

[DISCUSSION DRAFT]114TH CONGRESS
2^D SESSION**H. R.** _____

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

Mrs. WATSON COLEMAN introduced the following bill; which was referred to the Committee on _____

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. EXPANSION OF EXCEPTION FOR PENALTY ON**
4 **EARLY DISTRIBUTIONS TO UNEMPLOYED IN-**
5 **DIVIDUALS FROM RETIREMENT PLANS.**

6 (a) IN GENERAL.—Section 72(t)(2) of such Code is
7 amended by adding at the end the following new subpara-
8 graph:

1 “(H) LONG-TERM UNEMPLOYMENT DIS-
2 TRIBUTIONS.—

3 “(i) IN GENERAL.—Distributions to
4 an individual after separation from em-
5 ployment—

6 “(I) if such individual has re-
7 ceived unemployment compensation
8 for 26 consecutive weeks under any
9 Federal or State unemployment com-
10 pensation law by reason of such sepa-
11 ration (or, if less, for the maximum
12 period for which unemployment com-
13 pensation is available under State law
14 applicable to the individual), and

15 “(II) if such distributions are
16 made during any taxable year during
17 which such unemployment compensa-
18 tion is paid or the succeeding taxable
19 year.

20 “(ii) DISTRIBUTIONS AFTER REEM-
21 PLOYMENT; SELF EMPLOYED INDIVID-
22 UALS.—Rules similar to the rules of
23 clauses (ii) and (iii) of subparagraph (D)
24 shall apply for purposes of this subpara-
25 graph.

1 “(iii) LIMITATION.—Clause (i) shall
2 not apply to any distribution to the extent
3 that such distribution exceeds the lesser
4 of—

5 “(I) \$50,000, reduced by the ag-
6 gregate amount of distributions which
7 are described in clause (i) from all
8 plans of the individual during the 1-
9 year period ending on the day before
10 the date on which such distribution
11 was made, or

12 “(II) the greater of \$10,000 or
13 one-half of the aggregate fair market
14 value (at the time of the distribution)
15 of the individual’s qualified retirement
16 plans (as defined in section 4974(e))
17 and the nonforfeitable portion the in-
18 dividual’s defined contribution plans.

19 “(iv) COORDINATION WITH DISTRIBUTIONS TO UNEMPLOYED INDIVIDUALS FOR
20 HEALTH INSURANCE PREMIUMS.—Dis-
21 tributions shall not be taken into account
22 under this subparagraph if such distribu-
23 tions are described in subparagraph (D).”.

1 (b) **EFFECTIVE DATE.**—The amendments made by
2 this section shall apply to distributions made after Decem-
3 ber 31, 2016.