

111TH CONGRESS
1ST SESSION

H. R. 692

To amend the Internal Revenue Code of 1986 to exclude from gross income compensation received by employees consisting of qualified distributions of employer stock.

IN THE HOUSE OF REPRESENTATIVES

JANUARY 26, 2009

Mr. ROHRBACHER (for himself, Mr. JONES, and Mr. PAUL) 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 exclude from gross income compensation received by employees consisting of qualified distributions of employer stock.

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. QUALIFIED STOCK DISTRIBUTIONS TO EM-**
4 **PLOYEES.**

5 (a) IN GENERAL.—Part III of subchapter B of chap-
6 ter 1 of the Internal Revenue Code of 1986 is amended
7 by inserting after section 139A the following new section:

1 **“SEC. 139B. QUALIFIED STOCK DISTRIBUTIONS TO EMPLOY-**
2 **EES.**

3 “(a) IN GENERAL.—Gross income shall not include—

4 “(1) so many shares of any stock received by an
5 individual in a qualified employee stock distribution
6 of such individual’s employer as does not exceed the
7 maximum stock amount,

8 “(2) any gain on stock excluded from gross in-
9 come under paragraph (1) if such stock is held by
10 such individual for not less than 10 years, and

11 “(3) in the case of any qualified disposition of
12 stock which is described in paragraph (2) (and
13 which meets the holding requirement of such para-
14 graph), any gain on so much stock acquired during
15 the 60-day period beginning on the date of such dis-
16 position as does not exceed the fair market value of
17 the stock so disposed (determined as of the time of
18 disposition).

19 “(b) DEFINITIONS AND SPECIAL RULES.—For pur-
20 poses of this section—

21 “(1) QUALIFIED EMPLOYEE STOCK DISTRIBU-
22 TION.—The term ‘qualified employee stock distribu-
23 tion’ means a distribution by an employer of stock
24 of such employer to all employees (determined as of
25 the date of the distribution) of such employer as
26 compensation for services.

1 “(2) MAXIMUM STOCK AMOUNT.—The term
2 ‘maximum stock amount’ means, with respect to any
3 distribution, the lowest number of shares of stock of
4 the employer received by any employee of the em-
5 ployer in such distribution.

6 “(3) QUALIFIED DISPOSITION.—

7 “(A) IN GENERAL.—The term ‘qualified
8 disposition’ means, with respect to the dispo-
9 sition of any stock described in paragraph (2)
10 during any calendar year, the disposition of a
11 number of shares of such stock not in excess of
12 the excess of—

13 “(i) the applicable percentage of the
14 aggregate number of shares of such stock
15 received during the calendar year that such
16 stock was received, over

17 “(ii) the aggregate number of shares
18 of such stock taken into account under this
19 subparagraph for all prior calendar years.

20 “(B) APPLICABLE PERCENTAGE.—For
21 purposes of clause (i), the applicable percentage
22 is, with respect to any calendar year following
23 the calendar year in which such stock was re-
24 ceived, the percentage determined in accordance
25 with the following table:

“In the case of:	The applicable percentage is:
The first through tenth such calendar years	0 percent
The eleventh such calendar year	10 percent
The twelfth such calendar year	20 percent
The thirteenth such calendar year	30 percent
The fourteenth such calendar year	40 percent
The fifteenth such calendar year	50 percent
The sixteenth such calendar year	60 percent
The seventeenth such calendar year	70 percent
The eighteenth such calendar year	80 percent
The nineteenth such calendar year	90 percent
Any subsequent calendar year	100 percent.

1 “(c) EMPLOYMENT TAXES.—Amounts excluded from
2 gross income under subsection (a)(1) shall not be taken
3 into account as wages for purposes of chapters 21, 22,
4 23, 23A, and 24.

5 “(d) RECAPTURE IF STOCK DISPOSED DURING RE-
6 QUIRED HOLDING PERIOD.—If an amount is excluded
7 from gross income under subsection (a)(1) with respect
8 to any stock and the individual disposes of such stock at
9 any time during the 5-year period beginning on the date
10 that such individual received such stock—

11 “(1) the gross income of such individual for the
12 taxable year which includes the date of such disposi-
13 tion shall be increased by the amount so excluded,
14 and

15 “(2) the tax imposed by this chapter for such
16 taxable year shall be increased by the sum of the
17 amounts of tax which would have been imposed
18 under subchapters A and B of chapters 21 and 22

1 if subsection (c) had not applied with respect to such
2 amount.

3 For purposes of this title and the Social Security Act, any
4 increase in tax under paragraph (2) shall be treated as
5 imposed under the provision of chapter 21 or 22 with re-
6 spect to which such increase relates.

7 “(e) REGULATIONS.—The Secretary shall issue such
8 regulations as may be necessary or appropriate to carry
9 out this section, including regulations which provide for
10 the application of this section to stock options.”.

11 (b) CLERICAL AMENDMENT.—The table of section
12 for such part is amended by inserting after the item relat-
13 ing to section 139A the following new item:

“Sec. 139B. Qualified stock distributions to employees.”.

14 (c) EFFECTIVE DATE.—The amendments made by
15 this section shall apply to stock received by employees
16 after the date of the enactment of this Act.

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