

107TH CONGRESS  
1ST SESSION

# H. R. 3489

To amend the Internal Revenue Code of 1986 to allow expanded penalty-free withdrawals from certain retirement plans during periods of unemployment.

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## IN THE HOUSE OF REPRESENTATIVES

DECEMBER 13, 2001

Mr. GOODE introduced the following bill; which was referred to the Committee on Ways and Means

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## A BILL

To amend the Internal Revenue Code of 1986 to allow expanded penalty-free withdrawals from certain retirement plans during periods of unemployment.

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. DISTRIBUTIONS FROM CERTAIN PLANS MAY BE**  
4                       **MADE WITHOUT PENALTY DURING PERIODS**  
5                       **OF UNEMPLOYMENT.**

6       (a) IN GENERAL.—Paragraph (2) of section 72(t) of  
7       the Internal Revenue Code of 1986 (relating to exceptions  
8       to 10-percent additional tax on early distributions from

1 qualified retirement plans) is amended by adding at the  
2 end the following new subparagraph:

3 “(G) ADDITIONAL DISTRIBUTIONS TO UN-  
4 EMPLOYED INDIVIDUALS.—

5 “(i) IN GENERAL.—Distributions from  
6 an individual retirement plan, or from  
7 amounts attributable to employer contribu-  
8 tions made pursuant to elective deferrals  
9 described in subparagraph (A) or (C) of  
10 section 402(g)(3) or section  
11 501(c)(18)(D)(iii), to an individual after  
12 separation from employment if—

13 “(I) such individual has received  
14 unemployment compensation for 6  
15 consecutive weeks under any Federal  
16 or State unemployment compensation  
17 law by reason of such separation, and

18 “(II) such distributions are made  
19 during the 1-year period beginning on  
20 the date of such separation.

21 “(ii) DISTRIBUTIONS AFTER REEM-  
22 PLOYMENT.—Clause (i) shall not apply to  
23 any distribution made after the individual  
24 has been employed for at least 60 days

1 after the separation from employment to  
2 which clause (i) applies.

3 “(iii) COORDINATION WITH SUBPARA-  
4 GRAPH (D).—Distributions during the pe-  
5 riod described in clause (i)(II) shall not be  
6 taken into account in applying the limita-  
7 tion under subparagraph (D)(i)(III).”

8 (b) CONFORMING AMENDMENTS.—

9 (1) Section 401(k)(2)(B)(i) of such Code is  
10 amended by striking “or” at the end of subclause  
11 (III), by striking “and” at the end of subclause (IV)  
12 and inserting “or”, and by inserting after subclause  
13 (IV) the following new subclause:

14 “(V) the date on which a period  
15 referred to in section 72(t)(2)(G) be-  
16 gins, and”.

17 (2) Section 403(b)(11) of such Code is amend-  
18 ed by striking “or” at the end of subparagraph (A),  
19 by striking the period at the end of subparagraph  
20 (B) and inserting “, or”, and by inserting after sub-  
21 paragraph (B) the following new subparagraph:

22 “(C) for distributions to which section  
23 72(t)(2)(G) applies.”

1       (c) EFFECTIVE DATE.—The amendments made by  
2 this section shall apply to distributions after the date of  
3 the enactment of this Act.

