

115TH CONGRESS  
1ST SESSION

**S.** \_\_\_\_\_

To encourage companies to expand employee ownership, and for other purposes.

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IN THE SENATE OF THE UNITED STATES

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Ms. BALDWIN introduced the following bill; which was read twice and referred to the Committee on \_\_\_\_\_

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**A BILL**

To encourage companies to expand employee ownership, and for other purposes.

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. SHORT TITLE.**

4 This Act may be cited as the “Worker Owned Wealth  
5 Act”.

6 **SEC. 2. DEFINITION.**

7 In this Act, the term “ESOP” means an employee  
8 stock ownership plan, as defined in section 4975(e)(7) of  
9 the Internal Revenue Code of 1986.

1 **SEC. 3. EMPLOYEE OWNERSHIP REVOLVING LOAN FUNDS.**

2 (a) IN GENERAL.—The Secretary of the Treasury  
3 shall establish in each field office in the Department of  
4 the Treasury an Employee Ownership Revolving Loan  
5 Fund that makes—

6 (1) low-interest loans to business owners seek-  
7 ing to establish employee ownership in the business;  
8 and

9 (2) loan guarantees to private lenders who  
10 make loans to ESOPs.

11 (b) STAFF.—

12 (1) IN GENERAL.—The Secretary of the Treas-  
13 ury may, without regard to the civil service laws (in-  
14 cluding regulations), appoint and terminate such  
15 personnel as may be necessary to enable the Sec-  
16 retary to carry out this section.

17 (2) COMPENSATION.—The Secretary of the  
18 Treasury may fix the compensation of personnel  
19 without regard to chapter 51 and subchapter III of  
20 chapter 53 of title 5, United States Code, relating  
21 to classification of positions and General Schedule  
22 pay rates, except that the rate of pay for personnel  
23 may not exceed the rate payable for level V of the  
24 Executive Schedule under section 5316 of that title.

1 (c) AUTHORIZATION OF APPROPRIATIONS.—There is  
2 authorized to be appropriated \$1,000,000,000 to carry out  
3 this section.

4 **SEC. 4. EXCLUSION OF INTEREST ON LOANS USED TO AC-**  
5 **QUIRE EMPLOYER SECURITIES FOR EM-**  
6 **PLOYEE STOCK OWNERSHIP PLANS.**

7 (a) IN GENERAL.—Part III of subchapter B of chap-  
8 ter 1 of the Internal Revenue Code of 1986 is amended  
9 by inserting after section 132 the following new section:  
10 **“SEC. 133. INTEREST ON CERTAIN LOANS USED TO AC-**  
11 **QUIRE EMPLOYER SECURITIES.**

12 “(a) ALLOWANCE OF EXCLUSION.—

13 “(1) IN GENERAL.—Except as provided in para-  
14 graph (2), gross income does not include the applica-  
15 ble percentage of the interest received by—

16 “(A) a bank (within the meaning of section  
17 581),

18 “(B) an insurance company to which sub-  
19 chapter L applies,

20 “(C) a corporation actively engaged in the  
21 business of lending money, or

22 “(D) a regulated investment company (as  
23 defined in section 851),

24 with respect to a securities acquisition loan.

1           “(2) ANNUAL LIMITATION.—The aggregate  
2 amount of interest which may be excluded by a tax-  
3 payer under paragraph (1) for any taxable year shall  
4 not exceed \$20,000,000.

5           “(3) APPLICABLE PERCENTAGE.—For purposes  
6 of this section—

7           “(A) IN GENERAL.—Except as provided in  
8 subparagraph (B), the applicable percentage of  
9 a taxpayer with respect to any securities acqui-  
10 sition loan is 50 percent.

11           “(B) LOWER PERCENTAGES FOR LARGER  
12 FINANCIAL INSTITUTIONS.—If, for any taxable  
13 year in which a taxpayer enters into a securities  
14 acquisition loan—

15           “(i) the average adjusted bases of all  
16 assets of the taxpayer are equal to or  
17 greater than \$2,000,000,000 but less than  
18 or equal to \$10,000,000,000, the tax-  
19 payer’s applicable percentage with respect  
20 to interest received by the taxpayer on  
21 such loan (including any refinancing of  
22 such loan treated as a securities acqui-  
23 sition loan) for such taxable year and any  
24 succeeding taxable year shall be 25 per-  
25 cent, and

1                   “(ii) the average adjusted bases of all  
2                   assets of the taxpayer are greater than  
3                   \$10,000,000,000, the taxpayer’s applicable  
4                   percentage with respect to interest received  
5                   by the taxpayer on such loan (including  
6                   any refinancing of such loan treated as a  
7                   securities acquisition loan) for such taxable  
8                   year and any succeeding taxable year shall  
9                   be 10 percent.

