H. R. 2030

To amend the Internal Revenue Code of 1986 to extend the rollover period for plan loan offset amounts and to modify the rules relating to hardship withdrawals from cash or deferred arrangements.

IN THE HOUSE OF REPRESENTATIVES

APRIL 6, 2017

Mr. SAM JOHNSON of Texas (for himself and Mr. NEAL) 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 extend the rollover period for plan loan offset amounts and to modify the rules relating to hardship withdrawals from cash or deferred arrangements.

Be it enacted by the Senate and House of Representa-

tives of the United States of America in Congress assembled,

SECTION 1. SHORT TITLE.

This Act may be cited as the “Savings Enhancement by Alleviating Leakage in 401(k) Savings Act”.

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SEC. 2. EXTENDED ROLLOVER PERIOD FOR PLAN LOAN OFFSET AMOUNTS.

(a) In General.—Paragraph (3) of section 402(c) of the Internal Revenue Code of 1986 is amended by redesignating subparagraph (B) as subparagraph (C) and by inserting after subparagraph (A) the following new subparagraph:

“(B) Rollover of certain plan loan offset amounts.—

“(i) In general.—In the case of an eligible rollover distribution of a qualified plan loan offset amount, the requirements of subparagraph (A) shall be treated as met if such transfer occurs on or before the due date (including extensions) for filing the return of tax for the taxable year in which such amount is treated as distributed from a qualified employer plan.

“(ii) Qualified plan loan offset amount.—For purposes of this subparagraph, the term ‘qualified plan loan offset amount’ means a plan loan offset amount which is treated as distributed from a qualified employer plan to a participant or beneficiary solely by reason of—
“(I) the termination of the qualified employer plan, or

“(II) the failure to meet the repayment terms of the loan from such plan because of the severance from employment of the participant.

“(iii) PLAN LOAN OFFSET AMOUNT.—For purposes of clause (ii), the term ‘plan loan offset amount’ means the amount by which the participant’s accrued benefit under the plan is reduced in order to repay a loan from the plan.

“(iv) LIMITATION.—This subparagraph shall not apply to any plan loan offset amount unless such plan loan offset amount relates to a loan to which section 72(p)(1) does not apply by reason of section 72(p)(2).

“(v) QUALIFIED EMPLOYER PLAN.—For purposes of this subsection, the term ‘qualified employer plan’ has the meaning given such term by section 72(p)(4).”.

(b) CONFORMING AMENDMENT.—Subparagraph (A) of section 402(c)(3) of the Internal Revenue Code of 1986
is amended by striking “subparagraph (B)” and inserting “subparagraphs (B) and (C)”.

(c) Effective Date.—The amendments made by this section shall apply to transfers made after December 31, 2017.

SEC. 3. MODIFICATION OF RULES GOVERNING HARDSHIP DISTRIBUTIONS.

Not later than 1 year after the date of the enactment of this Act, the Secretary of the Treasury shall modify Treasury Regulation section 1.401(k)–1(d)(3)(iv)(E) to—

(1) delete the prohibition imposed by paragraph (2) thereof; and

(2) to make any other modifications necessary to carry out the purposes of section 401(k)(2)(B)(i)(IV) of the Internal Revenue Code of 1986.