



## H.R. 5719: Empowering Employees through Stock Ownership Act (Rep. Paulsen, R-MN)

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### FLOOR SCHEDULE:

H.R. 5719 is expected to be considered on September 21, 2016, under a [closed rule](#).

The rule would also provide a structured rule for consideration of H.R. 3438, the REVIEW Act of 2016.

Further, the rule would provide suspension authority for the legislative days of Thursday September 22, and Friday September 23. Under [Clause 1 of Rule 24](#), it is only in order to [suspend the rules](#) on Monday, Tuesday, and Wednesdays, as well as the last six days of a session of Congress.

### TOPLINE SUMMARY:

[H.R. 5719](#) would allow some employees of non-publicly traded companies who are given stock options as compensation the ability to defer federal income taxes on those stock options for up to seven years.

### COST:

The [Joint Committee on Taxation](#) (JCT) estimates that enacting H.R. 5719 would reduce revenues by \$1.031 billion over the FY 2016 – 2026 period.

### CONSERVATIVE CONCERNS:

While this bill would reduce the upfront tax liability for some workers, some conservatives may be concerned that this bill would complicate the tax code and would treat some employees differently, as opposed to the broader mission of the Speaker's [Better Way](#) plan for comprehensive tax reform, which promises to make the tax code simpler and fairer.

- **Expand the Size and Scope of the Federal Government?** No.
- **Encroach into State or Local Authority?** No.
- **Delegate Any Legislative Authority to the Executive Branch?** No.
- **Contain Earmarks/Limited Tax Benefits/Limited Tariff Benefits?** No.

### DETAILED SUMMARY AND ANALYSIS:

Under current law, if an employee is given [stock options](#) as a part of his compensation, the fair value of those options are counted as taxable income at the time that they become vested or, in certain cases, when the employee exercises the option.

[According to the bill sponsor](#), this can cause a large tax liability when the individual may not have liquid assets available, especially if the company is not traded publicly. At a startup firm for instance, the company may choose to not pay a salary or provide a low salary to employees but will instead offer stock options – a share of ownership in the company - as compensation. These shares represent a claim on the future earnings of the firm, and while potentially highly valuable in the long term, often have little immediate liquid value.

H.R. 5719 would allow certain employees who receive stock options to defer federal income taxes owed for up to seven years or until the stock becomes transferable. The ability to defer would be limited to only employees of companies that are not publicly traded and that offer stock options to at least 80 percent of employees.

The ability to defer would not be available to senior employees, including the past or present chief executive officer or chief financial officer of the corporation, any of the four highest compensated officers, or any employee who has owned or controlled one percent of the outstanding stock or voting shares of the company.

**COMMITTEE ACTION:**

H.R. 5719 was introduced on July 11, 2016, and referred to the House Committee on Ways and Means. The Committee marked up and reported the bill on [September 14, 2016](#), by a voice vote.

**ADMINISTRATION POSITION:**

No [Statement of Administration Policy](#) is available at this time.

**CONSTITUTIONAL AUTHORITY:**

“Congress has the power to enact this legislation pursuant to the following: Article I, Section 8 of the United States Constitution.” A specific enumerating authority was not cited.

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