10                   “(4) CONTROLLED GROUP OF CORPORA-  
11                   TIONS.—All members of a controlled group of cor-  
12                   porations (as defined in section 409(l)(4)) shall be  
13                   treated as 1 taxpayer for purposes of applying para-  
14                   graphs (2) and (3).

15                   “(b) SECURITIES ACQUISITION LOAN.—

16                   “(1) IN GENERAL.—For purposes of this sec-  
17                   tion, the term ‘securities acquisition loan’ means—

18                   “(A) any loan to a corporation or to an  
19                   employee stock ownership plan to the extent  
20                   that the proceeds are used to acquire employer  
21                   securities for the plan, or

22                   “(B) any loan to a corporation to the ex-  
23                   tent that, within 30 days, employer securities  
24                   are transferred to the plan in an amount equal  
25                   to the proceeds of such loan and such securities

1           are allocable to accounts of plan participants  
2           within 1 year of the date of such loan.

3           For purposes of this paragraph, the term ‘employer  
4           securities’ has the meaning given such term by sec-  
5           tion 409(1). The term ‘securities acquisition loan’  
6           shall not include a loan with a term greater than 15  
7           years, except that in the case of a securities acquisi-  
8           tion loan which is a refinancing loan described in  
9           paragraph (5), such term may not extend beyond the  
10          last day of the original securities acquisition loan  
11          which such loan is refinancing.

12           “(2) LOANS BETWEEN RELATED PERSONS.—  
13          The term ‘securities acquisition loan’ shall not in-  
14          clude—

15                   “(A) any loan made between corporations  
16                   which are members of the same controlled  
17                   group of corporations, or

18                   “(B) any loan made between an employee  
19                   stock ownership plan and any person that is—

20                           “(i) the employer of any employees  
21                           who are covered by the plan; or

22                           “(ii) a member of a controlled group  
23                           of corporations which includes such em-  
24                           ployer.

1 For purposes of this paragraph, subparagraphs  
2 (A) and (B) shall not apply to any loan which,  
3 but for such subparagraphs, would be a securi-  
4 ties acquisition loan if such loan was not origi-  
5 nated by the employer of any employees who  
6 are covered by the plan or by any member of  
7 the controlled group of corporations which in-  
8 cludes such employer, except that this section  
9 shall not apply to any interest received on such  
10 loan during such time as such loan is held by  
11 such employer (or any member of such con-  
12 trolled group).

13 “(3) TERMS APPLICABLE TO CERTAIN SECURI-  
14 TIES ACQUISITION LOANS.—A loan to a corporation  
15 shall not fail to be treated as a securities acquisition  
16 loan merely because the proceeds of such loan are  
17 lent to an employee stock ownership plan sponsored  
18 by such corporation (or by any member of the con-  
19 trolled group of corporations which includes such  
20 corporation) if such loan includes—

21 “(A) repayment terms which are substan-  
22 tially similar to the terms of the loan of such  
23 corporation from a lender described in sub-  
24 section (a), or

1           “(B) repayment terms providing for more  
2           rapid repayment of principal or interest on such  
3           loan, but only if allocations under the plan at-  
4           tributable to such repayment do not discrimi-  
5           nate in favor of highly compensated employees  
6           (within the meaning of section 414(q)).

7           “(4) CONTROLLED GROUP OF CORPORA-  
8           TIONS.—For purposes of this subsection, the term  
9           ‘controlled group of corporations’ has the meaning  
10          given such term by section 409(l)(4).

11          “(5) TREATMENT OF REFINANCINGS.—The  
12          term ‘securities acquisition loan’ shall include any  
13          loan which—

14               “(A) is (or is part of a series of loans)  
15               used to refinance a loan described in subpara-  
16               graph (A) or (B) of paragraph (1), and

17               “(B) meets the requirements of paragraphs  
18               (2) and (3).

