

112TH CONGRESS
1ST SESSION

H. R. 2262

To amend the Internal Revenue Code of 1986 to exclude from gross income amounts distributed from tax-favored accounts during a period of unemployment.

IN THE HOUSE OF REPRESENTATIVES

JUNE 21, 2011

Mr. PAUL 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 exclude from gross income amounts distributed from tax-favored accounts during a period 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. SHORT TITLE.**

4 This Act may be cited as the “Unemployment Assist-
5 ance Act of 2011”.

1 **SEC. 2. EXCLUSION FROM GROSS INCOME OF UNEMPLOY-**
 2 **MENT DISTRIBUTIONS FROM TAX-FAVORED**
 3 **ACCOUNTS.**

4 (a) IN GENERAL.—Part III of subchapter B of chap-
 5 ter 1 of the Internal Revenue Code is amended by insert-
 6 ing after section 139D the following new section:

7 **“SEC. 139E. DISTRIBUTIONS FROM TAX-FAVORED ACCOUNT**
 8 **DURING PERIODS OF UNEMPLOYMENT.**

9 “(a) IN GENERAL.—Gross income shall not include
 10 any qualified unemployment distribution from a tax-fa-
 11 vored account.

12 “(b) DEFINITIONS.—For purposes of this section—

13 “(1) QUALIFIED UNEMPLOYMENT DISTRIBU-
 14 TION.—

15 “(A) IN GENERAL.—The term ‘qualified
 16 unemployment distribution’ means, with respect
 17 to an individual, any distribution from a tax-fa-
 18 vored account of such individual to the extent
 19 such distribution—

20 “(i) is made during a period of unem-
 21 ployment which does not exceed 2 years,
 22 and

23 “(ii) is used during such period by the
 24 individual to pay qualified living expenses,
 25 qualified health care expenses, or qualified
 26 education or job training expenses.

1 “(B) QUALIFIED LIVING EXPENSES.—The
2 term ‘qualified living expenses’ means any of
3 the following expenses of the taxpayer: rent, ac-
4 quisition indebtedness (as defined in section
5 164(h)(3)(B)), groceries, repairs with respect to
6 a vehicle or principal residence (within the
7 meaning of section 121) of the taxpayer, and
8 any other such necessary and common expenses
9 of the individuals. Such term shall not include
10 any prepayment of rent or acquisition indebted-
11 ness.

12 “(C) QUALIFIED HEALTH CARE EX-
13 PENSES.—The term ‘qualified health care ex-
14 penses’ means amounts paid by such individual
15 for medical care (as defined in section 213(d)
16 for such individual, the spouse of such indi-
17 vidual, and any dependent (as defined in section
18 152, determined without regard to subsections
19 (b)(1), (b)(2), and (d)(1)(B) thereof) of such
20 individual, but only to the extent such amounts
21 are not compensated for by insurance or other-
22 wise.

23 “(D) QUALIFIED EDUCATION OR JOB
24 TRAINING EXPENSES.—The term ‘qualified edu-
25 cation or job training expenses’ means any ex-

1 penses which would (but for subsection (c)) be
2 qualified tuition and related expenses for pur-
3 poses of section 25A(c) (relating to Lifetime
4 Learning Credit).

5 “(2) TAX-FAVORED ACCOUNT.—The term ‘tax-
6 favored account’ means any of the following:

7 “(A) An eligible retirement plan (as de-
8 fined in section 402(c)(8)(B)).

9 “(B) A health savings account described in
10 section 223.

11 “(C) A Roth IRA.

12 “(D) A qualified tuition program described
13 in section 529.

14 “(c) AMOUNT DISTRIBUTED MAY BE REPAID.—

15 “(1) IN GENERAL.—Any individual who receives
16 a qualified unemployment distribution may make
17 one or more contributions in an aggregate amount
18 not to exceed the amount of such distribution to a
19 tax-favored account of which such individual is a
20 beneficiary and to which a rollover contribution of
21 such distribution could be made under section
22 402(c), 403(a)(4), 403(b)(8), 408(d)(3), or
23 457(e)(16), 223(f)(5), or 529(c)(3)(C), as the case
24 may be.

1 “(2) TREATMENT OF REPAYMENTS OF DIS-
2 TRIBUTIONS FROM ELIGIBLE RETIREMENT PLANS
3 OTHER THAN IRAS.—For purposes of this title, if a
4 contribution is made pursuant to paragraph (1) with
5 respect to a qualified unemployment distribution
6 from an eligible retirement plan other than an indi-
7 vidual retirement plan, then the taxpayer shall, to
8 the extent of the amount of the contribution, be
9 treated as having received the qualified unemploy-
10 ment distribution in an eligible rollover distribution
11 (as defined in section 402(c)(4)) and as having
12 transferred the amount to the eligible retirement
13 plan in a direct trustee to trustee transfer within 60
14 days of the distribution.

15 “(3) TREATMENT OF REPAYMENTS FOR DIS-
16 TRIBUTIONS FROM IRAS.—For purposes of this title,
17 if a contribution is made pursuant to paragraph (1)
18 with respect to a qualified unemployment distribu-
19 tion from an individual retirement plan (as defined
20 by section 7701(a)(37)), then, to the extent of the
21 amount of the contribution, the qualified unemploy-
22 ment distribution shall be treated as a distribution
23 described in section 408(d)(3) and as having been
24 transferred to the eligible retirement plan in a direct

1 trustee to trustee transfer within 60 days of the dis-
2 tribution.

3 “(4) OTHER TAX-FAVORED ACCOUNTS.—For
4 purposes of this title, if a contribution is made pur-
5 suant to paragraph (a) with respect to a qualified
6 unemployment distribution—

7 “(A) from a health savings account de-
8 scribed in section 223, or

9 “(B) from a qualified tuition program de-
10 scribed in section 529,

11 then, to the extent of the amount of the contribu-
12 tion, the qualified unemployment distribution shall
13 be treated as a distribution described in section
14 529(c)(3)(C) or 223(f)(5), as the case may be, and
15 as having been transferred to such account or pro-
16 gram, as the case may be, within 60 days of the dis-
17 tribution.

18 “(d) DENIAL OF DOUBLE BENEFIT.—Any qualified
19 unemployment distribution with respect to any expense de-
20 scribed in (b)(1)(A)(ii) which is excluded from gross in-
21 come under this section shall not be taken into account
22 in determining any deduction or credit under this chapter
23 relating to such an expense.”.

24 (b) CLERICAL AMENDMENT.—The table of sections
25 for part III of subchapter B of chapter 1 of such Code

1 is amended by inserting after the item relating to section
2 139D the following new section:

“Sec. 139E. Distributions from tax-favored account during periods of unem-
ployment.”.

3 (c) EFFECTIVE DATE.—The amendments made by
4 this section shall apply to distributions made after the
5 date of the enactment of this Act.

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