

119TH CONGRESS
1ST SESSION

S. _____

To amend the Internal Revenue Code of 1986 to waive certain penalties for affected Federal employees receiving a distribution from the Thrift Savings Plan during a lapse in appropriations, and for other purposes.

IN THE SENATE OF THE UNITED STATES

Mr. KAINE introduced the following bill; which was read twice and referred to the Committee on _____

A BILL

To amend the Internal Revenue Code of 1986 to waive certain penalties for affected Federal employees receiving a distribution from the Thrift Savings Plan during a lapse in appropriations, and for other purposes.

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 “Emergency Relief for
5 Federal Workers Act of 2025”.

1 **SEC. 2. WAIVER OF 10-PERCENT ADDITIONAL TAX ON CER-**
2 **TAIN FINANCIAL HARDSHIP DISTRIBUTIONS**
3 **FROM THRIFT SAVINGS PLAN.**

4 (a) IN GENERAL.—Paragraph (2) of section 72(t) of
5 the Internal Revenue Code of 1986 is amended by adding
6 at the end the following new subparagraph:

7 “(O) DISTRIBUTIONS TO FEDERAL EM-
8 PLOYEES AFFECTED BY A QUALIFIED LAPSE IN
9 APPROPRIATIONS.—

10 “(i) IN GENERAL.—Distributions
11 made from the Thrift Savings Plan under
12 subchapter III of chapter 84 of title 5,
13 United States Code, to an individual who
14 is a Federal employee and who is on fur-
15 lough or who is working without pay due
16 to a qualified lapse in appropriations, if
17 such distributions are made during the pe-
18 riod of such qualified lapse in appropria-
19 tions (including distributions which are in
20 process as of the end of such lapse).

21 “(ii) LIMITATION.—Subclause (i) shall
22 apply to any distributions only to the ex-
23 tent the aggregate of such distributions
24 does not exceed \$30,000 with respect to
25 any qualified lapse in appropriations.

3

1 “(iii) ADJUSTMENT FOR INFLA-
2 TION.—In the case of a taxable year begin-
3 ning after December 31, 2025, the
4 \$30,000 amount in clause (ii) shall be in-
5 creased by an amount equal to—

6 “(I) such dollar amount, multi-
7 plied by

8 “(II) the cost-of-living adjust-
9 ment determined under section 1(f)(3)
10 for the calendar year in which the tax-
11 able year begins, determined by sub-
12 stituting ‘calendar year 2024’ for ‘cal-
13 endar year 2016’ in subparagraph
14 (A)(ii) thereof.

15 If any amount after adjustment under the
16 preceding sentence is not a multiple of
17 \$100, such amount shall be rounded to the
18 next lower multiple of \$100.

19 “(iv) QUALIFIED LAPSE IN APPRO-
20 PRIATIONS.—For purposes of this subpara-
21 graph, the term ‘qualified lapse in appro-
22 priations’ means a period of continuous
23 lapse in Federal appropriations (including
24 a partial lapse) of at least 2 weeks.

1 “(v) OTHER TERMS.—For purposes of
2 this subparagraph, the terms ‘furlough’
3 and ‘pay’ have the respective meanings
4 given such terms by section 7511 of title
5 5, United States Code.”.

6 (b) EFFECTIVE DATE.—The amendment made by
7 this section shall apply to distributions made after Sep-
8 tember 30, 2025.

9 **SEC. 3. THRIFT SAVINGS PLAN PROVISIONS.**

10 (a) IN-SERVICE WITHDRAWALS.—Section 8433(h) of
11 title 5, United States Code, is amended by adding at the
12 end the following:

13 “(5)(A) In this paragraph—

14 “(i) the term ‘applicable date’, with respect to
15 a covered age-based withdrawal or covered hardship
16 withdrawal made during a qualified lapse in appro-
17 priations, means the date that is 120 days after the
18 last day of the qualified lapse in appropriations;

19 “(ii) the term ‘covered age-based withdrawal’
20 means a withdrawal under paragraph (1)(A) made
21 during the period of a qualified lapse in appropria-
22 tions;

23 “(iii) the term ‘covered hardship withdrawal’
24 means a withdrawal described in subparagraph (B);

1 “(iv) the term ‘furlough’ has the meaning given
2 the term in section 7511;

3 “(v) the term ‘pay’ has the meaning given the
4 term in section 7511; and

5 “(vi) the term ‘qualified lapse in appropriations’
6 has the meaning given the term in section
7 72(t)(2)(O) of the Internal Revenue Code of 1986.

8 “(B) The Board shall permit an employee who is on
9 furlough or working without pay due to a qualified lapse
10 in appropriations to make a withdrawal based upon finan-
11 cial hardship under paragraph (1)(B) if—

12 “(i) the withdrawal is made during the period
13 of such qualified lapse in appropriations (including
14 withdrawals which are in process as of the end of
15 such lapse); and

16 “(ii) the aggregate amount of any such with-
17 drawals during the period described in clause (i)
18 does not exceed \$30,000, subject to adjustments for
19 inflation under subparagraph (E).

