

110TH CONGRESS
1ST SESSION

H. R. 2873

To amend the Internal Revenue Code of 1986 to exempt disaster relief distributions from retirement plans from the penalty for early withdrawal.

IN THE HOUSE OF REPRESENTATIVES

JUNE 26, 2007

Mr. WELDON of Florida (for himself, Mr. WEXLER, Mr. YOUNG of Florida, Mr. HASTINGS of Florida, Ms. ROS-LEHTINEN, Mr. LINCOLN DIAZ-BALART of Florida, Ms. GINNY BROWN-WAITE of Florida, Mr. MARIO DIAZ-BALART of Florida, Mr. MILLER of Florida, Mr. FEENEY, Mr. CRENSHAW, and Mr. BILIRAKIS) 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 exempt disaster relief distributions from retirement plans from the penalty for early withdrawal.

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 “Affordable Home-
5 owners Insurance Act of 2007”.

1 **SEC. 2. DISTRIBUTIONS FROM RETIREMENT PLANS FOR**
2 **DISASTER RELIEF NOT SUBJECT TO PENALTY**
3 **FOR EARLY WITHDRAWAL.**

4 (a) IN GENERAL.—Paragraph (2) of section 72(t) of
5 the Internal Revenue Code of 1986 (relating to subsection
6 not to apply to certain distributions) is amended by adding
7 at the end the following new subparagraph:

8 “(H) DISTRIBUTIONS FROM RETIREMENT
9 PLANS FOR DISASTER RELIEF.—

10 “(i) IN GENERAL.—Any qualified dis-
11 aster relief distribution.

12 “(ii) AGGREGATE DOLLAR LIMITA-
13 TION.—For purposes of this subparagraph,
14 the aggregate amount of distributions re-
15 ceived by an individual which may be treat-
16 ed as qualified disaster relief distributions
17 for any taxable year shall not exceed the
18 excess (if any) of—

19 “(I) \$100,000, over

20 “(II) the aggregate amounts
21 treated as qualified disaster relief dis-
22 tributions received by such individual
23 for all prior taxable years.

24 “(iii) TREATMENT OF PLAN DIS-
25 TRIBUTIONS.—If a distribution to an indi-
26 vidual would be a qualified disaster relief

1 distribution, a plan shall not be treated as
2 violating any requirement of this title
3 merely because the plan treats such dis-
4 tribution as a qualified disaster relief dis-
5 tribution, unless the aggregate amount of
6 such distributions from all plans main-
7 tained by the employer (and any member
8 of any controlled group which includes the
9 employer) to such individual exceeds
10 \$100,000. For purposes of the preceding
11 sentence, the term ‘controlled group’
12 means any group treated as a single em-
13 ployer under subsection (b), (c), (m), or
14 (o) of section 414.

15 “(iv) AMOUNT DISTRIBUTED MAY BE
16 REPAID.—

17 “(I) IN GENERAL.—Any indi-
18 vidual who receives a qualified dis-
19 aster relief distribution may, at any
20 time during the 3-year period begin-
21 ning on the day after the date on
22 which such distribution was received,
23 make one or more contributions in an
24 aggregate amount not to exceed the
25 amount of such distribution to an eli-

1 eligible retirement plan of which such
2 individual is a beneficiary and to
3 which a rollover contribution of such
4 distribution could be made under sec-
5 tion 402(c), 403(a)(4), 403(b)(8),
6 408(d)(3), or 457(e)(16), as the case
7 may be.

8 “(II) TREATMENT OF REPAY-
9 MENTS OF DISTRIBUTIONS FROM ELI-
10 GIBLE RETIREMENT PLANS OTHER
11 THAN IRAS.—For purposes of this
12 title, if a contribution is made pursu-
13 ant to subparagraph (A) with respect
14 to a qualified disaster relief distribu-
15 tion from an eligible retirement plan
16 other than an individual retirement
17 plan, then the taxpayer shall, to the
18 extent of the amount of the contribu-
19 tion, be treated as having received the
20 qualified disaster relief distribution in
21 an eligible rollover distribution (as de-
22 fined in section 402(c)(4)) and as
23 having transferred the amount to the
24 eligible retirement plan in a direct

1 trustee to trustee transfer within 60
2 days of the distribution.

