TAX TREATMENT OF STRUCTURED SETTLEMENT ARRANGEMENTS

Scheduled for a Hearing

Before the

HOUSE WAYS AND MEANS
SUBCOMMITTEE ON OVERSIGHT

on March 18, 1999

Prepared by the Staff

of the

JOINT COMMITTEE ON TAXATION

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INTRODUCTION

The Subcommittee on Oversight of the House Ways and Means Committee has scheduled a public hearing on March 18, 1999, on issues relating to the tax treatment of structured settlement arrangements. This document,[1] prepared by the staff of the Joint Committee on Taxation, describes present law, background and issues relating to structured settlement arrangements, and describes recent proposals to alter the tax treatment of such arrangements.

Part I of this document is a summary of the discussions contained in the remainder of the pamphlet. Part II is a description of present law and background. Part III is a discussion of issues relating to structured settlement arrangements. Part IV describes recent proposals.

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[1] This document may be cited as follows: Joint Committee on Taxation, *Tax Treatment of Structured Settlement Arrangements,* (JCX-15-99), March 16, 1999.

I. SUMMARY

Present law and background

A structured settlement arrangement generally provides for periodic payments as damages in cases involving personal physical injuries or physical sickness, or for amounts received under workmen's compensation acts for personal injuries or sickness. An exclusion from gross income is provided to the assignee of a liability in such a case for amounts received for agreeing to the assignment, provided requirements are met relating to the payments. Such payments generally are excludable from income by the recipient, whether received as a lump sum or as periodic payments.

Discussion of issues

The economic benefit in the structured settlement arrangement, as compared to a lump-sum settlement, arises because the Federal government forgoes taxation of the earnings component of each year's annual payment. Economists usually argue that such subsidies distort individual choice and lead to inefficient outcomes. Nevertheless, it can be argued that the choice of the lump sum settlement may create an externality, that is, a cost to taxpayers at large, not borne by the individual who chooses the lump sum settlement. Despite the implicit tax subsidy, the available evidence indicates that the majority of personal injury awards are paid as lump sum payments, not through structured settlement arrangements.

An individual's decision to sell his or her rights at a later date involves the same comparison the individual makes in initially agreeing to a structured settlement arrangement in lieu of a lump sum payment. The individual must weigh the value of the purchase price offered compared to the expected present discounted value of the income stream being sold. Issues arising from the transfer of structured settlement payment streams involve whether such sales are consistent with the purpose of the tax provisions, whether consumer protection or consumer freedom of economic choice is a more important policy, and whether the transfers should be stopped so as to eliminate present-law uncertainty as to their tax results.

Description of proposals

President's fiscal 2000 budget proposal

The President's proposal would impose an excise tax on any person acquiring a payment stream under a structured settlement arrangement. The amount of the excise tax would be 40 percent of the difference between (1) the amount paid by the acquirer to the injured person and (2) the undiscounted value of the acquired income stream. The excise tax would not be imposed if the acquisition were pursuant to a court order finding that the extraordinary and unanticipated needs of the original recipient of the payment stream render the acquisition desirable.

H.R. 263, "The Structured Settlement Protection Act"

H.R. 263, "The Structured Settlement Protection Act" (106th Cong., 1st Sess.) was introduced by Mr. Shaw for himself, Mr. Stark, and others. In general, H.R. 263 would impose a tax on certain acquisitions of structured settlement payment streams, equal to 50 percent of the amount equal to the excess of (1) the aggregate undiscounted amount of structured settlement payments being acquired, over (2) the total amount actually paid by the acquirer to the seller. H.R. 263 would provide an exception if the transfer is undertaken pursuant to the order of the relevant court or administrative authority finding that the extraordinary, unanticipated, and imminent needs of the structured settlement recipient or spouse or dependents render such a transfer appropriate.

