

119TH CONGRESS  
1ST SESSION

# H. R. 5674

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.

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## IN THE HOUSE OF REPRESENTATIVES

OCTOBER 3, 2025

Mr. BEYER (for himself, Ms. ELFRETH, Ms. NORTON, Mr. SUBRAMANYAM, Ms. MCCLELLAN, Mr. WALKINSHAW, Mr. MOULTON, Ms. VELÁZQUEZ, Mr. WHITESIDES, Mr. JACKSON of Illinois, Mr. NADLER, Mrs. MCIVER, Mrs. WATSON COLEMAN, Mr. CARTER of Louisiana, Ms. TLAIB, Mr. JOHNSON of Georgia, Mr. SCHNEIDER, Mr. GOLDMAN of New York, Ms. LOIS FRANKEL of Florida, Ms. MOORE of Wisconsin, Mr. THANEDAR, Mr. COSTA, and Mrs. MCCLAIN DELANEY) introduced the following bill; which was referred to the Committee on Ways and Means, and in addition to the Committee on Oversight and Government Reform, for a period to be subsequently determined by the Speaker, in each case for consideration of such provisions as fall within the jurisdiction of the committee concerned

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## 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,*

1 **SECTION 1. SHORT TITLE.**

2       This Act may be cited as the “Emergency Relief for  
3 Federal Workers Act of 2025”.

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

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

10               “(O) DISTRIBUTIONS TO FEDERAL EM-  
11 PLOYEES AFFECTED BY A QUALIFIED LAPSE IN  
12 APPROPRIATIONS.—

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

24               “(ii) LIMITATION.—Subclause (i) shall  
25 apply to any distributions only to the ex-  
26 tent the aggregate of such distributions

1 does not exceed \$30,000 with respect to  
2 any qualified lapse in appropriations.

3 “(iii) ADJUSTMENT FOR INFLA-  
4 TION.—In the case of a taxable year begin-  
5 ning after December 31, 2025, the  
6 \$30,000 amount in clause (ii) shall be in-  
7 creased by an amount equal to—

8 “(I) such dollar amount, multi-  
9 plied by

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

17 If any amount after adjustment under the  
18 preceding sentence is not a multiple of  
19 \$100, such amount shall be rounded to the  
20 next lower multiple of \$100.

21 “(iv) QUALIFIED LAPSE IN APPRO-  
22 PRIATIONS.—For purposes of this subpara-  
23 graph, the term ‘qualified lapse in appro-  
24 priations’ means a period of continuous

1 lapse in Federal appropriations (including  
2 a partial lapse) of at least 2 weeks.

3 “(v) OTHER TERMS.—For purposes of  
4 this subparagraph, the terms ‘furlough’  
5 and ‘pay’ have the respective meanings  
6 given such terms by section 7511 of title  
7 5, United States Code.”.

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

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

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

15 “(5)(A) In this paragraph—

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

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

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

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

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

7           “(vi) the term ‘qualified lapse in appropriations’  
8       has the meaning given the term in section  
9       72(t)(2)(O) of the Internal Revenue Code of 1986.

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

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

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

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

1       “(D)(i) An individual who makes 1 or more covered  
 2 hardship withdrawals or 1 or more covered age-based  
 3 withdrawals during the period of a qualified lapse in ap-  
 4 propriations may, before the applicable date, make 1 or  
 5 more contributions to the Thrift Savings Fund in an ag-  
 6 gregate amount not to exceed the lesser of—

7               “(I) the aggregate amount of the withdrawals;

8       or

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

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

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

24       “(E) The dollar limitation under subparagraphs  
 25 (B)(ii) and (D)(i)(II) shall be adjusted for inflation in the

1 same manner as under section 72(t)(2)(O)(iii) of the In-  
2 ternal Revenue Code of 1986.

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

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

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

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

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

1 “(6)(A) In this paragraph—

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

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

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

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

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

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

16 “(iv) the term ‘qualified lapse in appropriations’  
17 has the meaning given the term in section  
18 72(t)(2)(O) of the Internal Revenue Code of 1986.

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

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