

HR 329

Expanding Penalty Free Withdrawal Act

Congress: 119 (2025–2027, Current)

Chamber: House

Policy Area: Taxation

Introduced: Jan 9, 2025

Current Status: Referred to the House Committee on Ways and Means.

Latest Action: Referred to the House Committee on Ways and Means. (Jan 9, 2025)

Official Text: <https://www.congress.gov/bill/119th-congress/house-bill/329>

Sponsor

Name: Rep. Watson Coleman, Bonnie [D-NJ-12]

Party: Democratic • **State:** NJ • **Chamber:** House

Cosponsors (3 total)

Cosponsor	Party / State	Role	Date Joined
Del. Norton, Eleanor Holmes [D-DC-At Large]	D · DC		Jan 9, 2025
Rep. Cherfilus-McCormick, Sheila [D-FL-20]	D · FL		Jan 9, 2025
Rep. Olszewski, Johnny [D-MD-2]	D · MD		Feb 5, 2025

Committee Activity

Committee	Chamber	Activity	Date
Ways and Means Committee	House	Referred To	Jan 9, 2025

Subjects & Policy Tags

Policy Area:

Taxation

Related Bills

No related bills are listed.

Expanding Penalty Free Withdrawal Act

This bill allows an individual who is unemployed for a certain period of time to take early distributions from a qualified retirement plan without paying an additional tax on such distributions, subject to limitations.

Under current law, a 10% additional tax is imposed on early distributions from a qualified retirement plan unless an exception applies.

This bill expands the list of exceptions to include distributions from a qualified retirement plan made (1) to an individual who is unemployed and receives federal or state unemployment compensation for 26 consecutive weeks (or the maximum number of weeks allowed under state law) and (2) in the same tax year that the unemployment compensation is paid or the following tax year. However, under the bill, the 10% additional tax applies to distributions from a qualified retirement plan made after an individual is employed for at least 60 days following a period of unemployment.

The bill limits the amount that may be distributed to an unemployed individual from a qualified retirement plan free from the 10% additional tax to the lesser of (1) \$50,000 in distributions from all of an individual's qualified plans over a one-year period, or (2) the greater of \$10,000 or half the fair market value of an individual's qualified retirement plans and the nonforfeitable portion of an individual's defined contribution plans.

Actions Timeline

- **Jan 9, 2025:** Introduced in House
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