II. PRESENT LAW AND BACKGROUND

A structured settlement arrangement generally provides for periodic payments as damages in cases involving personal physical injuries or physical sickness, or for amounts received under workmen's compensation acts for personal injuries or sickness. Present law provides tax-favored treatment for structured settlement arrangements for these payments, under a provision enacted in 1983.[2] In that legislation, the Periodic Payment Settlement Tax Act of 1982, Congress expressed its reasons for making the change to the tax law:

> Despite several revenue rulings that indicate that the Internal Revenue Service considers that periodic payments as personal injury damages are excludable from the gross income of the recipient, the committee believes it would be helpful to taxpayers to provide statutory certainty in the area. Likewise, the committee believes that a person who undertakes an assignment of the liability for such payments from the person originally liable should not include amounts received for doing so in gross income if those amounts are used merely to purchase certain types of property to specifically cover the liability.[3]

Under the provision, an exclusion from gross income is provided for amounts received for agreeing to a qualified assignment to the extent that the amount received does not exceed the aggregate cost of any qualified funding asset.[4]

A qualified assignment means any assignment of a liability to make periodic payments as damages (whether by suit or agreement) on account of a personal injury or sickness (in a case involving physical injury or physical sickness), or as compensation under any workmen's compensation act, provided the liability is assumed from a person who is a party to the suit or agreement, and the terms of the assignment satisfy certain requirements. Generally, these requirements are that (1) the periodic payments are fixed as to amount and time; (2) the payments cannot be accelerated, deferred, increased, or decreased by the recipient; (3) the assignee's obligation is no greater than that of the assignor; and (4) the payments are excludable by the recipient under Code section 104(a)(1) as amounts received under workmen's compensation acts

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[2] P.L. 97-473, Jan. 14, 1983 (97th Cong., 2d Sess.).

[3] The rulings referred to in the committee report are Rev. Rul. 77-230, 1977-2C.B. 214; Rev. Rul. 79-220, 1977-2 C.B. 74, and Rev. Rul. 79-313, 1979-2 C.B. 75. Report of the House Committee on Ways and Means to accompany H.R. 5470, H.R. Rep. No 97-832, 97th Cong., 2d Sess., 4; similar language appears in the Report of the Senate Committee on Finance to accompany H.R. 5470, the Periodic Payment Settlement Act of 1982, S. Rep. No. 97-646, 97th Cong., 2d Sess., 4. The conference agreement followed the House bill. Conference Report to accompany H.R. 5470, the Periodic Payment Settlement Act of 1982, H. Rep. No. 97-984, 97th Cong., 2d Sess., 12.

[4] Section 130 of the Internal Revenue Code of 1986 (the "Code").

as compensation for personal injuries or sickness or under Code section 104(a)(2) as damages on account of personal injuries or sickness.

A qualified funding asset means an annuity contract issued by an insurance company licensed in the United States, or any obligation of the United States, provided the annuity contract or obligation meets statutory requirements. An annuity that is a qualified funding asset is not subject to the rule requiring current inclusion of the income on the contract which generally applies to annuity contract holders that are not natural persons (e.g., corporations) (sec. 72(u)(3)(C)). In addition, when the payments on the annuity are received by the structured settlement company and included in income, the company generally may deduct the corresponding payments to the injured person, who, in turn, excludes the payments from his or her income (sec. 104). Thus, neither the amount received for agreeing to the qualified assignment of the liability to pay damages, nor the income on the annuity that funds the liability to pay damages, generally is subject to tax.

In addition to the exclusion provided under present law for the assignee of the liability, an exclusion is also accorded to the recipient of the payments of damages under a structured settlement arrangement. Present law provides an exclusion from gross income for individuals for amounts received under workmen's compensation acts as compensation for personal injuries or sickness (sec. 104(a)1)). An exclusion from gross income for individuals is also provided for the amount of any damages (other than punitive damages) received (whether by suit or agreement and whether as lump sums or as periodic payments) on account of personal physical injuries or physical sickness (sec. 104(a)(2)).

If a recipient of damages chooses to receive a lump sum payment, and then to invest it himself, generally the earnings on the investment are includable in income. For example, if the recipient uses the lump sum to purchase an annuity contract providing for periodic payments, then a portion of each payment under the annuity contract is includable in income, and the balance is excludable under present-law rules based on the ratio of the individual's investment in the contract to the expected return on the contract (sec. 72(b)). By contrast, the periodic payments received under a structured settlement arrangement as damages for personal physical injuries or physical sickness generally are fully excludable from the recipient's income (sec. 104(a)(2)).

The exclusion for the liability assignee requires that the payments to the injured person under the qualified assignment cannot be accelerated, deferred, increased, or decreased by the recipient (sec. 130(c)(2)(B)). Consistent with these requirements, it is understood that contracts under structured settlement arrangements generally contain anti-assignment clauses. It is understood, however, that injured persons may nonetheless be willing to accept discounted lump sum payments from certain "factoring" companies in exchange for their payment streams. The tax effect on the parties of these transactions may not be clear under present law.