19          “(6) PLAN REQUIREMENTS.—

20               “(A) IN GENERAL.—A loan shall not be  
21               treated as a securities acquisition loan for pur-  
22               poses of this section unless, immediately after  
23               the acquisition or transfer referred to in sub-  
24               paragraph (A) or (B) of paragraph (1), respec-

1           tively, the employee stock ownership plan meets  
2           the requirements of subparagraphs (B) and (C).

3           “(B) PLAN MUST HOLD MORE THAN 5  
4           PERCENT OF STOCK AFTER ACQUISITION OR  
5           TRANSFER.—An employee stock ownership plan  
6           meets the requirements of this subparagraph if  
7           the plan owns more than 5 percent of—

8                   “(i) each class of outstanding stock of  
9                   the corporation issuing the employer secu-  
10                  rities, or

11                   “(ii) the total value of all outstanding  
12                  stock of the corporation.

13           “(C) PLAN MUST COVER AT LEAST 50 PER-  
14           CENT OF NONHIGHLY COMPENSATED EMPLOY-  
15           EES.—

16                   “(i) IN GENERAL.—An employee stock  
17                   ownership plan meets the requirements of  
18                   this subparagraph if at least 50 percent of  
19                   the employees of each employer maintain-  
20                   ing the plan who are not highly com-  
21                   pensated employees (as defined in section  
22                   414(q)) are participants in the plan.

23                   “(ii) CERTAIN EMPLOYEES MAY BE  
24                   EXCLUDED.—For purposes of clause (i),

1 an employer may elect to exclude under the  
2 plan employees-

3 “(I) who have not attained the  
4 age of 21 before the close of a plan  
5 year,

6 “(II) who have less than 1 year  
7 of service with the employer as of any  
8 day during the plan year,

9 “(III) who are covered under an  
10 agreement which the Secretary of  
11 Labor finds to be a collective bar-  
12 gaining agreement if there is evidence  
13 that the benefits covered under the  
14 employee stock ownership plan were  
15 the subject of good faith bargaining  
16 between employee representatives and  
17 the employer, or

18 “(IV) who are described in sec-  
19 tion 410(b)(3)(C) (relating to non-  
20 resident aliens working outside the  
21 United States).

22 “(D) FAILURE TO MEET REQUIRE-  
23 MENTS.—

24 “(i) IN GENERAL.—Subsection (a)  
25 shall not apply to any interest received

1 with respect to a securities acquisition loan  
2 which is allocable to any period during  
3 which the employee stock ownership plan  
4 does not meet the requirements of sub-  
5 paragraphs (B) and (C).

6 “(ii) EXCEPTION.—To the extent pro-  
7 vided by the Secretary, clause (i) shall not  
8 apply to any period if, within 90 days of  
9 the first date on which the failure occurred  
10 (or such longer period not in excess of 180  
11 days as the Secretary may prescribe), the  
12 plan takes such actions as are required to  
13 meet the requirements of subparagraphs  
14 (B) and (C).

15 “(E) STOCK.—For purposes of subpara-  
16 graph (B)—

17 “(i) IN GENERAL.—The term ‘stock’  
18 means stock other than stock described in  
19 section 1504(a)(4).

20 “(ii) TREATMENT OF CERTAIN  
21 RIGHTS.—The Secretary may provide that  
22 warrants, options, contracts to acquire  
23 stock, convertible debt interests and other  
24 similar interests be treated as stock for 1  
25 or more purposes under subparagraph (B).

1           “(F) AGGREGATION RULE.—For purposes  
2 of determining whether the requirements of  
3 subparagraph (B) are met, an employee stock  
4 ownership plan shall be treated as owning stock  
5 in the corporation issuing the employer securi-  
6 ties which is held by any other employee stock  
7 ownership plan which is maintained—

8                   “(i) the employer maintaining the  
9 plan, or

10                   “(ii) any member of a controlled  
11 group of corporations (within the meaning  
12 of section 409(l)(4)) of which the employer  
13 described in clause (i) is a member.

