

116TH CONGRESS  
1ST SESSION

# S. 469

To allow penalty-free distributions from retirement accounts in the case of certain Federal contractors impacted by Federal Government shutdowns.

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## IN THE SENATE OF THE UNITED STATES

FEBRUARY 13, 2019

Ms. CORTEZ MASTO (for herself, Mrs. MURRAY, Mr. WYDEN, Ms. KLOBUCHAR, Mrs. FEINSTEIN, Ms. SMITH, Mr. BROWN, Mr. CASEY, Mr. VAN HOLLEN, Mr. MENENDEZ, Ms. DUCKWORTH, Mr. BLUMENTHAL, Mr. KAINE, and Ms. ROSEN) introduced the following bill; which was read twice and referred to the Committee on Finance

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## A BILL

To allow penalty-free distributions from retirement accounts in the case of certain Federal contractors impacted by Federal Government shutdowns.

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 “Emergency Relief for  
5       Federal Contractors Act of 2019”.

1 **SEC. 2. TAX-FAVORED WITHDRAWALS FROM RETIREMENT**  
2 **PLANS.**

3 (a) IN GENERAL.—Section 72(t) of the Internal Rev-  
4 enue Code of 1986 shall not apply to any Federal govern-  
5 ment shutdown distribution.

6 (b) AGGREGATE DOLLAR LIMITATION.—

7 (1) IN GENERAL.—For purposes of this section,  
8 the aggregate amount of distributions received by an  
9 individual which may be treated as Federal govern-  
10 ment shutdown distributions for any taxable year  
11 shall not exceed \$30,000.

12 (2) TREATMENT OF PLAN DISTRIBUTIONS.—If  
13 a distribution to an individual would (without regard  
14 to paragraph (1)) be a Federal government shut-  
15 down distribution, a plan shall not be treated as vio-  
16 lating any provision of law merely because the plan  
17 treats such distribution as a Federal government  
18 shutdown distribution, unless the aggregate amount  
19 of such distributions from all plans maintained by  
20 the employer (and any member of any controlled  
21 group which includes the employer) to such indi-  
22 vidual for any taxable year exceeds \$30,000.

23 (3) CONTROLLED GROUP.—For purposes of  
24 paragraph (2), the term “controlled group” means  
25 any group treated as a single employer under sub-

1 section (b), (c), (m), or (o) of section 414 of the In-  
2 ternal Revenue Code of 1986.

3 (c) AMOUNT DISTRIBUTED MAY BE REPAID.—

4 (1) IN GENERAL.—Any individual who receives  
5 a Federal government shutdown distribution may, at  
6 any time during the 3-year period beginning on the  
7 day after the date on which such distribution was re-  
8 ceived, make 1 or more contributions in an aggre-  
9 gate amount not to exceed the amount of such dis-  
10 tribution to an eligible retirement plan of which such  
11 individual is a beneficiary and to which a rollover  
12 contribution of such distribution could be made  
13 under section 402(c), 403(a)(4), 403(b)(8),  
14 408(d)(3), or 457(e)(16) of the Internal Revenue  
15 Code of 1986.

16 (2) TREATMENT OF REPAYMENTS OF DISTRIBUTIONS FROM ELIGIBLE RETIREMENT PLANS OTHER  
17 THAN IRAS.—For purposes of the Internal Revenue  
18 Code of 1986, if a contribution is made pursuant to  
19 paragraph (1) with respect to a Federal government  
20 shutdown distribution from an eligible retirement  
21 plan other than an individual retirement plan, then  
22 the taxpayer shall, to the extent of the amount of  
23 the contribution, be treated as having received the  
24 Federal government shutdown distribution in an eli-  
25

gible rollover distribution (as defined in section 402(c)(4) of such Code) and as having transferred the amount to the eligible retirement plan in a direct trustee to trustee transfer within 60 days of the distribution.

