

93<sup>D</sup> CONGRESS  
1<sup>ST</sup> SESSION

# H. R. 3316

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## IN THE HOUSE OF REPRESENTATIVES

JANUARY 30, 1973

Mr. VANDER JAGT introduced the following bill; which was referred to the Committee on Ways and Means

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## A BILL

To amend the Internal Revenue Code of 1954 to permit an employer corporation to establish a plan under which its employees may purchase and hold stock in such corporation.

1       *Be it enacted by the Senate and House of Representa-*  
2       *tives of the United States of America in Congress assembled,*  
3       That (a) part I of subchapter D of chapter 1 of the Internal  
4       Revenue Code of 1954 (relating to pension, profit sharing,  
5       stock bonus plans, etc.) is amended by adding at the end  
6       thereof the following new section:

7       **"SEC. 408. QUALIFIED STOCK PURCHASE PLANS.**

8       “(a) GENERAL RULE.—For purposes of this title, a  
9       trust created or organized in the United States and forming

1 part of a stock purchase plan of an employer corporation for  
2 the exclusive benefit of its employees or their beneficiaries  
3 shall constitute a qualified trust described in section 401 (a)  
4 if—

5 “(1) the trustee is a bank (as defined in section  
6 581) which is incorporated and doing business under  
7 the laws of the United States or of the State in which  
8 the headquarters of the employer corporation are main-  
9 tained; and

10 “(2) under the plan—

11 “(A) each employee of the employer corpora-  
12 tion may participate in the plan;

13 “(B) the trust will invest its funds (including  
14 its earnings) only in the stock in the employer cor-  
15 poration;

16 “(C) the trust will purchase stock in the em-  
17 ployer corporation on behalf of the participants in  
18 the plan out of contributions made by such partici-  
19 pants, will hold the stock of each participant in his  
20 name, and will use the dividends on the stock of a  
21 participant only for the purchase of additional stock  
22 in the employer corporation;

23 “(D) no participant may contribute more than  
24 \$2,000 to the plan during any one calendar year;

25 “(E) no individual who is not an employee of

1 the employer corporation may make any contribu-  
2 tion to the plan; and

3 “(F) the trust will make no distribution to a  
4 participant in the plan before he has reached retire-  
5 ment age, or is disabled.

6 “(b) DISTRIBUTIONS.—For purposes of this title—

7 “(1) AT OR AFTER RETIREMENT.—In the case of  
8 a participant in the plan who has attained retirement age  
9 or is disabled, gross income does not include any amount  
10 attributable to the receipt from the trust of stock in the  
11 employer corporation. The basis of any such stock so  
12 received shall be the amount contributed by the partici-  
13 pant to the purchase of the stock.

14 “(2) BEFORE RETIREMENT.—Except as provided  
15 in subsection (c), in the case of a participant in the plan  
16 who, before he attains retirement age, receives any dis-  
17 tribution from the trust at a time when he is not dis-  
18 abled, there shall be included in his gross income, for the  
19 taxable year in which he receives such distribution, an  
20 amount equal to the aggregate dividends received by the  
21 trust with respect to the stock which the trust has held  
22 in his name.

23 “(3) NONAPPLICATION OF SECTION 402(a).—  
24 Section 402 (a) (relating to taxability of beneficiary of  
25 employees' trust) shall not apply with respect to dis-

1        tributions from any trust described in subsection (a) of  
2        this section.

3        “(c) TAX-FREE TRANSFERS WHERE INDIVIDUAL  
4 CHANGES EMPLOYMENT.—Where a participant in a plan  
5 of one employer corporation which meets the requirements  
6 of this section is separated from service with such corpora-  
7 tion and becomes an employee of a second employer corpora-  
8 tion which has a plan which meets the requirements of this  
9 section, no gain shall be recognized to the extent that stock  
10 held under the plan of the first employer corporation is,  
11 within such time as may be provided in regulations pre-  
12 scribed by the Secretary or his delegate, converted into stock  
13 in the second employer corporation under the plan of such  
14 second corporation. In the case of any such conversion—

15            “(1) the limitation of subsection (a) (2) (D) shall  
16            not apply; and

17            “(2) appropriate adjustment shall be made in the  
18            basis of the new stock to reflect the tax-free treatment  
19            provided by the preceding sentence.

20        “(d) TREATMENT OF EMPLOYER CORPORATION CON-  
21 TRIBUTION TO THE ADMINISTRATION OF THE TRUST.—  
22 The deductibility of any contributions by the employer cor-  
23 poration to the trust for its administration shall be deter-  
24 mined under section 162; and section 404 shall not apply  
25 with respect to such contributions.

1       “(e) REORGANIZATIONS, ETC.—For purposes of this  
2 section, where a successor corporation results from a corpo-  
3 rate merger, consolidation, acquisition of property or stock,  
4 reorganization, or liquidation, a plan of such successor cor-  
5 poration which meets the requirements of this section shall  
6 (to such extent, and under such terms, conditions, and limita-  
7 tions, as may be prescribed by regulations) be treated as a  
8 continuation of the plan of the predecessor corporation.

9       “(f) DEFINITIONS AND SPECIAL RULES.—For pur-  
10 poses of this section—

11           “(1) RETIREMENT AGE.—The term ‘retirement  
12 age’ means age 65, or, if earlier, the retirement age  
13 under a pension plan of the employer corporation which  
14 meets the requirements of section 401 (a).

15           “(2) DISABLED.—The term ‘disabled’ has the same  
16 meaning as when used in section 72 (m) (7).

17           “(3) STOCK IN THE EMPLOYER CORPORATION.—  
18 The term ‘stock in the employer corporation’ includes  
19 stock in a parent or subsidiary corporation (within the  
20 meaning of subsections (e) and (f) of section 425).

21           “(4) AMOUNT CONTRIBUTED BY EMPLOYEE.—In  
22 determining the basis of stock in the employer corpora-  
23 tion or the amount contributed by the employee, divi-  
24 dends which have been received by the trust and rein-

1 vested by it shall not be treated as amounts contributed  
2 by the employee.”

3 (b) The table of sections for such part I is amended  
4 by adding at the end thereof the following new item:

“Sec. 408. Qualified stock purchase plans.”

5 SEC. 2. The amendments made by the first section of  
6 this Act shall take effect on January 1, 1972.

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