14           “(7) VOTING RIGHTS OF EMPLOYER SECURI-  
15 TIES.—A loan shall not be treated as a securities ac-  
16 quisition loan for purposes of this section unless—

17                   “(A) the employee stock ownership plan  
18 meets the requirements of section 409(e)(2)  
19 with respect to all employer securities acquired  
20 by, or transferred to, the plan in connection  
21 with such loan (without regard to whether or  
22 not the employer has a registration-type class of  
23 securities), and

1           “(B) no stock described in section  
2           409(l)(3) is acquired by, or transferred to, the  
3           plan in connection with such loan unless—

4                   “(i) such stock has voting rights  
5                   equivalent to the stock to which it may be  
6                   converted, and

7                   “(ii) the requirements of subpara-  
8                   graph (A) are met with respect to such  
9                   voting rights.

10          “(c) EMPLOYEE STOCK OWNERSHIP PLAN.—

11           “(1) IN GENERAL.—For purposes of this sec-  
12           tion, the term ‘employee stock ownership plan’ has  
13           the meaning given to such term by section  
14           4975(e)(7).

15           “(2) ELIGIBLE WORKER-OWNED COOPERATIVES  
16           INCLUDED.—For purposes of this section and sec-  
17           tions 4978B, 6042, and 7872, such term shall also  
18           include an eligible worker-owned cooperative (as de-  
19           fined in section 1042(c)).

20          “(d) APPLICATION WITH SECTION 483 AND ORIGI-  
21          NAL ISSUE DISCOUNT RULES.—In applying section 483  
22          and subpart A of part V of subchapter P to any obligation  
23          to which this section applies, appropriate adjustments  
24          shall be made to the applicable Federal rate to take into  
25          account the exclusion under subsection (a).

1           “(e) PERIOD TO WHICH INTEREST EXCLUSION AP-  
2 PLIES.—

3           “(1) IN GENERAL.—In the case of—

4                   “(A) an original securities acquisition loan,  
5                   and

6                   “(B) any securities acquisition loan (or se-  
7                   ries of such loans) used to refinance the origi-  
8                   nal securities acquisition loan,

9           subsection (a) shall apply only to interest accruing  
10           during the excludable period with respect to the  
11           original securities acquisition loan.

12           “(2) EXCLUDABLE PERIOD.—For purposes of  
13           this subsection, the term ‘excludable period’ means,  
14           with respect to any original securities acquisition  
15           loan—

16                   “(A) IN GENERAL.—The 7-year period be-  
17                   ginning on the date of such loan.

18                   “(B) LOANS DESCRIBED IN SUBSECTION  
19                   (b)(1)(A).—If the term of an original securities  
20                   acquisition loan described in subsection  
21                   (b)(1)(A) is greater than 7 years, the term of  
22                   such loan. This subparagraph shall not apply to  
23                   a loan described in subsection (b)(3)(B).

24           “(3) ORIGINAL SECURITIES ACQUISITION  
25           LOAN.—For the purposes of this subsection, the

1 term ‘original securities acquisition loan’ means a  
2 securities acquisition loan described in subparagraph  
3 (A) or (B) of subsection (b)(1).”.

4 (b) CONFORMING AMENDMENTS.—

5 (1) Subparagraph (B) of section 291(e)(1) of  
6 the Internal Revenue Code of 1986 is amended by  
7 redesignating clause (iv) as clause (v) and by insert-  
8 ing after clause (iii) the following new clause:

9 “(iv) SPECIAL RULES FOR OBLIGA-  
10 TIONS TO WHICH SECTION 133 APPLIES.—

11 In the case of an obligation to which sec-  
12 tion 133 applies, interest on such obliga-  
13 tion shall not be treated as exempt from  
14 taxation for purposes of this subpara-  
15 graph.”.

16 (2) Section 812 of such Code is amended by  
17 adding at the end the following:

18 “(g) TREATMENT OF INTEREST PARTIALLY TAX-EX-  
19 EMPT UNDER SECTION 133.—For purposes of this section  
20 and subsections (a) and (b) of section 807, the terms  
21 ‘gross investment income’ and ‘tax-exempt interest’ shall  
22 not include any interest received with respect to a securi-  
23 ties acquisition loan (as defined in section 133(b)). Such  
24 interest shall not be included in life insurance gross in-  
25 come for purposes of subsection (b)(3).”.

