

Second, the bill would authorize the Secretary of the Treasury to adopt regulations governing how to calculate the deduction for stock options in unusual circumstances, such as when a parent corporation issues options on its shares to the employee of a subsidiary or another corporation in a consolidated group, or when one corporation issues options on its shares to employees of a joint venture.

Finally, the bill contains a transition rule for applying the new Section 162(q) stock option tax deduction to existing and future stock option grants. Essentially, this transition rule would ensure that stock options issued prior to the enactment date of the legislation would remain tax deductible and ensure all corporations can start deducting stock option expenses on a yearly schedule.

The transition rule has three parts. First, it would allow the old Section 83 deduction rules to apply to any option which was vested prior to the effective date of the new stock option accounting rule, FAS 123R, and exercised after the date of enactment of the bill. The effective date of FAS 123R is June 15, 2005 for most corporations, and December 31, 2005 for most small businesses. Prior to the effective date of FAS 123R, most corporations would have shown a zero expense on their books for the stock options issued to their executives and, thus, would be unable to claim a tax deduction under the new Section 162(q). For that reason, the bill would allow these corporations to continue to use Section 83 to claim stock option deductions on their tax returns.

For stock options that vested after the effective date of FAS 123R and were exercised after the date of enactment, the bill takes another tack. Under FAS 123R, these corporations would have had to show the appropriate stock option expense on their books, but would have been unable to take a tax deduction until the executive actually exercised the option. For those options, the bill would allow corporations to take an immediate tax deduction—in the first year that the bill is in effect—for all of the expenses shown on their books with respect to these options. This “catch-up deduction” in the first year after enactment would enable corporations, in the following years, to begin with a clean slate so that their tax returns the next year would reflect their actual stock option book expenses for that same year.

After that catch-up year, all stock option expenses incurred by a company each year would be reflected in their annual tax deductions under the new Section 162(q).

This transition rule is a generous one, but even with it, the Joint Committee on Taxation has estimated that closing the corporate stock option tax deduction loophole would produce \$24.6 billion in corporate tax revenues over 10 years.

Over the last 5 years, the stock option book-tax gap has ranged from \$12

billion to \$61 billion per year, generating deductions far in excess of corporate expenses. Corporations have avoided paying their fair share to Uncle Sam by simply giving their executives the right to tap huge sums of money from the stock market. It is a tax policy that forces ordinary taxpayers to subsidize outsized executive compensation and that favors corporations doling out stock options over paying their executives in cash.

Right now, stock options are the only compensation expense where the tax code allows companies to deduct more than their book expense. In these times of financial distress, we cannot afford this multi-billion dollar loss to the Treasury, not only because of the need to reduce the deficit, but also because the stock option tax deduction contributes to the anger and social disruption caused by the ever deepening chasm between the pay of executives and the pay of average workers.

The Obama administration has pledged itself to closing unfair corporate tax loopholes and to returning sanity to executive pay. It should start with supporting an end to excessive stock option corporate deductions. I urge my colleagues to include this legislation in any deficit reduction package this year, or to pass it separately.

AMENDMENTS SUBMITTED AND PROPOSED

SA 553. Mr. McCAIN submitted an amendment intended to be proposed by him to the bill H.R. 2055, making appropriations for military construction, the Department of Veterans Affairs, and related agencies for the fiscal year ending September 30, 2012, and for other purposes.

SA 554. Mr. SESSIONS (for himself, Mr. CORNYN, Mr. VITTER, Mr. HATCH, and Mr. CORKER) submitted an amendment intended to be proposed by him to the bill H.R. 2055, supra; which was ordered to lie on the table.

SA 555. Mr. TESTER (for himself and Mr. BAUCUS) submitted an amendment intended to be proposed by him to the bill H.R. 2055, supra; which was ordered to lie on the table.

SA 556. Mr. JOHNSON of South Dakota (for himself and Mr. KIRK) proposed an amendment to the bill H.R. 2055, supra.

SA 557. Mr. WEBB (for himself and Mr. WARNER) submitted an amendment intended to be proposed by him to the bill H.R. 2055, supra; which was ordered to lie on the table.

SA 558. Mr. WEBB (for himself and Mr. WARNER) submitted an amendment intended to be proposed by him to the bill H.R. 2055, supra; which was ordered to lie on the table.

TEXT OF AMENDMENTS

SA 553. Mr. McCAIN submitted an amendment intended to be proposed by him to the bill H.R. 2055, making appropriations for military construction, the Department of Veterans Affairs, and related agencies for the fiscal year ending September 30, 2012, and for other purposes; as follows:

On page 64, line 24, strike “\$3,380,917,000” and insert “\$3,370,917,000”.

SA 554. Mr. SESSIONS (for himself, Mr. CORNYN, Mr. VITTER, Mr. HATCH,

and Mr. CORKER) submitted an amendment intended to be proposed by him to the bill H.R. 2055, making appropriations for military construction, the Department of Veterans Affairs, and related agencies for the fiscal year ending September 30, 2012, and for other purposes; which was ordered to lie on the table; as follows:

At the end, insert the following:

SEC. ____ . NO BUDGET—NO APPROPRIATIONS.

(a) SUPERMAJORITY.—Section 904 of the Congressional Budget Act of 1974 (2 U.S.C. 621 note) is amended—

(1) in subsection (c)(1), by inserting after “Sections” the following: “303(c),”; and

(2) in subsection (d)(2), by inserting after “sections” the following: “303(c),”.

(b) APPLICATION TO RECONCILIATION.—Section 303(c)(2) of the Congressional Budget Act of 1974 (2 U.S.C. 634(c)(2)) is amended by inserting at the end the following: “Paragraph (1) shall not apply to any legislation reported pursuant to reconciliation directions contained in a concurrent resolution on the budget.”.

SA 555. Mr. TESTER (for himself and Mr. BAUCUS) submitted an amendment intended to be proposed by him to the bill H.R. 2055, making appropriations for military construction, the Department of Veterans Affairs, and related agencies for the fiscal year ending September 30, 2012, and for other purposes; which was ordered to lie on the table; as follows:

At the end of title I, add the following:

SEC. 127. None of the amounts appropriated or otherwise made available by this title may be obligated or expended to carry out the Combat Air Forces Restructuring Plan of the Air Force until the Secretary of the Air Force certifies to Congress that the Air Force has completed all environmental reviews required in connection with the movement or relocation of any aircraft under the Restructuring Plan.

SA 556. Mr. JOHNSON of South Dakota (for himself and Mr. KIRK) proposed an amendment to the bill H.R. 2055, making appropriations for military construction, the Department of Veterans Affairs, and related agencies for the fiscal year ending September 30, 2012, and for other purposes; as follows:

On Page 114 between lines 18 and 19, insert the following:

SEC. 301. Not later than 90 days after enactment of this Act, the Executive Director of Arlington National Cemetery shall provide a report to the Committees on Appropriations of the Senate and the House of Representatives detailing the strategic plan and timetable to modernize the Cemetery’s Information Technology system, including electronic burial records.

SA 557. Mr. WEBB (for himself and Mr. WARNER) submitted an amendment intended to be proposed by him to the bill H.R. 2055, making appropriations for military construction, the Department of Veterans Affairs, and related agencies for the fiscal year ending September 30, 2012, and for other purposes; which was ordered to lie on the table; as follows:

On page 84, between lines 5 and 6, insert the following:

SEC. 127. None of the funds appropriated or otherwise made available by this title may