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

IN THE HOUSE OF REPRESENTATIVES

Mr. Olson (for himself, Mr. Beyer, and Mr. Perlmutter) introduced the following bill; which was referred to the Committee on

A BILL

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

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 “Financial Relief for
5 Feds Act of 2019”.

(Original Signature of Member)
SEC. 2. TAX-FAVORED WITHDRAWALS FROM RETIREMENT PLANS.

(a) IN GENERAL.—Section 72(t) of the Internal Revenue Code of 1986 shall not apply to any Federal Government shutdown distribution.

(b) AGGREGATE DOLLAR LIMITATION.—

(1) IN GENERAL.—For purposes of this subsection, the aggregate amount of distributions received by an individual which may be treated as Federal Government shutdown distributions for any taxable year, and with respect to any Federal appropriations lapse, shall not exceed the excess (if any) of—

(A) the applicable amount, over

(B) the aggregate amounts treated as Federal Government shutdown distributions received by such individual with respect to such Federal appropriations lapse.

(2) APPLICABLE AMOUNT.—For purposes of paragraph (1), the applicable amount with respect to an individual is an amount equal to—

(A) $4,000, multiplied by

(B) the number of 14-day periods beginning during any Federal appropriations lapse with respect to such individual.

(3) TREATMENT OF PLAN DISTRIBUTIONS.—
(A) In General.—If a distribution to an individual would (without regard to paragraph (1)) be a Federal Government shutdown distribution, a plan shall not be treated as violating any provision of law merely because the plan treats such distribution as a Federal Government shutdown distribution, unless the aggregate amount of such distributions from all plans maintained by the employer (and any member of any controlled group which includes the employer) to such individual exceeds the applicable amount with respect to such individual.

(B) No TSP Conditions on Contributions or Distributions.—In the case of the Thrift Savings Fund, no limit on the number of distributions made to an individual, or on the amount of contributions which may be made by such individual, shall be imposed solely by reason of a distribution which is a Federal Government shutdown distribution.

(4) Controlled Group.—For purposes of paragraph (3), the term “controlled group” means any group treated as a single employer under subsection (b), (c), (m), or (o) of section 414 of the Internal Revenue Code of 1986.
(c) **Amount Distributed May Be Repaid.**—

(1) **In General.**—Any individual who receives a Federal Government shutdown distribution may, at any time during the 3-year period beginning on the day after the date on which such distribution was received, make 1 or more contributions in an aggregate amount not to exceed the amount of such distribution to an eligible retirement plan of which such individual is a beneficiary and to which a rollover contribution of such distribution could be made under section 402(c), 403(a)(4), 403(b)(8), 408(d)(3), or 457(e)(16), of the Internal Revenue Code of 1986, as the case may be.

(2) **Treatment of Repayments of Distributions from Eligible Retirement Plans Other Than 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 eligible retirement plan other than an individual retirement plan, then the taxpayer shall, to the extent of the amount of the contribution, be treated as having received the Federal Government shutdown distribution in an eligible 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 by an applicable individual from an eligible retirement plan made during a Federal appropriations lapse with respect to such individual.

(2) Applicable Individual.—The term “applicable individual” means any individual—
(A) who is a Federal employee furloughed due to a Federal appropriations lapse,

(B) who is placed on unpaid leave as a Federal contractor, or as an employee of a Federal contractor, due to a Federal appropriations lapse, and whose sole source of earned income (as defined in section 32(e)(2) of the Internal Revenue Code of 1986) would (but for such lapse) be remuneration as such a contractor, or employee thereof,

(C) who is an employee of a State or other Federal grantee—

(i) whose compensation is advanced or reimbursed in whole or in part by the Federal Government, and

(ii) who is furloughed due to a Federal appropriations lapse, or

(D) who is furloughed due to a Federal appropriations lapse as an employee of the District of Columbia Courts, the Public Defender Service for the District of Columbia, or the District of Columbia government.

Such term shall include any excepted employee or an employee performing emergency work, as such terms are defined by the Office of Personnel Management.
or the appropriate District of Columbia public em-
ployer, as applicable, during a Federal appropria-
tions lapse.

(3) FEDERAL APPROPRIATION LAPSE.—

(A) IN GENERAL.—The term “Federal ap-
propriations lapse” means any continuous pe-
riod during which there is a lapse in Federal
appropriations.

(B) PERIOD OF LAPSE.—A period of lapse
in Federal appropriations shall not be a Federal
appropriations lapse with respect to an indi-
vidual for longer than the period during which
the individual is furloughed (or on unpaid leave
in the case of an individual described in para-
graph (2)(B)) due to such lapse.

(4) ELIGIBLE RETIREMENT PLAN.—The term
“eligible retirement plan” shall have the meaning
given such term by section 402(c)(8)(B) of the In-

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

(1) IN GENERAL.—In the case of any Federal
Government shutdown distribution, unless the tax-
payer elects not to have this paragraph apply for
any taxable year, any amount required to be in-
cluded in gross income for such taxable year 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.

(f) Special Rules.—

(1) Exemption of distributions from trustee to trustee transfer and withholding rules.—For purposes of sections 401(a)(31), 402(f), and 3405 of the Internal Revenue Code of 1986, Federal Government shutdown distributions shall not be treated as eligible rollover distributions.

(2) Federal government shutdown distributions treated as meeting plan distribution requirements.—For purposes the Internal Revenue Code of 1986, a Federal Government shutdown distribution shall be treated as meeting the requirements of sections 401(k)(2)(B)(i), 403(b)(7)(A)(ii), 403(b)(11), and 457(d)(1)(A) of such Code.