1           (3) Paragraph (5) of section 852(b) of such  
2 Code is amended by adding at the end the following:

3           “(C) INTEREST ON CERTAIN LOANS USED  
4 TO ACQUIRE EMPLOYER SECURITIES.—For pur-  
5 poses of this section—

6           “(i) the applicable percentage (as de-  
7 fined in section 133(a)(3)) of the amount  
8 of any loan held by a regulated investment  
9 company which qualifies as a securities ac-  
10 quisition loan (as defined in section 133)  
11 shall be treated as an obligation described  
12 in section 103(a), and

13           “(ii) such applicable percentage of the  
14 interest received on such loan shall be  
15 treated as interest excludable from gross  
16 income under section 103.”.

17           (4) Paragraph (2) of section 4978(b) of such  
18 Code is amended by striking subparagraphs (A) and  
19 (B) and all that follows and inserting:

20           “(A) first, from section 133 securities (as  
21 defined in section 4978B(e)(2)) acquired during  
22 the 3-year period ending on the date of such  
23 disposition, beginning with the securities first  
24 so acquired.



1 able event in an amount equal to the amount determined  
2 under subsection (b).

3 “(b) AMOUNT OF TAX.—

4 “(1) IN GENERAL.—The amount of the tax im-  
5 posed by subsection (a) shall be equal to 10 percent  
6 of the amount realized on the disposition to the ex-  
7 tent allocable to section 133 securities under section  
8 4978(b)(2).

9 “(2) DISPOSITIONS OTHER THAN SALES OR EX-  
10 CHANGES.—For purposes of paragraph (1), in the  
11 case of a disposition of employer securities which is  
12 not a sale or exchange, the amount realized on such  
13 disposition shall be the fair market value of such se-  
14 curities at the time of disposition.

15 “(c) TAXABLE EVENT.—For purposes of this section,  
16 the term ‘taxable event’ means any of the following dis-  
17 positions:

18 “(1) DISPOSITIONS WITHIN 3 YEARS.—Any dis-  
19 position of any employer securities by an employee  
20 stock ownership plan within 3 years after such plan  
21 acquired section 133 securities if—

22 “(A) the total number of employer securi-  
23 ties held by such plan after such disposition is  
24 less than the total number of employer securi-  
25 ties held after such acquisition, or

1           “(B) except to the extent provided in regu-  
2           lations, the value of employer securities held by  
3           such plan after the disposition is 50 percent or  
4           less of the total value of all employer securities  
5           as of the time of the disposition.

6           For purposes of subparagraph (B), the aggregation  
7           rule of section 133(b)(6)(D) shall apply.

8           “(2) STOCK DISPOSED OF BEFORE ALLOCA-  
9           TION.—Any disposition of section 133 securities to  
10          which paragraph (1) does not apply if—

11           “(A) such disposition occurs before such  
12           securities are allocated to accounts of partici-  
13           pants or their beneficiaries, and

14           “(B) the proceeds from such disposition  
15           are not so allocated.

16          “(d) SECTION NOT TO APPLY TO CERTAIN DISPOSI-  
17          TIONS.—

18           “(1) IN GENERAL.—This section shall not apply  
19           to any disposition described in paragraph (1), (3), or  
20           (4) of section 4978(d).

21           “(2) CERTAIN REORGANIZATIONS.—For pur-  
22           poses of this section, any exchange of section 133 se-  
23           curities for employer securities of another corpora-  
24           tion in any reorganization described in section  
25           368(a)(1) shall not be treated as a disposition, but

1 the employer securities received shall be treated as  
2 section 133 securities and as having been held by  
3 the plan during the period the securities which were  
4 exchanged were held.

5 “(3) FORCED DISPOSITION OCCURRING BY OP-  
6 ERATION OF STATE LAW.—Any forced disposition of  
7 section 133 securities by an employee stock owner-  
8 ship plan occurring by operation of a State law shall  
9 not be treated as a disposition. This paragraph shall  
10 only apply to securities which, at the time the securi-  
11 ties were acquired by the plan, were regularly traded  
12 on an established securities market.

13 “(4) COORDINATION WITH OTHER TAXES.—  
14 This section shall not apply to any disposition which  
15 is subject to tax under section 4978 or section  
16 4978A (as in effect on the day before its repeal).

