruptcy.

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. ROLLOVER OF AMOUNTS RECEIVED IN AIRLINE**

4 **CARRIER BANKRUPTCY.**

5 (a) GENERAL RULES.—

6 (1) ROLLOVER OF AIRLINE PAYMENT  
7 AMOUNT.—If a qualified airline employee receives  
8 any airline payment amount and transfers any por-  
9 tion of such amount to a traditional IRA within 180  
10 days of receipt of such amount (or, if later, within

1 180 days of the date of the enactment of this Act),  
2 then such amount (to the extent so transferred)  
3 shall be treated as a rollover contribution described  
4 in section 402(c) of the Internal Revenue Code of  
5 1986. A qualified airline employee making such a  
6 transfer may exclude from gross income the amount  
7 transferred, in the taxable year in which the airline  
8 payment amount was paid to the qualified airline  
9 employee by the commercial passenger airline car-  
10 rier.

11 (2) TRANSFER OR AMOUNTS ATTRIBUTABLE TO  
12 AIRLINE PAYMENT AMOUNT FOLLOWING ROLLOVER  
13 TO ROTH IRA.—A qualified, airline employee who  
14 has contributed an airline payment amount to a  
15 Roth IRA that is treated as a qualified rollover con-  
16 tribution pursuant to section 125 of the Worker, Re-  
17 tiree, and Employer Recovery Act of 2008, may  
18 transfer to a traditional IRA, in a trustee-to-trustee  
19 transfer, all or any part of the contribution (together  
20 with any net income allocable to such contribution),  
21 and the transfer to the traditional IRA will be  
22 deemed to have been made at the time of the roll-  
23 over to the Roth IRA, if such transfer is made with-  
24 in 180 days of the date of the enactment of this Act.  
25 A qualified airline employee making such a transfer

1 may exclude from gross income the airline payment  
2 amount previously rolled over to the Roth IRA, to  
3 the extent an amount attributable to the previous  
4 rollover was transferred to a traditional IRA, in the  
5 taxable year in which the airline payment amount  
6 was paid to the qualified airline employee by the  
7 commercial passenger airline carrier. No amount so  
8 transferred to a traditional IRA may be treated as  
9 a qualified rollover contribution with respect to a  
10 Roth IRA within the 5-taxable year period beginning  
11 with the taxable year in which such transfer was  
12 made.

13 (3) EXTENSION OF TIME TO FILE CLAIM FOR  
14 REFUND.—A qualified airline employee who excludes  
15 an amount from gross income in a prior taxable year  
16 under paragraph (1) or (2) may reflect such exclu-  
17 sion in a claim for refund filed within the period of  
18 limitation under section 6511(a) of such Code (or, if  
19 later, April 15, 2013).

20 (4) OVERALL LIMITATION ON AMOUNTS TRANS-  
21 FERRED TO TRADITIONAL IRAS.—

22 (A) IN GENERAL.—The aggregate amount  
23 of airline payment amounts which may be  
24 transferred to 1 or more traditional IRAs under  
25 paragraphs (1) and (2) with respect to any

1 qualified employee for any taxable year shall  
2 not exceed the excess (if any) of—

3 (i) 90 percent of the aggregate airline  
4 payment amounts received by the qualified  
5 airline employee during the taxable year  
6 and all preceding taxable years, over

7 (ii) the aggregate amount of such  
8 transfers to which paragraphs (1) and (2)  
9 applied for all preceding taxable years.

10 (B) SPECIAL RULES.—For purposes of ap-  
11 plying the limitation under subparagraph (A)—

12 (i) any airline payment amount re-  
13 ceived by the surviving spouse of any quali-  
14 fied employee, and any amount transferred  
15 to a traditional IRA by such spouse under  
16 subsection (d), shall be treated as an  
17 amount received or transferred by the  
18 qualified employee, and

19 (ii) any amount transferred to a tradi-  
20 tional IRA which is attributable to net in-  
21 come described in paragraph (2) shall not  
22 be taken into account.

