

104TH CONGRESS  
2D SESSION

# H. R. 3807

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

---

## IN THE HOUSE OF REPRESENTATIVES

JULY 12, 1996

Mr. McDERMOTT (for himself, Mr. GIBBONS, Mr. RANGEL, Mr. STARK, Mr. MATSUI, Mrs. KENNELLY, Mr. COYNE, Mr. LEWIS of Georgia, and Mr. NEAL of Massachusetts) 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 allow 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 **USED 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           “(D) DISTRIBUTIONS FROM CERTAIN  
4           PLANS DURING PERIODS OF UNEMPLOYMENT.—  
5           Distributions from an individual retirement  
6           plan, or from amounts attributable to employer  
7           contributions made pursuant to elective defere-  
8           rals described in subparagraph (A) or (C) of  
9           section 402(g)(3) or section 501(c)(18)(D)(iii),  
10          to an individual after separation from employ-  
11          ment if—

12                   “(i) such individual has received un-  
13                   employment compensation for 12 consecu-  
14                   tive weeks under any Federal or State un-  
15                   employment compensation law by reason of  
16                   such separation, and

17                   “(ii) such distributions are made dur-  
18                   ing the 1-year period beginning on the date  
19                   of such separation.

20          To the extent provided in regulations, a self-em-  
21          ployed individual shall be treated as meeting  
22          the requirements of clause (i) if, under Federal  
23          or State law, the individual would have received  
24          unemployment compensation but for the fact  
25          the individual was self-employed.”.

1 (b) CONFORMING AMENDMENTS.—

2 (1) Subparagraph (B) of section 72(t)(2) of  
3 such Code is amended by striking “or (C)” and in-  
4 serting “, (C) or (D)”.

5 (2) Section 401(k)(2)(B)(i) is amended by  
6 striking “or” at the end of subclause (III), by strik-  
7 ing “and” at the end of subclause (IV) and inserting  
8 “or”, and by inserting after subclause (IV) the fol-  
9 lowing new subclause:

10 “(V) the date on which a period  
11 referred to in section 72(t)(2)(D) be-  
12 gins, and”.

13 (3) Section 403(b)(11) of such Code is amend-  
14 ed by striking “or” at the end of subparagraph (A),  
15 by striking the period at the end of subparagraph  
16 (B) and inserting “, or”, and by inserting after sub-  
17 paragraph (B) the following new subparagraph:

18 “(C) for distributions to which 72(t)(2)(D)  
19 applies.”

20 (c) EFFECTIVE DATE.—The amendments made by  
21 this section shall apply to payments and distributions after  
22 the date of the enactment of this Act.

○