17 “(e) DEFINITIONS AND SPECIAL RULES.—For pur-  
18 poses of this section—

19 “(1) LIABILITY FOR PAYMENT OF TAXES.—The  
20 tax imposed by this section shall be paid by the em-  
21 ployer.

22 “(2) SECTION 133 SECURITIES.—The term ‘sec-  
23 tion 133 securities’ means employer securities ac-  
24 quired by an employee stock ownership plan in a  
25 transaction to which section 133 applied.

1           “(3) DISPOSITION.—The term ‘disposition’ in-  
2           cludes any distribution.

3           “(4) ORDERING RULES.—For ordering rules for  
4           dispositions of employer securities, see section  
5           4978(b)(2).”.

6           (B) The table of sections for chapter 43 of such  
7           Code is amended by inserting before the item relat-  
8           ing to section 4979 the following new item:

          “Sec. 4978B. Tax on disposition of employer securities to which section 133  
          applied.”.

9           (6) Subsection (e) of section 6047 of such Code  
10          is amended by striking paragraphs (1) and (2) and  
11          inserting the following new paragraphs:

12          “(1) any employer maintaining, or the plan ad-  
13          ministrator (within the meaning of section 414(g))  
14          of, an employee stock ownership plan—

15                 “(A) which acquired stock in a transaction  
16                 to which section 133 applies, or

17                 “(B) which holds stock with respect to  
18                 which section 404(k) applies to dividends paid  
19                 on such stock,

20          “(2) any person making or holding a loan to  
21          which section 133 applies, or

22          “(3) both such employer or plan administrator  
23          and such person.”.

1           (7) Subsection (f) of section 7872 of such Code  
2 is amended by adding at the end the following new  
3 paragraph:

4           “(12) SPECIAL RULE FOR CERTAIN EMPLOYER  
5 SECURITY LOANS.—This section shall not apply to  
6 any loan between a corporation (or any member of  
7 the controlled group of corporations which includes  
8 such corporation) and an employee stock ownership  
9 plan described in section 4975(e)(7) to the extent  
10 that the interest rate on such loan is equal to the  
11 interest rate paid on a related securities acquisition  
12 loan (as described in section 133(b)) to such cor-  
13 poration.”.

14           (8) The table of sections for part III of sub-  
15 chapter B of chapter 1 of such Code is amended by  
16 inserting after the item relating to section 132 the  
17 following new item:

“Sec. 133. Interest on certain loans used to acquire employer securities.”.

18           (c) EFFECTIVE DATE.—The amendments made by  
19 this section shall apply to original securities acquisition  
20 loans (as defined in section 133(e)(3) of the Internal Rev-  
21 enue Code of 1986 (and loans refinancing such loans)  
22 made after the date of the enactment of this Act.

1 **SEC. 5. EMPLOYEE STOCK OWNERSHIP REQUIREMENTS**  
2 **FOR USE OF PERFORMANCE EXCEPTION TO**  
3 **LIMITATION OF DEDUCTIBILITY OF EXECU-**  
4 **TIVE COMPENSATION; EXPANSION OF PUB-**  
5 **LICLY HELD CORPORATION DEFINITION.**

6 (a) **LIMITATION ON USE OF PERFORMANCE EXCEP-**  
7 **TION.—**

8 (1) **IN GENERAL.—**Section 162(m) of the Inter-  
9 nal Revenue Code of 1986 is amended by adding at  
10 the end the following new paragraph:

11 “(7) **EMPLOYEE STOCK OWNERSHIP REQUIRE-**  
12 **MENTS FOR USE OF PERFORMANCE EXCEPTION.—**

13 “(A) **IN GENERAL.—**The exception under  
14 paragraph (4)(C) shall not apply to any remun-  
15 eration payable by a publicly held corporation  
16 for any taxable year unless the corporation has  
17 in effect at all times during the year a qualified  
18 employee stock program.