III. DISCUSSION OF ISSUES

The economic benefit of structured settlement arrangements

Settlements in cases involving damages on account of personal injury or sickness generally are paid in one of two ways. The recipient (the plaintiff in the case) may receive a lump sum settlement, or the recipient may agree to a structured settlement arrangement. The use of a structured settlement arrangement creates an economic benefit. To see this, consider the following simple examples.

Suppose an individual agrees to settle a personal injury claim for $100,000, and this amount is paid to the individual as a lump sum (rather than used to fund a structured settlement arrangement for periodic payments). The $100,000 is excludable from the gross income of the recipient. The recipient could then use the $100,000 to purchase an annuity contract that, given the recipient's age and other relevant factors, would pay the recipient $10,000 per year for the rest of his or her life.[5] Under present law, a portion of each of the annual payments of $10,000 is includible in the recipient's gross income. Generally, each annual payment is partially excludable as tax-free recovery of the investment in the contract (the $100,000 premium), and partially includable based on the expected return on the investment in the annuity contract. As a result, the net after-tax annual payment to the recipient is something less than $10,000. For the sake of the example, assume the recipient's after-tax annual payment is worth $9,500.

Alternatively, the defendant could have agreed to pay $100,000 to purchase a structured settlement arrangement. Under the arrangement, the same annuity contract could be purchased. Under this alternative, the entire $10,000 annual payment would be tax-free to the recipient. Hence, the recipient would be better off. Of course, the benefit of the exclusion of the entire payment under the annuity contract need not accrue solely to the recipient. Another possible outcome is that the defendant could spend somewhat less, say $95,000, and purchase an annuity as part of a structured settlement arrangement that would pay the recipient $9,500 (tax free) annually for the rest of his or her life. Under this scenario, the recipient would be indifferent as between choosing the structured settlement arrangement and receiving a lump sum payment of $100,000 (as described in the preceding paragraph).[6] However, the defendant would save $50,000 in expenditures to settle the case.

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[5] The seller of an annuity contract, usually an insurance company, invests the $100,000 premium in a portfolio of assets such that the income from the assets and the spreading of mortality risk across numerous individuals enables the seller to pay the recipient $10,000 per year for life and generate some profit for the seller.

[6] The recipient would not be indifferent as between the lump sum and the structured settlement arrangement, however, if the present value of the structured settlement arrangement differs from the amount of the lump sum.

As the examples make clear, the economic benefit in the structured settlement arrangement, as compared to a lump-sum settlement, arises because the Federal government forgoes taxation of the earnings component of each year's annual payment. As such, present law provides a tax subsidy for the use of structured settlement arrangements.

Public policy interest in tax subsidy for structured settlement arrangements

Economists usually argue that tax subsidies such as that accorded to structured settlement arrangements distort individual choice and lead to inefficient outcomes. They argue that free choice permits individuals to make the highest and most preferred use of economic resources.

Nevertheless, it can be argued that the choice of the lump sum settlement may create an externality, that is, a cost to taxpayers at large, not borne by the individual who chooses the lump sum settlement. This externality could arise as follows. The amount of damages in a case involving personal physical injuries or physical sickness may be based on the lifetime medical needs of the recipient. If a recipient chooses a lump sum settlement, there is a chance that the individual may, by design or poor luck, mismanage his or her funds so that future medical expenses are not met. If the recipient exhausts his or her funds, the individual may be in the position to receive medical care under Medicaid or in later years under Medicare. That is, the individual may be able to rely on Federally financed medical care in lieu of the medical care that was intended to have been provided by the personal injury award. Such a "moral hazard"[7] potential may justify a subsidy to encourage the use of a structured settlement arrangement in lieu of a lump sum payment to the recipient, to reduce the probability that such individuals need to make future claims on these government programs. Under the structured settlement arrangement, by contrast to the lump sum, it is argued that because the amount and period of the payments are fixed at the time of the settlement, the payments are more likely to be available in the future to cover anticipated medical expenses (assuming the payment stream is not transferred by the recipient).

Some also may argue that it is appropriate for the government to induce injured persons to make choices to protect themselves. They suggest that individuals often are poorly informed about their medical needs and the cost of life-long care.

