

117TH CONGRESS 1ST SESSION

H. R. 175

To amend the Internal Revenue Code of 1986 to expand the availability of penalty-free distributions to unemployed individuals from retirement plans.

IN THE HOUSE OF REPRESENTATIVES

January 4, 2021

Mrs. Watson Coleman (for herself, Ms. Jayapal, and Ms. Jackson Lee) introduced the following bill; which was referred to the Committee on Ways and Means

A BILL

To amend the Internal Revenue Code of 1986 to expand the availability of penalty-free distributions to unemployed individuals from retirement plans.

- 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 "Expanding Penalty
- 5 Free Withdrawal Act".

1	SEC. 2. EXPANSION OF EXCEPTION FOR PENALTY ON
2	EARLY DISTRIBUTIONS TO UNEMPLOYED IN-
3	DIVIDUALS FROM RETIREMENT PLANS.
4	(a) In General.—Section 72(t)(2) of the Internal
5	Revenue Code of 1986 is amended by adding at the end
6	the following new subparagraph:
7	"(I) Long-term unemployment dis-
8	TRIBUTIONS.—
9	"(i) In general.—Distributions to
10	an individual after separation from em-
11	ployment—
12	"(I) if such individual has re-
13	ceived unemployment compensation
14	for 26 consecutive weeks under any
15	Federal or State unemployment com-
16	pensation law by reason of such sepa-
17	ration (or, if less, for the maximum
18	period for which unemployment com-
19	pensation is available under State law
20	applicable to the individual), and
21	"(II) if such distributions are
22	made during any taxable year during
23	which such unemployment compensa-
24	tion is paid or the succeeding taxable
25	year.

1	"(ii) Distributions after reem-
2	PLOYMENT; SELF-EMPLOYED INDIVID-
3	UALS.—Rules similar to the rules of
4	clauses (ii) and (iii) of subparagraph (D)
5	shall apply for purposes of this subpara-
6	graph.
7	"(iii) Limitation.—Clause (i) shall
8	not apply to any distribution to the extent
9	that such distribution exceeds the lesser
10	of—
11	"(I) \$50,000, reduced by the ag-
12	gregate amount of distributions which
13	are described in clause (i) from all
14	plans of the individual during the 1-
15	year period ending on the day before
16	the date on which such distribution
17	was made, or
18	"(II) the greater of $$10,000$ or
19	one-half of the aggregate fair market
20	value (at the time of the distribution)
21	of the individual's qualified retirement
22	plans (as defined in section 4974(c))
23	and the nonforfeitable portion the in-
24	dividual's defined contribution plans.

1	"(iv) Coordination with distribu-
2	TIONS TO UNEMPLOYED INDIVIDUALS FOR
3	HEALTH INSURANCE PREMIUMS.—Dis-
4	tributions shall not be taken into account
5	under this subparagraph if such distribu-
6	tions are described in subparagraph (D).".
7	(b) Effective Date.—The amendments made by
8	this section shall apply to distributions made after Decem-
9	ber 31, 2020.

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