

110TH CONGRESS
1ST SESSION

S. 552

To provide for the tax treatment of income received in connection with the litigation concerning the Exxon Valdez oil spill and for other purposes.

IN THE SENATE OF THE UNITED STATES

FEBRUARY 12, 2007

Ms. MURKOWSKI (for herself and Mr. STEVENS) introduced the following bill;
which was read twice and referred to the Committee on Finance

A BILL

To provide for the tax treatment of income received in connection with the litigation concerning the Exxon Valdez oil spill and for other purposes.

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 “Exxon Valdez Oil Spill
5 Tax Treatment Act”.

6 **SEC. 2. TAX TREATMENT OF INCOME RECEIVED IN CON-**
7 **NECTION WITH THE EXXON VALDEZ LITIGA-**
8 **TION.**

9 (a) INCOME AVERAGING OF AMOUNTS RECEIVED
10 FROM THE EXXON VALDEZ LITIGATION.—

1 (1) IN GENERAL.—At the election of a qualified
2 taxpayer who receives qualified settlement income
3 during a taxable year, the tax imposed by chapter 1
4 of the Internal Revenue Code of 1986 for such tax-
5 able year shall be equal to the sum of—

6 (A) the tax which would be imposed under
7 such chapter if—

8 (i) no amount of elected qualified set-
9 tlement income were included in gross in-
10 come for such year, and

11 (ii) no deduction were allowed for
12 such year for expenses (otherwise allowable
13 as a deduction to the taxpayer for such
14 year) attributable to such elected qualified
15 settlement income, plus

16 (B) the increase in tax under such chapter
17 which would result if taxable income for each of
18 the years in the applicable period were in-
19 creased by an amount equal to the applicable
20 fraction of the elected qualified settlement in-
21 come reduced by any expenses (otherwise allow-
22 able as a deduction to the taxpayer) attrib-
23 utable to such elected qualified settlement in-
24 come.

1 Any adjustment under this section for any taxable
2 year shall be taken into account in applying this sec-
3 tion for any subsequent taxable year.

4 (2) COORDINATION WITH FARM INCOME AVER-
5 AGING.—If a qualified taxpayer makes an election
6 with respect to any qualified settlement income
7 under paragraph (1) for any taxable year, such tax-
8 payer may not elect to treat such amount as elected
9 farm income under section 1301 of the Internal Rev-
10 enue Code of 1986.

11 (3) DEFINITIONS.—For purposes of this sub-
12 section—

13 (A) APPLICABLE PERIOD.—The term “ap-
14 plicable period” means the period beginning on
15 January 1, 1994, and ending on December 31
16 of the year in which the elected qualified settle-
17 ment income is received.

18 (B) APPLICABLE FRACTION.—The term
19 “applicable fraction” means the fraction the nu-
20 merator of which is one and the denominator of
21 which is the number of years in the applicable
22 period.

23 (C) ELECTED QUALIFIED SETTLEMENT IN-
24 COME.—The term “elected qualified settlement

1 income” means so much of the taxable income
2 for the taxable year which is—

- 3 (i) qualified settlement income, and
4 (ii) specified under the election under
5 paragraph (1).

6 (b) CONTRIBUTIONS OF AMOUNTS RECEIVED TO RE-
7 TIREMENT ACCOUNTS.—

8 (1) IN GENERAL.—Any qualified taxpayer who
9 receives qualified settlement income during the tax-
10 able year may, at any time before the end of the tax-
11 able year in which such income was received, make
12 one or more contributions to an eligible retirement
13 plan of which such qualified taxpayer is a bene-
14 ficiary in an aggregate amount not to exceed the
15 amount of qualified settlement income received dur-
16 ing such year.

17 (2) TIME WHEN CONTRIBUTIONS DEEMED
18 MADE.—For purposes of paragraph (1), a qualified
19 taxpayer shall be deemed to have made a contribu-
20 tion to an eligible retirement plan on the last day of
21 the taxable year in which such income is received if
22 the contribution is made on account of such taxable
23 year and is made not later than the time prescribed
24 by law for filing the return for such taxable year
25 (not including extensions thereof).

1 (3) TREATMENT OF CONTRIBUTIONS TO ELIGI-
2 BLE RETIREMENT PLANS.—For purposes of the In-
3 ternal Revenue Code of 1986, if a contribution is
4 made pursuant to paragraph (1) with respect to
5 qualified settlement income, then—

6 (A) except as provided in paragraph (4)—

7 (i) to the extent of such contribution,
8 the qualified settlement income shall not
9 be included in taxable income, and

10 (ii) for purposes of section 72 of such
11 Code, such contribution shall not be con-
12 sidered to be investment in the contract,
13 and

14 (B) the qualified taxpayer shall, to the ex-
15 tent of the amount of the contribution, be treat-
16 ed—

17 (i) as having received the qualified
18 settlement income—

19 (I) in the case of a contribution
20 to an individual retirement plan (as
21 defined under section 7701(a)(37) of
22 such Code), in a distribution described
23 in section 408(d)(3) of such Code,
24 and

1 (II) in the case of any other eligi-
2 ble retirement plan, in an eligible roll-
3 over distribution (as defined under
4 section 402(f)(2) of such Code), and
5 (ii) as having transferred the amount
6 to the eligible retirement plan in a direct
7 trustee to trustee transfer within 60 days
8 of the distribution.

9 (4) SPECIAL RULE FOR ROTH IRAS AND ROTH
10 401(k)s.—For purposes of the Internal Revenue
11 Code of 1986, if a contribution is made pursuant to
12 paragraph (1) with respect to qualified settlement
13 income to a Roth IRA (as defined under section
14 408A(b) of such Code) or as a designated Roth con-
15 tribution to an applicable retirement plan (within
16 the meaning of section 402A of such Code), then—

17 (A) the qualified settlement income shall
18 be includible in taxable income, and

19 (B) for purposes of section 72 of such
20 Code, such contribution shall be considered to
21 be investment in the contract.

22 (5) ELIGIBLE RETIREMENT PLAN.—For pur-
23 pose of this subsection, the term “eligible retirement
24 plan” has the meaning given such term under sec-

1 tion 402(c)(8)(B) of the Internal Revenue Code of
2 1986.

3 (c) QUALIFIED SETTLEMENT INCOME NOT IN-
4 CLUDED IN SECA.—For purposes of chapter 2 of the In-
5 ternal Revenue Code of 1986 and section 211 of the Social
6 Security Act, no portion of qualified settlement income re-
7 ceived by a qualified taxpayer shall be treated as self-em-
8 ployment income.

9 (d) QUALIFIED TAXPAYER.—For purposes of this
10 section, the term “qualified taxpayer” means—

11 (1) any plaintiff in the civil action In re Exxon
12 Valdez, No. 89–095–CV (HRH) (Consolidated) (D.
13 Alaska); or

14 (2) any beneficiary of the estate of such a
15 plaintiff who—

16 (A) acquired the right to receive qualified
17 settlement income from that plaintiff; and

18 (B) was the spouse or an immediate rel-
19 ative of that plaintiff.

20 (e) QUALIFIED SETTLEMENT INCOME.—For pur-
21 poses of this section, the term “qualified settlement in-
22 come” means income received (whether as lump sums or
23 periodic payments) in connection with the civil action In
24 re Exxon Valdez, No. 89–095–CV (HRH) (Consolidated)

1 (D. Alaska), including interest (whether pre- or post judg-
2 ment and whether related to a settlement or judgment).

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