23 (5) COVERED EXECUTIVES NOT ELIGIBLE TO  
24 MAKE TRANSFERS.—Paragraphs (1) and (2) shall  
25 not apply to any transfer by a qualified airline em-

1        ployee (or any transfer authorized under subsection  
2        (d) by a surviving spouse of the qualified airline em-  
3        ployee) if at any time during the taxable year of the  
4        transfer or any preceding taxable year the qualified  
5        airline employee held a position described in sub-  
6        paragraph (A) or (B) of section 162(m)(3) with the  
7        commercial passenger airline carrier from whom the  
8        airline payment amount was received.

9        (b) TREATMENT OF AIRLINE PAYMENT AMOUNTS  
10       AND TRANSFERS FOR EMPLOYMENT TAXES.—For pur-  
11       poses of chapter 21 of the Internal Revenue Code of 1986  
12       and section 209 of the Social Security Act, an airline pay-  
13       ment amount shall not fail to be treated as a payment  
14       of wages by the commercial passenger airline carrier to  
15       the qualified airline employee in the taxable year of pay-  
16       ment because such amount is excluded from the qualified  
17       airline employee’s gross income under subsection (a).

18       (c) DEFINITIONS AND SPECIAL RULES.—For pur-  
19       poses of this section—

20                (1) AIRLINE PAYMENT AMOUNT.—

21                        (A) IN GENERAL.—The term “airline pay-  
22                        ment amount” means any payment of any  
23                        money or other property which is payable by a  
24                        commercial passenger airline carrier to a quali-  
25                        fied airline employee—

1 (i) under the approval of an order of  
2 a Federal bankruptcy court in a case filed  
3 after September 11, 2001, and before Jan-  
4 uary 1, 2007, and

5 (ii) in respect of the qualified airline  
6 employee's interest in a bankruptcy claim  
7 against the carrier, any note of the carrier  
8 (or amount paid in lieu of a note being  
9 issued), or any other fixed obligation of the  
10 carrier to pay a lump sum amount.

11 The amount of such payment shall be deter-  
12 mined without regard to any requirement to de-  
13 duct and withhold tax from such payment  
14 under sections 3102(a) of the Internal Revenue  
15 Code of 1986 and 3402(a) of such Code.

16 (B) EXCEPTION.—An airline payment  
17 amount shall not include any amount payable  
18 on the basis of the carrier's future earnings or  
19 profits.

20 (2) QUALIFIED AIRLINE EMPLOYEE.—The term  
21 “qualified airline employee” means an employee or  
22 former employee of a commercial passenger airline  
23 carrier who was a participant in a defined benefit  
24 plan maintained by the carrier which—

1 (A) is a plan described in section 401(a) of  
2 the Internal Revenue Code of 1986 which in-  
3 cludes a trust exempt from tax under section  
4 2501(a) of such Code, and

5 (B) was terminated or became subject to  
6 the restrictions contained in paragraphs (2) and  
7 (3) of section 402(b) of the Pension Protection  
8 Act of 2006.

9 (3) TRADITIONAL IRA.—The term “traditional  
10 IRA” means an individual retirement plan (as de-  
11 fined in section 7701(a)(37) of the Internal Revenue  
12 Code of 1986) which is not a Roth IRA.

13 (4) ROTH IRA.—The term “Roth IRA” has the  
14 meaning given such term by section 408A(b) of such  
15 Code.

16 (d) SURVIVING SPOUSE.—If a qualified airline em-  
17 ployee died after receiving an airline payment amount, or  
18 if an airline payment amount was paid to the surviving  
19 spouse of a qualified airline employee in respect of the  
20 qualified airline employee, the surviving spouse of the  
21 qualified airline employee may take all actions permitted  
22 under section 125 of the Worker, Retiree, and Employer  
23 Recovery Act of 2008, or under this section, to the same  
24 extent that the qualified airline employee could have done  
25 had the qualified airline employee survived.

1       (e) EFFECTIVE DATE.—This section shall apply to  
2 transfers made after the date of the enactment of this Act  
3 with respect to airline payment amounts paid before, on,  
4 or after such date.

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