20 “(C) The Board may not limit the number of covered
21 hardship withdrawals that an employee may make during
22 the period of a qualified lapse in appropriations, subject
23 to the dollar limitation under subparagraph (B)(ii).

24 “(D)(i) An individual who makes 1 or more covered
25 hardship withdrawals or 1 or more covered age-based

1 withdrawals during the period of a qualified lapse in ap-
2 propriations may, before the applicable date, make 1 or
3 more contributions to the Thrift Savings Fund in an ag-
4 gregate amount not to exceed the lesser of—

5 “(I) the aggregate amount of the withdrawals;
6 or

7 “(II) \$30,000, subject to adjustments for infla-
8 tion under subparagraph (E).

9 “(ii) An individual who makes a contribution to the
10 Thrift Savings Fund under clause (i) shall, to the extent
11 of the contribution, be treated as having received the cov-
12 ered age-based withdrawal or covered hardship with-
13 drawal, as applicable, in an eligible rollover distribution
14 (as defined in section 402(c)(4) of the Internal Revenue
15 Code of 1986) and as having transferred the amount to
16 the Thrift Savings Fund in a direct trustee to trustee
17 transfer within 60 days of the distribution.

18 “(iii) For purposes of sections 401(a)(31), 402(f),
19 and 3405 of the Internal Revenue Code of 1986, a covered
20 age-based withdrawal or covered hardship withdrawal
21 shall not be treated as an eligible rollover distribution.

22 “(E) The dollar limitation under subparagraphs
23 (B)(ii) and (D)(i)(II) shall be adjusted for inflation in the
24 same manner as under section 72(t)(2)(O)(iii) of the In-
25 ternal Revenue Code of 1986.

1 “(F) The Board may rely on a written representation
2 from an employee to determine, for purposes of this para-
3 graph, whether the employee has been furloughed or is
4 working without pay due to a qualified lapse in appropria-
5 tions.

6 “(G) The Director may require each agency affected
7 by a qualified lapse in appropriations, as part of the shut-
8 down procedures of the agency, to submit to the Executive
9 Director a list with the name and social security number
10 of each employee of the agency who will be furloughed or
11 will work without pay due to the qualified lapse in appro-
12 priations.”.

13 (b) LOANS.—Section 8433(g) of title 5, United
14 States Code, is amended by adding at the end the fol-
15 lowing:

16 “(5)(A) The Board shall prescribe rules allowing
17 loans to be made under this subsection to employees who
18 are furloughed or working without pay due to a lapse in
19 appropriations, without regard to the period of the lapse
20 in appropriations.

21 “(B) For purposes of subparagraph (A), the terms
22 ‘furlough’ and ‘pay’ have the meanings given those terms
23 in section 7511.

24 “(6)(A) In this paragraph—

1 “(i) the term ‘furlough’ has the meaning given
2 the term in section 7511;

3 “(ii) the term ‘pay’ has the meaning given the
4 term in section 7511;

5 “(iii) the term ‘payment missed because of a
6 shutdown’ means a payment—

7 “(I) on a loan under this subsection made
8 to an employee who is on furlough or working
9 without pay due to a qualified lapse in appro-
10 priations;

11 “(II) that is due during the qualified lapse
12 in appropriations; and

13 “(III) that was not paid by the employee;
14 and

15 “(iv) the term ‘qualified lapse in appropriations’
16 has the meaning given the term in section
17 72(t)(2)(O) of the Internal Revenue Code of 1986.

18 “(B) The Board shall prescribe rules providing that
19 the full amount due for outstanding payments missed be-
20 cause of a shutdown by an employee shall be deducted and
21 withheld from the pay provided to the employee for the
22 period of the qualified lapse in appropriations.”.

1 **SEC. 4. MISSED LOAN PAYMENTS NOT TO BE TREATED AS**
2 **TAXABLE DISTRIBUTION DURING A QUALI-**
3 **FIED LAPSE IN APPROPRIATIONS.**

4 (a) IN GENERAL.—Paragraph (2) of section 72(p) of
5 the Internal Revenue Code of 1986 is amended by redesign-
6 nating subparagraph (E) as subparagraph (F) and by in-
7 serting after subparagraph (D) the following new subpara-
8 graph:

9 “(E) SPECIAL RULE FOR MISSED LOAN RE-
10 PAYMENT DURING A QUALIFIED LAPSE IN AP-
11 PROPRIATIONS.—Subparagraph (A) shall not
12 fail to apply to any loan from the Thrift Sav-
13 ings Plan under subchapter III of chapter 84 of
14 title 5, United States Code, solely because there
15 is a payment missed because of a shutdown (as
16 defined in section 8433(g)(6)(A)(i) of title 5,
17 United States Code) with respect to such loan,
18 and such loan (or any portion of such loan)
19 shall not be treated as a taxable distribution
20 solely because of such missed payment.”.

21 (b) EFFECTIVE DATE.—The amendment made by
22 this section shall apply to missed loan payments the due
23 date for which is after September 30, 2025.