

SEC. 130. CERTAIN PERSONAL INJURY LIABILITY ASSIGNMENTS.

"(a) IN GENERAL - Any amount received for agreeing to a qualified assignment shall not be included in gross income to the extent that such amount does not exceed the aggregate cost of any qualified funding assets.

"(b) TREATMENT OF QUALIFIED FUNDING ASSET - In the case of any qualified funding asset -
"(1) the basis of such asset shall be reduced by the amount excluded from gross income under subsection (a) by reason of the purchase of such asset, and
"(2) any gain recognized on a disposition of such asset shall be treated as ordinary income.

"(c) QUALIFIED ASSIGNMENT. - For purposes of this section, the term 'qualified assignment' means any assignment of a liability to make periodic payments as damages (whether by suit or agreement) or as compensation under any workmen's compensation act, on account of personal injury or sickness (in a case involving physical injury or physical sickness) -

"(1) if the assignee assumes such liability from a person who is a party to the suit or agreement, or the workmen's compensation claim, and

"(2) if--

"(A) such periodic payments are fixed and determinable as to amount and time of payment,

"(B) such periodic payments cannot be accelerated, deferred, increased, or decreased by the recipient of such payments,

"(C) the assignee's obligation on account of the personal injuries or sickness is no greater than the obligation of the person who assigned the liability, and

"(D) such periodic payments are excludable from the gross income of the recipient under paragraph (1) or (2) of section 104(a).

"The determination for purposes of this chapter of when the recipient is treated as having received any payment with respect to which there has been a qualified assignment shall be made without regard to any provision of such assignment which grants the recipient rights as a creditor greater than those of a general creditor.

"(d) QUALIFIED FUNDING ASSET. - For purposes of this section, the term "qualified funding asset" means any annuity contract issued by a company licensed to do business as an insurance company under the laws of any State, or any obligation of the United States, if -

"(1) such annuity contract or obligation is used by the assignee to fund periodic payments under any qualified assignment,

"(2) the periods of the payments under the annuity contract or obligation are reasonably related to the periodic payments under the qualified assignment, and the amount of any such payment under the contract or obligation does not exceed the periodic payment to which it relates.

"(3) such annuity contract or obligation is designated by the taxpayer (in such manner as the Secretary shall by regulations prescribe) as being taken into account under this section with respect to such qualified assignment, and

"(4) such annuity contract or obligation is purchased by the taxpayer not more than 60 days before the date of the qualified assignment and not later than 60 days after the date of such assignment."

Amendments

P.L. 105-34, § 962(a)(1)-(3):

Act Sec. 962(a)(1)-(3) amended Code Sec. 130(c) by inserting ", or as compensation under any workmen's compensation act," after "(whether by suit or agreement)" in the material preceding paragraph (1), by inserting "or the workmen's compensation claim," after "agreement," in paragraph (1), and by striking "section 104(a)(2)" in paragraph (2)(D) and inserting "paragraph (1) or (2) of section 104(a)".

The above amendment applies to claims under workmen's compensation claims under workmen's compensation acts filed after August 5, 1997.

P.L. 100-647, § 6079(b)(1)(A)-(B):

Act Sec. 6079(b)(1)(A)-(B) amended Code Sec. 130(c) by striking out subparagraph (C) of paragraph (2) and redesignating

Subparagraphs (D) and (E) of paragraph (2) as subparagraphs (C) and (D), respectively, and by adding at the end thereof a new sentence to read as above. Prior to amendment, Code Sec. 130(c)(2)(C) read as follows:

(C) the assignee does not provide to the recipient of such payments rights against the assignee which are greater than those of a general creditor, The above amendment applies to assignments after November 10, 1988.

P.L. 99-514, § 1002(a):

Act Sec. 1002(a) amended Code Sec. 130(c) by inserting "(in a case involving physical injury or physical sickness)" after "personal injury or sickness."

The above amendment applies to assignments entered into after December 31, 1986, in tax years ending after such date.