Critics of this view counter that while it may be appropriate for the government to ensure actions in the best interests of minors and incompetent adults, that competent adults should be free to make their own choices, at no financial penalty. Proponents of the tax subsidy note that present law does not mandate a choice, but rather only offers a financial inducement.

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[7] "Moral hazard" generally refers to the situation where the insured through his or her actions can affect the probability with which an insurance payout will occur, or can affect the size of the payout that will occur.

Utilization of structured settlement arrangements

Despite the implicit tax subsidy, the available evidence indicates that the majority of personal injury awards are paid as lump sum payments, not through structured settlement arrangements.[8] There are several possible explanations for this result.

Recipients may have unrealistic or inaccurate information regarding their mortality risk and potential returns from investment. If a recipient believes his life will be shorter than actuaries estimate, or if he believes that he can generate investment returns greater than those that appear to be offered under the structured settlement arrangement's annuity contract, he will estimate that the economic value of the lump sum payment is greater than the expected present value of the structured settlement arrangement. In a simple sense, the allure of a substantial one-time payment may be irresistible.

Another possibility is that defendants' offers of structured settlement arrangements leave recipients largely indifferent between a lump sum settlement and a structured settlement arrangement. That is, in their offering of structured settlement arrangements, the defendants may be trying to retain the entire tax benefit for themselves. Because each recipient only negotiates with one defendant, the recipient cannot comparison shop. The defendant's motivation generally would be to minimize the cost of attaining a settlement, and thus the defendant may have little incentive to offer some of the tax benefit to the recipient.

Why might an individual choose to sell rights to an existing structured settlement arrangement?

Some individuals who have elected structured settlement arrangements have later sold some or all of the rights to their payments under the arrangement. As time passes, individuals' needs and desires change. Some individuals may find that technological change has enabled them to receive the medical care they require on an on-going basis at a lower annual cost than when they chose the structured settlement arrangement. Other individuals may reason that they could earn a higher annual income if they invested the funds themselves, such as by using the

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[8] See Insurance Services Office, Inc., *NAIC Closed Claim Survey for Commercial General Liability*, "Survey Result,"1997, Table 15. This study reports under a 1997 survey that for losses over $75,000, 215 claims out of a total of 1,763 claims, or 12.2 percent, used structured settlements (in lieu of another method of payment of the claim such as a lump sum). The *NAIC Closed Claim Survey for Commercial General Liability* was conducted by ISO DATA, Inc., a wholly owned subsidiary of Insurance Services Office, Inc., under the auspices of the National Association of Insurance Commissioners ("NAIC"). The survey gathered information on commercial general liability bodily injury claims, excluding medical malpractice. The large claim sample consisted of 1,763 claims that closed between July 1, 1997, and October 31, 1997, with loss payments to the claimant of $75,000 or more. Twenty-nine insurers, representing 66 percent of the target general liability market, participated in the survey.

proceeds to start their own business. An individual's decision to sell his or her rights at a later date involve the same comparison the individual makes in initially agreeing to a structured settlement arrangement in lieu of a lump sum payment. The individual must weigh the value of the purchase price offered compared to the expected present discounted value of the income stream being sold. The individual may choose to sell because, erroneously or correctly, he discerns that either his mortality risk or his investment return will be different from those underlying the existing structured settlement arrangement. For example, if the individual has reason to believe that his life span will be shorter than that assumed in the structured settlement arrangement, then the individual may prefer to sell the structured settlement payment stream so that he can have larger annual payments, albeit for a shorter period of time. The informed individual will realize that in selling the structured settlement arrangement, he may well be converting tax-free investment returns into taxable returns when invested by the individual outside of the structured settlement arrangement. It is also possible that a recipient may have misunderstood at the time of entering into the structured settlement agreement that the then-current value of the payment stream was less than the total gross amount of the payments, and the recipient may subsequently have come to understand that the value of deferred payments generally is no greater than the amount of the lump sum, at any particular time.

