

114TH CONGRESS
2D SESSION

H. R. 4972

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

APRIL 15, 2016

Mrs. WATSON COLEMAN 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 of 2016”.

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 such Code is
5 amended by adding at the end the following new subpara-
6 graph:

7 “(H) 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(e))
23 and the nonforfeitable portion the in-
24 dividual’s defined contribution plans.

1 “(iv) COORDINATION WITH DISTRIBUTIONS TO UNEMPLOYED INDIVIDUALS FOR
2 HEALTH INSURANCE PREMIUMS.—Distributions shall not be taken into account
3 under this subparagraph if such distributions are described in subparagraph (D).”.

4 (b) EFFECTIVE DATE.—The amendments made by
5 this section shall apply to distributions made after Decem-
6 ber 31, 2016.

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