

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 the 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

## PLAN STOCK OPTIONS FROM WAGES.

## 5 (a) EXCLUSION FROM WAGES.—

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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