Issues arising from transfer of structured settlement payment streams

Consistency with purpose for tax subsidy of structured settlements.--Transfer of the payment stream under a structured settlement arrangement arguably subverts the purpose of the structured settlement provision of the Code to promote periodic payment for injured persons. Some argue that the real purpose of the provision is to protect injured persons by ensuring that they have a source of income even though their capacity to earn income may have been impaired.[9] Further, subsequent purchases of the payment stream under a structured settlement arrangement by so-called "factoring" companies often occurs at deep discount. It is argued that the potential for deep discounting of the value of the payment stream may financially disadvantage injured persons that the provision was designed, in part, to protect. It could be said that the tax law already provides an incentive for structured settlement arrangements, and if practices have evolved that are inconsistent with this purpose, addressing them should be viewed as proper.

On the other hand, if the market for the sale of rights to structured settlement arrangements is competitive, the seller should receive the full fair market value of his or her annuity. If this is the case, a seeming deep discount may merely reflect the competitive market's

[9] While the legislative history of the Periodic Payment Settlement Tax Act of 1982 does not explicitly so provide, a Senate floor statement by Senator Baucus, upon introduction of similar legislation in 1981 (S. 1934, The Periodic Payment Settlement Act of 1981, 97th Cong., 1st Sess.), referred to the advantages of periodic payments over lump sums in that they "provide plaintiffs with a steady income over a long period of time and insulate them from pressures to squander their awards." Vol. 127, Part 23 Cong. Rec. 30462 (Dec. 10, 1981).

pricing of the individual's mortality risk and the opportunity cost of investment funds. The seemingly large discount may only be such in comparison to the sum of an undiscounted stream of annuity payments.

Consumer protection and consumer sovereignty.-- Both the President's proposal and H.R. 263 (described below) seek to discourage the subsequent sale of payment streams under a structured settlement arrangement by imposing an excise tax. The President's proposal and H.R. 263 arguably respond to the public policy concern of "moral hazard," with the result that costs that would have been covered by the structured settlement payment stream are later thrust upon the taxpaying public. The President's proposal states that "recipients of structured settlements are less likely than recipients of lump sum awards to consume their awards too quickly and require public assistance."[10] The President's proposal also suggests that consumer protection is necessary, suggesting that some individuals are willing to accept what are termed "heavily discounted lump sum payments."[11]

By imposing the excise tax on the amount of the discount, rather than on the entire amount of the payment stream acquired, it could be said that H.R. 263 and the President's current proposal are well targeted to the aspect of the transaction that could financially disadvantage the injured person: the amount of the discount. (By contrast, an earlier proposal in the President's fiscal year 1999 budget would have imposed the excise tax on the entire amount of the payment stream that was acquired.) It could nevertheless be argued that acquirers still have an economic incentive to acquire payment streams, so long as the tax on the discount is less than the rate which would discourage the acquisition transactions completely. Thus, if 40 percent (50 percent in the case of H.R. 263) is not the tax rate at which transactions could no longer be profitable for the acquirers, it could be said that the provision does not achieve the purpose of protecting the injured person by preventing the sale of the payment stream. Conversely, if 40 percent or 50 percent is that tax rate, then the proposals could be assessed as effective at achieving that purpose. If transactions were to continue after imposition of the tax, sellers of payment streams would be worse off than before the tax, because acquirers would discount more deeply the purchase of the payment stream to achieve the same profit level they did before the tax. Critics could argue that if the tax rate is set at a level that does not totally discourage the transactions, then the proposal would fail to achieve its goal of protecting the original recipients of payment streams.

Opponents of these proposals ask why, if the Code permits individuals to choose between a lump sum payment and a structured settlement arrangement at the time of settlement of a personal injury claim, the Code should discourage a subsequent reconsideration of that decision. They note that, in selling all or part of the payment stream from a structured settlement

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[10] Department of the Treasury, *General Explanations of the Administration's Revenue Proposals*, February 1999, 192.

[11] *Ibid.*

arrangement, the individual is left in a position similar to that he or she would have been in by initially choosing a lump sum payment. Opponents of the proposal argue that effectively locking individuals into a previously negotiated payment stream is antithetical to the normal rules that apply in a market economy of permitting a fully informed individual to make a choice that he or she deems to be in his or her best interest. Generally in a market economy, consumer choice is given deference.

Opponents may also argue that it is not the function of the tax law to prevent injured persons or their legal representatives from transferring rights to payment. Arguably, consumer protection and similar regulation is more properly the role of the States than of the Federal government.

Proponents of the proposal argue that choices may not be fully informed. As discussed above, if an individual has an unrealistic view of his or her mortality prospects and investment opportunities, that individual may make a poor choice.

