

119TH CONGRESS  
1ST SESSION

# H. R. 6929

To amend the Internal Revenue Code of 1986 to allow Federal employees who are separated from Federal service to make penalty-free distributions from Thrift Savings Plans and include such distributions in gross income over 3 years.

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## IN THE HOUSE OF REPRESENTATIVES

DECEMBER 23, 2025

Ms. NORTON introduced the following bill; which was referred to the  
Committee on Ways and Means

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## A BILL

To amend the Internal Revenue Code of 1986 to allow Federal employees who are separated from Federal service to make penalty-free distributions from Thrift Savings Plans and include such distributions in gross income over 3 years.

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 “Thrift Savings Plan  
5 Emergency Withdrawal Act of 2025”.

1 **SEC. 2. TAX-FAVORED WITHDRAWALS FROM THRIFT SAV-**  
2 **INGS PLAN FOLLOWING SEPARATION FROM**  
3 **FEDERAL SERVICE.**

4 (a) **IN GENERAL.**—In the case of a qualified civil  
5 service separation distribution—

6 (1) section 72(t) of the Internal Revenue Code  
7 of 1986 shall not apply, and

8 (2) unless the taxpayer elects not to have this  
9 paragraph apply for any taxable year, the amount of  
10 any such distribution otherwise required to be in-  
11 cluded in gross income for such taxable year shall be  
12 included in gross income ratably over the 3-taxable-  
13 year period beginning with such taxable year.

14 (b) **LIMITATION.**—The aggregate amount which may  
15 be treated as a qualified civil service separation distribu-  
16 tion by any individual shall not exceed \$100,000.

17 (c) **AMOUNT DISTRIBUTED MAY BE REPAID.**—

18 (1) **IN GENERAL.**—Any individual who receives  
19 a qualified civil service separation distribution may,  
20 at any time during the 1-year period beginning on  
21 the day after the date on which such distribution  
22 was received, elect to be treated as having received  
23 the qualified civil service separation distribution in  
24 an eligible rollover distribution (as defined in section  
25 402(c)(4) of such Code).

1           (2) TREATMENT OF ELECTED REPAYMENT.—In  
2           the case of an election under the preceding sentence,  
3           the individual may, not later than the 3-year period  
4           beginning on the day after the date on which such  
5           distribution was received, make 1 or more contribu-  
6           tions in an aggregate amount not to exceed the  
7           amount of such distribution to an eligible retirement  
8           plan of which such individual is a beneficiary and to  
9           which a rollover contribution of such distribution  
10          could be made under section 402(c), 403(a)(4),  
11          403(b)(8), 408(d)(3), or 457(e)(16) of such Code, as  
12          the case may be, and such contributions shall be  
13          treated as amounts transferred to the eligible retire-  
14          ment plan in a direct trustee to trustee transfer  
15          made within 60 days of the distribution.

16          (d) DEFINITION AND SPECIAL RULES.—

17                (1) QUALIFIED CIVIL SERVICE SEPARATION DIS-  
18                TRIBUTION.—For purposes of this subparagraph,  
19                the term “qualified civil service separation distribu-  
20                tion” means any distribution to an individual from  
21                the Thrift Savings Fund if such distribution is made  
22                during the period—

23                        (A) beginning on the date on which, after  
24                        separating from the civil service, the individual

1 elects an annuity payment under chapter 83 or  
2 84 or title 5, United States Code, and

3 (B) ending on the date that is 1 year after  
4 the date on which, after the Office of Personnel  
5 Management finalizes the individual's annuity  
6 claim, the individual receives the first annuity  
7 payment (but not including any interim annuity  
8 payments) under such chapter 83 or 84, as the  
9 case may be.

10 (2) TREATMENT OF CONTRIBUTIONS TO WHICH  
11 3-YEAR AVERAGING APPLIES.—For purposes of sub-  
12 section (a)(2), rules similar to the rules of section  
13 408A(d)(3)(E) of the Internal Revenue Code of  
14 1986 shall apply.

15 (3) EXEMPTION OF DISTRIBUTIONS FROM  
16 TRUSTEE TO TRUSTEE TRANSFER AND WITH-  
17 HOLDING RULES.—For purposes of sections  
18 401(a)(31), 402(f), and 3405 of such Code, a quali-  
19 fied civil service separation distribution shall not be  
20 treated as an eligible rollover distribution.

21 (e) EFFECTIVE DATE.—This section shall apply to  
22 distributions made after January 20, 2025.

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