

116TH CONGRESS  
1ST SESSION

# H. R. 4181

To amend the Internal Revenue Code of 1986 to allow distributions from qualified cash or deferred arrangements in the event that the employer files for chapter 11 bankruptcy and the employee is not regularly scheduled for work or paid.

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## IN THE HOUSE OF REPRESENTATIVES

AUGUST 9, 2019

Mr. GRIFFITH 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 allow distributions from qualified cash or deferred arrangements in the event that the employer files for chapter 11 bankruptcy and the employee is not regularly scheduled for work or paid.

1       *Be it enacted by the Senate and House of Representa-*  
2       *tives of the United States of America in Congress assembled,*

1 **SECTION 1. DISTRIBUTIONS FROM QUALIFIED CASH OR DE-**  
 2 **FERRED ARRANGEMENTS ALLOWED IN CHAP-**  
 3 **TER 11 BANKRUPTCY IF EMPLOYEE NOT REG-**  
 4 **ULARLY SCHEDULED FOR WORK OR PAID.**

5 (a) IN GENERAL.—Section 401(k)(2)(B)(i) of the In-  
 6 ternal Revenue Code of 1986 is amended by striking “or”  
 7 at the end of subclause (IV), by striking “and” at the end  
 8 of subclause (V) and inserting “, or”, and by inserting  
 9 after subclause (V) the following new subclause:

10 “(VI) in the case of a qualified  
 11 bankruptcy reorganization delay dis-  
 12 tribution (as defined in paragraph  
 13 (15)), the beginning of the period de-  
 14 scribed in paragraph (15)(A)(iii),  
 15 and”.

16 (b) QUALIFIED BANKRUPTCY REORGANIZATION  
 17 DELAY DISTRIBUTION.—Section 401(k) of such Code is  
 18 amended by adding at the end the following new para-  
 19 graph:

20 “(15) QUALIFIED BANKRUPTCY REORGANIZA-  
 21 TION DELAY DISTRIBUTION.—

22 “(A) IN GENERAL.—For purposes of para-  
 23 graph (2)(B)(i)(VI), the term ‘qualified bank-  
 24 ruptcy reorganization delay distribution’ means  
 25 any distribution to an employee if—

1 “(i) the employer has filed a case  
2 under chapter 11 of title 11, United States  
3 Code, and is under the jurisdiction of the  
4 court in such case,

5 “(ii) such employee, at any time after  
6 the filing of such case, is not scheduled to  
7 work for at least the number of hours that  
8 such employee is customarily scheduled to  
9 work or is not paid on or before the time  
10 that such employee is customarily paid,  
11 and

12 “(iii) such distribution is made during  
13 the period beginning with the first time  
14 which is described in clause (ii) with re-  
15 spect to such employee and ending on the  
16 first date thereafter on which such em-  
17 ployee is scheduled to work for at least the  
18 number of hours that such employee is  
19 customarily scheduled to work and is paid  
20 at the time such employee is customarily  
21 paid (or, if earlier, ending on the date of  
22 severance from employment).

23 “(B) LIMITATION ON DISTRIBUTIONS.—

24 The aggregate amount of distributions received  
25 by any employee which may be treated as quali-

1           fied bankruptcy reorganization delay distribu-  
2           tions with respect to any case described in sub-  
3           paragraph (A)(i) shall not exceed the amount  
4           which bears the same proportion to such em-  
5           ployee's annual salary as the period beginning  
6           with the beginning of the period described in  
7           subparagraph (A)(iii) and ending on the date of  
8           the distribution bears to a calendar year.”.

9           (c) EFFECTIVE DATE.—

10           (1) IN GENERAL.—The amendments made by  
11           this section shall apply to distributions made after  
12           the date of the enactment of this Act.

13           (2) TRANSITION.—During the 2-year period be-  
14           ginning with the date of the enactment of this Act,  
15           a plan shall not fail to satisfy any provision of the  
16           Internal Revenue Code of 1986 merely because the  
17           terms of the plan do not provide for making quali-  
18           fied bankruptcy reorganization delay distributions  
19           (as defined in section 401(k)(15) of such Code, as  
20           added by this section) but such plan nonetheless  
21           provides for such distributions.

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