

111<sup>TH</sup> CONGRESS  
1<sup>ST</sup> SESSION

# H. R. 1311

To amend the Internal Revenue Code of 1986 to exclude from gross income amounts distributed from tax-favored accounts during a period of unemployment.

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## IN THE HOUSE OF REPRESENTATIVES

MARCH 4, 2009

Mr. PAUL 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 exclude from gross income amounts distributed from tax-favored accounts during a period 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. SHORT TITLE.**

4 This Act may be cited as the “Unemployment Assist-  
5 ance Act of 2009”.

1 **SEC. 2. EXCLUSION FROM GROSS INCOME OF UNEMPLOY-**  
2 **MENT DISTRIBUTIONS FROM TAX-FAVORED**  
3 **ACCOUNTS.**

4 (a) IN GENERAL.—Part III of subchapter B of chap-  
5 ter 1 of the Internal Revenue Code is amended by insert-  
6 ing after section 139B the following new section:

7 **“SEC. 139C. DISTRIBUTIONS FROM TAX-FAVORED ACCOUNT**  
8 **DURING PERIODS OF UNEMPLOYMENT.**

9 “(a) IN GENERAL.—Gross income shall not include  
10 any qualified unemployment distribution from a tax-fa-  
11 vored account.

12 “(b) DEFINITIONS.—For purposes of this section—

13 “(1) QUALIFIED UNEMPLOYMENT DISTRIBU-  
14 TION.—

15 “(A) IN GENERAL.—The term ‘qualified  
16 unemployment distribution’ means, with respect  
17 to an individual, any distribution from a tax-fa-  
18 vored account of such individual to the extent  
19 such distribution—

20 “(i) is made during a period of unem-  
21 ployment which does not exceed 2 years,  
22 and

23 “(ii) is used during such period by the  
24 individual to pay qualified living expenses,  
25 qualified health care expenses, or qualified  
26 education or job training expenses.

1           “(B) QUALIFIED LIVING EXPENSES.—The  
2 term ‘qualified living expenses’ means any of  
3 the following expenses of the taxpayer: rent, ac-  
4 quisition indebtedness (as defined in section  
5 164(h)(3)(B)), groceries, repairs with respect to  
6 a vehicle or principal residence (within the  
7 meaning of section 121) of the taxpayer, and  
8 any other such necessary and common expenses  
9 of the individuals. Such term shall not include  
10 any prepayment of rent or acquisition indebted-  
11 ness.

12           “(C) QUALIFIED HEALTH CARE EX-  
13 PENSES.—The term ‘qualified health care ex-  
14 penses’ means amounts paid by such individual  
15 for medical care (as defined in section 213(d)  
16 for such individual, the spouse of such indi-  
17 vidual, and any dependent (as defined in section  
18 152, determined without regard to subsections  
19 (b)(1), (b)(2), and (d)(1)(B) thereof) of such  
20 individual, but only to the extent such amounts  
21 are not compensated for by insurance or other-  
22 wise.

23           “(D) QUALIFIED EDUCATION OR JOB  
24 TRAINING EXPENSES.—The term ‘qualified edu-  
25 cation or job training expenses’ means any ex-

1           penses which would (but for subsection (c)) be  
2           qualified tuition and related expenses for pur-  
3           poses of section 25A(c) (relating to Lifetime  
4           Learning Credit).

5           “(2) TAX-FAVORED ACCOUNT.—The term ‘tax-  
6           favored account’ means any of the following:

7                   “(A) An eligible retirement plan (as de-  
8                   fined in section 402(c)(8)(B)).

9                   “(B) A health savings account described in  
10                  section 223.

11                  “(C) A Roth IRA.

12                  “(D) A qualified tuition program described  
13                  in section 529.

14           “(c) AMOUNT DISTRIBUTED MAY BE REPAID.—

15                   “(1) IN GENERAL.—Any individual who receives  
16           a qualified unemployment distribution may make  
17           one or more contributions in an aggregate amount  
18           not to exceed the amount of such distribution to a  
19           tax-favored account of which such individual is a  
20           beneficiary and to which a rollover contribution of  
21           such distribution could be made under section  
22           402(c), 403(a)(4), 403(b)(8), 408(d)(3), or  
23           457(e)(16), 223(f)(5), or 529(c)(3)(C), as the case  
24           may be.

1           “(2) TREATMENT OF REPAYMENTS OF DIS-  
2           TRIBUTIONS FROM ELIGIBLE RETIREMENT PLANS  
3           OTHER THAN IRAS.—For purposes of this title, if a  
4           contribution is made pursuant to subparagraph (A)  
5           with respect to a qualified unemployment distribu-  
6           tion from an eligible retirement plan other than an  
7           individual retirement plan, then the taxpayer shall,  
8           to the extent of the amount of the contribution, be  
9           treated as having received the qualified unemploy-  
10          ment distribution in an eligible rollover distribution  
11          (as defined in section 402(c)(4)) and as having  
12          transferred the amount to the eligible retirement  
13          plan in a direct trustee to trustee transfer within 60  
14          days of the distribution.

15          “(3) TREATMENT OF REPAYMENTS FOR DIS-  
16          TRIBUTIONS FROM IRAS.—For purposes of this title,  
17          if a contribution is made pursuant to subparagraph  
18          (A) with respect to a qualified unemployment dis-  
19          tribution from an individual retirement plan (as de-  
20          fined by section 7701(a)(37)), then, to the extent of  
21          the amount of the contribution, the qualified unem-  
22          ployment distribution shall be treated as a distribu-  
23          tion described in section 408(d)(3) and as having  
24          been transferred to the eligible retirement plan in a

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

3 “(4) OTHER TAX-FAVORED ACCOUNTS.—For  
4 purposes of this title, if a contribution is made pur-  
5 suant to subparagraph (A) with respect to a quali-  
6 fied unemployment distribution—

7 “(A) from a health savings account de-  
8 scribed in section 223, or

9 “(B) from a qualified tuition program de-  
10 scribed in section 529

11 then, to the extent of the amount of the contribu-  
12 tion, the qualified unemployment distribution shall  
13 be treated as a distribution described in section  
14 529(c)(3)(C) or 223(f)(5), as the case may be, and  
15 as having been transferred to such account or pro-  
16 gram, as the case may be, within 60 days of the dis-  
17 tribution.

18 “(d) DENIAL OF DOUBLE BENEFIT.—Any qualified  
19 unemployment distribution with respect to any expense de-  
20 scribed in (b)(1)(A)(ii) which is excluded from gross in-  
21 come under this section shall not be taken into account  
22 in determining any deduction or credit under this chapter  
23 relating to such an expense.”.

1           (b) CONFORMING AMENDMENT.—Paragraph (2) of  
2 section 72(t) of such Code is amended by adding at the  
3 end the following new subparagraph:

4                           “(H) UNEMPLOYMENT DISTRIBUTIONS.—  
5                   Any distribution excludable from gross income  
6                   under section 139C (relating to distributions  
7                   from tax-favored account during periods of un-  
8                   employment).”.

9           (c) CLERICAL AMENDMENT.—The table of sections  
10 for part III of subchapter B of chapter 1 of such Code  
11 is amended by inserting after the item relating to section  
12 139B the following new section:

                 “Sec. 139C. Distributions from tax-favored account during periods of unem-  
  ployment.”.

13           (d) EFFECTIVE DATE.—The amendments made by  
14 this section shall apply to distributions made after the  
15 date of the enactment of this Act.

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