<u>Elimination of uncertainty under present law</u>.--An additional result of the proposals may be to limit the uncertainty arising under present law from the acquisition with respect to the tax treatment of payors under existing structured settlement arrangements. H.R. 263 explicitly provides that the acquisition of the payment stream does not violate the requirement of present-law section 130 that the payments cannot be accelerated, deferred, increased, or decreased by the recipient (although the President's proposal does not explicitly so provide).

On the other hand, it could be argued that limiting or stopping the acquisition transactions through imposition of tax on them is not the most efficient way to provide certainty in the tax law. Some argue, further, a subsequent transfer of a payment stream does not give rise to constructive receipt of the value of the retained payment stream to the transferor under present law, so there is no reason to believe that the exclusion for the assignee of the liability under section 130 of the Code is jeopardized by the transfer. Thus, they argue, there is no need for legislation to clarify this point.

IV. DESCRIPTION OF PROPOSALS

A. President's Fiscal 2000 Budget Proposal

The President's proposal would impose an excise tax on any person acquiring a payment stream under a structured settlement arrangement. The amount of the excise tax would be 40 percent of the difference between (1) the amount paid by the acquirer to the injured person and (2) the undiscounted value of the acquired income stream. The excise tax would not be imposed if the acquisition were pursuant to a court order finding that the extraordinary and unanticipated needs of the original recipient of the payment stream render the acquisition desirable.

The proposal would be effective for acquisitions occurring after the date of enactment. No inference would be intended as the contractual validity of the acquisition transaction or its effect on the tax treatment of any party other than the acquirer.

The proposal is similar to a provision contained in the President's budget proposals for fiscal year 1999, except that under that proposal, the amount of the excise tax would have been 20 percent of the consideration for acquiring the payment stream.

B. H.R. 263, "The Structured Settlement Protection Act"

H.R. 263, "The Structured Settlement Protection Act" (106th Cong., 1st Sess.) was introduced by Mr. Shaw for himself, Mr. Stark, and others.[12] In general, H.R. 263 would impose a tax on certain acquisitions of structured settlement payment streams, equal to 50 percent of the amount equal to the excess of (1) the aggregate undiscounted amount of structured settlement payments being acquired, over (2) the total amount actually paid by the acquirer to the seller.

H.R. 263 provides that a tax is imposed on any person who acquires, directly or indirectly, structured settlement payment rights in a structured settlement factoring transaction a tax equal to 50 percent of the factoring discount (as defined in the bill). The bill provides an exception in the case of a structured settlement factoring transaction in which the transfer of structured settlement payment rights is (1) otherwise permissible under applicable law, and (2) undertaken pursuant to the order of the relevant court or administrative authority finding that the extraordinary, unanticipated, and imminent needs of the structured settlement recipient or spouse or dependents render such a transfer appropriate. For this purpose, the bill defines a relevant court or administrative authority to mean the court or administrative authority that has jurisdiction over the underlying action that was resolved by the structured settlement, or if no action was brought, a court that would have such jurisdiction, or that has jurisdiction by reason of the residence of the structured settlement recipient.

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[12] The bill is similar to H.R. 4314 (105th Cong., 2d Sess.), introduced in 1998 by Mr. Shaw for himself, for Mr. Stark, and others, and also to S. 2543 (105th Cong., 2d Sess.), introduced in the Senate by Senator Chafee, for himself, for Senator Baucus, and others.

The bill defines a structured settlement factoring transaction as a transfer of structured settlement payment rights (including portions of structured settlement payments) made for consideration by means of sale, assignment, pledge, or other form of encumbrance or alienation for consideration.

Factoring discount is defined under the bill as the amount equal to the excess of (i) the aggregate undiscounted amount of structured settlement payments being acquired in the structured settlement factoring transaction, over (ii) the total amount actually paid by the acquirer to the person from whom such structured settlement payments are acquired.

The bill would specifically provide that the occurrence of a structured settlement factoring transaction does not affect the tax treatment of the parties to the structured settlement under Code sections 72, 130 and 461(h). Thus, the bill would clarify that the exclusion for the assignee of the liability that is currently provided under section 130 would not be affected by the factoring transaction.

The bill would impose a reporting requirement on the person making the structured settlement payments. The bill would be effective for structured settlement factoring transactions occurring after the date of enactment of the bill.