

106TH CONGRESS
2D SESSION

S. 3265

To amend the Internal Revenue Code of 1986 to clarify treatment of employee stock purchase plans.

IN THE SENATE OF THE UNITED STATES

OCTOBER 31 (legislative day, SEPTEMBER 22), 2000

Mr. CRAIG introduced the following bill; which was read twice and referred to the Committee on Finance

A BILL

To amend the Internal Revenue Code of 1986 to clarify treatment of employee stock purchase plans.

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. EXCLUSION OF EMPLOYEE STOCK PURCHASE**

4 **PLAN STOCK OPTIONS FROM WAGES.**

5 (a) EXCLUSION FROM WAGES.—

6 (1) EMPLOYMENT TAXES.—Section 3121(a) of
7 the Internal Revenue Code of 1986 (relating to defi-
8 nition of wages) is amended by striking “or” at the
9 end of paragraph (20), by striking the period at the
10 end of paragraph (21) and inserting “; or”, and by

1 inserting after paragraph (21) the following new
 2 paragraph:

3 “(22) a transfer of a share of stock to any indi-
 4 vidual pursuant to an exercise of an incentive stock
 5 option (as defined in section 422(b)) or under an
 6 employee stock purchase plan (as defined in section
 7 423(b)) or any disposition by the individual of such
 8 stock.”.

9 (2) UNEMPLOYMENT TAXES.—Section 3306(b)
 10 of the Internal Revenue Code of 1986 (relating to
 11 definition of wages) is amended by striking “or” at
 12 the end of paragraph (16), by striking the period at
 13 the end of paragraph (17) and inserting “; or”, and
 14 by inserting after paragraph (17) the following new
 15 paragraph:

16 “(18) a transfer of a share of stock to any indi-
 17 vidual pursuant to an exercise of an incentive stock
 18 option (as defined in section 422(b)) or under an
 19 employee stock purchase plan (as defined in section
 20 423(b)) or any disposition by the individual of such
 21 stock.”.

22 (b) WITHHOLDING NOT REQUIRED ON DISQUALI-
 23 FYING DISPOSITIONS.—Section 421(b) of the Internal
 24 Revenue Code of 1986 (relating to effect of disqualifying
 25 dispositions) is amended by adding at the end the fol-

1 lowing new sentence: “For purposes of chapter 24 of sub-
2 title C (but not section 41(b)(2)(D)(i)), a disposition de-
3 scribed in the preceding sentence shall not be considered
4 to be wages.”.

5 (c) EFFECTIVE DATE.—The amendments made by
6 this section shall apply to taxable years beginning before,
7 on, or after the date of the enactment of this Act.

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