3 “(III) TREATMENT OF REPAY-
4 MENTS FOR DISTRIBUTIONS FROM
5 IRAS.—For purposes of this title, if a
6 contribution is made pursuant to sub-
7 paragraph (A) with respect to a quali-
8 fied disaster relief distribution from
9 an individual retirement plan (as de-
10 fined by section 7701(a)(37)), then, to
11 the extent of the amount of the con-
12 tribution, the qualified disaster relief
13 distribution shall be treated as a dis-
14 tribution described in section
15 408(d)(3) and as having been trans-
16 ferred to the eligible retirement plan
17 in a direct trustee to trustee transfer
18 within 60 days of the distribution.

19 “(v) QUALIFIED DISASTER RELIEF
20 DISTRIBUTION.—For purposes of this sub-
21 paragraph, the term ‘qualified disaster re-
22 lief distribution’ means a distribution
23 made—

24 “(I) within 1 year after the date
25 on which a major disaster is declared

1 under section 401 of the Robert T.
2 Stafford Disaster Assistance Relief
3 and Emergency Assistance Act,

4 “(II) on account of such disaster,

5 and

6 “(III) to an individual whose
7 principal place of abode is in the area
8 with respect to which such disaster
9 was declared and who has sustained
10 an economic loss by reason of such
11 disaster.

12 “(vi) INCOME INCLUSION SPREAD
13 OVER 3-YEAR PERIOD.—

14 “(I) IN GENERAL.—In the case
15 of any qualified disaster relief dis-
16 tribution, unless the taxpayer elects
17 not to have this clause apply for any
18 taxable year, any amount required to
19 be included in gross income for such
20 taxable year shall be so included rat-
21 ably over the 3-taxable year period be-
22 ginning with such taxable year.

23 “(II) APPLICABLE RULES.—For
24 purposes of subclause (I), rules simi-

1 lar to the rules of subparagraph (E)
2 of section 408A(d)(3) shall apply.”.

3 (b) EFFECTIVE DATE.—The amendment made by
4 this section shall apply with respect to disasters declared
5 after the date of the enactment of this Act.

6 (c) PROVISIONS RELATING TO PLAN AMEND-
7 MENTS.—

8 (1) IN GENERAL.—If this subsection applies to
9 any amendment to any plan or annuity contract,
10 such plan or contract shall be treated as being oper-
11 ated in accordance with the terms of the plan during
12 the period described in paragraph (2)(B)(i).

13 (2) AMENDMENTS TO WHICH SUBSECTION AP-
14 PLIES.—

15 (A) IN GENERAL.—This subsection shall
16 apply to any amendment to any plan or annuity
17 contract which is made—

18 (i) pursuant to any provision of this
19 section, or pursuant to any regulation
20 issued by the Secretary of the Treasury or
21 the Secretary of Labor under any provision
22 of this section, and

23 (ii) on or before the last day of the
24 first plan year beginning on or after Janu-

1 ary 1, 2009, or such later date as the Sec-
2 retary may prescribe.

3 In the case of a governmental plan (as defined
4 in section 414(d)), clause (ii) shall be applied
5 by substituting the date which is 2 years after
6 the date otherwise applied under clause (ii).

7 (B) CONDITIONS.—This subsection shall
8 not apply to any amendment unless—

9 (i) during the period—

10 (I) beginning on the date that
11 this section or the regulation de-
12 scribed in subparagraph (A)(i) takes
13 effect (or in the case of a plan or con-
14 tract amendment not required by this
15 section or such regulation, the effec-
16 tive date specified by the plan), and

17 (II) ending on the date described
18 in subparagraph (A)(ii) (or, if earlier,
19 the date the plan or contract amend-
20 ment is adopted),

21 the plan or contract is operated as if such
22 plan or contract amendment were in effect;
23 and such plan or contract amendment ap-
24 plies retroactively for such period.

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