(3) TREATMENT OF REPAYMENTS OF DISTRIBUTIONS FROM IRAS.—For purposes of the Internal Revenue Code of 1986, if a contribution is made pursuant to paragraph (1) with respect to a Federal government shutdown distribution from an individual retirement plan (as defined by section 7701(a)(37) of such Code), then, to the extent of the amount of the contribution, the Federal government shutdown distribution shall be treated as a distribution described in section 408(d)(3) of such Code and as having been transferred to the eligible retirement plan in a direct trustee to trustee transfer within 60 days of the distribution.

(d) DEFINITIONS.—For purposes of this section—

(1) FEDERAL GOVERNMENT SHUTDOWN DISTRIBUTION.—The term “Federal government shutdown distribution” means any distribution which is—

(A) received by an applicable individual from an eligible retirement plan; and

1 (B) made during a Federal appropriations  
2 lapse with respect to such individual.

3 (2) APPLICABLE INDIVIDUAL.—The term “ap-  
4 plicable individual” means any individual—

5 (A) who is a Federal contractor or an em-  
6 ployee of a Federal contractor and is placed on  
7 unpaid leave or working without pay due to a  
8 Federal appropriations lapse,

9 (B) who is an employee of a State or other  
10 Federal grantee whose compensation is ad-  
11 vanced or reimbursed in whole or in part by the  
12 Federal Government, and is furloughed, work-  
13 ing without pay, or working with a decrease in  
14 pay due to a Federal appropriations lapse, or

15 (C) who is an employee of the District of  
16 Columbia Courts, the Public Defender Service  
17 for the District of Columbia, or the District of  
18 Columbia government and is furloughed or  
19 working without pay due to a Federal appro-  
20 priations lapse.

21 (3) FEDERAL APPROPRIATIONS LAPSE.—

22 (A) IN GENERAL.—The term “Federal ap-  
23 propriations lapse” means any continuous pe-  
24 riod of at least 2 weeks during which there is

a lapse in Federal appropriations (including a partial lapse).

(B) PERIOD OF LAPSE.—A period of lapse in Federal appropriations shall not be a Federal appropriations lapse with respect to an individual for longer than the period during which the individual is furloughed, on unpaid leave, or performing work without pay due to such lapse.

(4) ELIGIBLE RETIREMENT PLAN.—The term “eligible retirement plan” has the meaning given such term by section 402(c)(8)(B) of the Internal Revenue Code of 1986.

(e) INCOME INCLUSION SPREAD OVER 3-YEAR PERIOD.—

(1) IN GENERAL.—Unless the taxpayer elects not to have this paragraph apply for any taxable year, any amount required to be included in gross income for such taxable year with respect to any Federal government shutdown distribution shall be so included ratably over the 3-taxable-year period beginning with such taxable year.

(2) SPECIAL RULE.—For purposes of paragraph (1), rules similar to the rules of subparagraph (E) of section 408A(d)(3) of the Internal Revenue Code of 1986 shall apply.

1 (f) SPECIAL RULES.—

2 (1) EXEMPTION OF DISTRIBUTIONS FROM  
 3 TRUSTEE TO TRUSTEE TRANSFER AND WITH-  
 4 HOLDING RULES.—For purposes of sections  
 5 401(a)(31), 402(f), and 3405 of the Internal Rev-  
 6 enue Code of 1986, a Federal government shutdown  
 7 distribution shall not be treated as an eligible roll-  
 8 over distribution.

9 (2) FEDERAL GOVERNMENT SHUTDOWN DIS-  
 10 TRIBUTIONS TREATED AS MEETING PLAN DISTRIBUTU-  
 11 TION REQUIREMENTS.—For purposes of the Internal  
 12 Revenue Code of 1986, a Federal government shut-  
 13 down distribution shall be treated as meeting the re-  
 14 quirements of sections 401(k)(2)(B)(i),  
 15 403(b)(7)(A)(ii), 403(b)(11), and 457(d)(1)(A) of  
 16 such Code.

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