

105TH CONGRESS
2D SESSION

H. R. 4740

To amend the Internal Revenue Code of 1986 to permit early distributions from employee stock ownership plans for higher education expenses and first-time homebuyer purchases.

IN THE HOUSE OF REPRESENTATIVES

OCTOBER 8, 1998

Mr. CRANE 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 permit early distributions from employee stock ownership plans for higher education expenses and first-time homebuyer purchases.

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. EARLY DISTRIBUTIONS FROM EMPLOYEE**
4 **STOCK OWNERSHIP PLANS FOR HIGHER EDU-**
5 **CATION EXPENSES AND FIRST-TIME HOME-**
6 **BUYER PURCHASES.**

7 (a) IN GENERAL.—Paragraph (2) of section 72(t) of
8 the Internal Revenue Code of 1986 (relating to 10-percent

1 additional tax on early distributions from qualified retire-
2 ment plans) is amended by adding at the end the following
3 new subparagraph:

4 “(G) DISTRIBUTIONS FROM EMPLOYEE
5 STOCK OWNERSHIP PLANS FOR HIGHER EDU-
6 CATION EXPENSES AND FIRST-TIME HOME-
7 BUYER PURCHASES.—

8 “(i) IN GENERAL.—Distributions
9 made to the employee from an employee
10 stock ownership plan (within the meaning
11 of section 4975(e)(7)), the amount of
12 which does not exceed the sum of—

13 “(I) qualified higher education
14 expenses (as defined by paragraph
15 (7)) reduced by the amount of such
16 expenses taken into account under
17 subparagraph (E), and

18 “(II) qualified first-time home-
19 buyer distributions (as defined by
20 paragraph (8)) reduced by the amount
21 of such distributions taken into ac-
22 count under subparagraph (F).

23 “(ii) LIMITATION.—A distribution
24 may only be taken into account under
25 clause (i) if—

1 “(I) such distribution is in the
2 form of either employer securities
3 (within the meaning of section 409(l))
4 or cash proceeds resulting from the
5 sale of such securities made not more
6 than 180 days before the date of such
7 distribution for the purposes of such
8 distribution,

9 “(II) such securities so distrib-
10 uted or sold were held by such plan
11 for at least 5 years before the date of
12 such distribution or, if applicable,
13 sale, and

14 “(III) the number of shares in
15 each class of such securities so dis-
16 tributed or sold, when added to all
17 previous distributions and sales of
18 each such class of such securities for
19 such purposes on behalf of such em-
20 ployee, does not exceed 10 percent of
21 the aggregate number of shares of
22 each class of such securities allocated
23 to the account of such employee under
24 such plan.

1 “(iii) VALUATION OF DISTRIBUTED
2 SECURITIES.—For purposes of clause (ii),
3 the value of a security shall be the value
4 of such security on the date of distribu-
5 tion.”.

6 (b) CONFORMING AMENDMENTS.—

7 (1) Paragraph (7) of section 72(t) of such Code
8 is amended by striking “paragraph(2)(E)” and in-
9 serting “subparagraphs (E) and (G) of paragraph
10 (2)”.

11 (2) Paragraph (8) of section 72(t) of such Code
12 is amended by striking “paragraph(2)(F)” and in-
13 serting “subparagraphs (F) and (G) of paragraph
14 (2)”.

15 (c) EFFECTIVE DATE.—The amendment made by
16 this section shall apply to distributions made after Decem-
17 ber 31, 1998.

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