19 “(B) **QUALIFIED EMPLOYEE STOCK PRO-**  
20 **GRAM.—**For purposes of this paragraph, the  
21 term ‘qualified employee stock program’ means,  
22 with respect to any corporation, a program of  
23 the corporation under which—

24 “(i) employees of the corporation  
25 other than highly compensated employees  
26 (within the meaning of section 414(q))

1 hold nonforfeitable rights to at least 5 per-  
2 cent of—

3 “(I) either each class of out-  
4 standing stock of the corporation  
5 issuing the employer securities or the  
6 total value of all outstanding stock of  
7 the corporation, and

8 “(II) the voting rights of the  
9 total outstanding voting shares of  
10 stock of the corporation,

11 “(ii) any stock (or any right with re-  
12 spect to such stock) taken into account  
13 with respect to an employee under clause  
14 (i) is provided to the employee as an em-  
15 ployer contribution and at no cost to the  
16 employee, and

17 “(iii) the providing of such stock or  
18 right by the corporation is not in lieu of  
19 any other remuneration payable to such  
20 employee.

21 If a program includes the granting at no cost  
22 to employees of stock options under which em-  
23 ployees may purchase stock through the exer-  
24 cise of the options, the cost to the employee of  
25 such purchase shall not be taken into account

1 in determining whether the program meets the  
2 requirements of clause (ii).

3 “(C) FAILURE TO RETAIN MINIMUM STOCK  
4 INTEREST.—

5 “(i) IN GENERAL.—Notwithstanding  
6 subparagraph (A), paragraph (4)(C) shall  
7 not apply to any remuneration payable by  
8 a corporation with a qualified employee  
9 stock program during any period employ-  
10 ees do not own stock meeting the require-  
11 ments of subparagraph (B)(i).

12 “(ii) EXCEPTION.—To the extent pro-  
13 vided by the Secretary, clause (i) shall not  
14 apply to any period if, within 90 days of  
15 the first date on which the failure occurred  
16 (or such longer period not in excess of 180  
17 days as the Secretary may prescribe), the  
18 employees are given stock which results in  
19 the program meeting the requirements of  
20 subparagraph (B)(i).

21 “(D) STOCK.—For purposes of this para-  
22 graph—

23 “(i) IN GENERAL.—The term ‘stock’  
24 means stock other than stock described in  
25 section 1504(a)(4).

1                   “(ii) TREATMENT OF CERTAIN  
2                   RIGHTS.—The Secretary may provide that  
3                   warrants, options, contracts to acquire  
4                   stock, convertible debt interests and other  
5                   similar interests be treated as stock for 1  
6                   or more purposes under subparagraph (A).

7                   “(E) AGGREGATION RULE.—For purposes  
8                   of determining whether the stock ownership re-  
9                   quirements of subparagraph (B)(i) are met, a  
10                  controlled group of corporations (within the  
11                  meaning of section 409(l)(4)) may elect to treat  
12                  all members of the group as 1 corporation.

13                  “(F) EXCEPTION FOR EXISTING BINDING  
14                  CONTRACTS.—This paragraph shall not apply to  
15                  any remuneration payable under a written bind-  
16                  ing contract which was in effect on April 1,  
17                  2017, and which was not modified thereafter in  
18                  any material respect before such remuneration  
19                  is paid.”.

20                  (2) CONFORMING AMENDMENT.—Subparagraph  
21                  (C) of section 162(m)(4) of such Code is amended  
22                  by striking “The term” and inserting “Subject to  
23                  paragraph (7), the term”.

1 (b) DEFINITION OF PUBLICLY HELD CORPORA-  
2 TION.—Paragraph (2) of section 162(m) is amended to  
3 read as follows:

4 “(2) PUBLICLY HELD CORPORATION.—For pur-  
5 poses of this subsection, the term ‘publicly held cor-  
6 poration’ means any corporation which—

7 “(A) qualifies as an issuer the securities of  
8 which are registered under section 12 of the Se-  
9 curities Exchange Act of 1934, or

10 “(B) is required to file reports under sec-  
11 tion 15(d) of such Act.”.

12 (c) EFFECTIVE DATE.—The amendments made by  
13 this section shall apply to taxable years beginning after  
14 the date of the enactment of this Act.

15 **SEC. 6. OFFICE OF EMPLOYEE OWNERSHIP AND WORKER**  
16 **EMPOWERMENT.**

17 (a) ESTABLISHMENT.—There is established within  
18 the National Economic Council the Office of Employee  
19 Ownership and Worker Empowerment.

20 (b) DUTIES.—The Office of Employee Ownership and  
21 Worker Empowerment established under subsection (a)  
22 shall—

23 (1) provide educational and technical assistance  
24 at no cost to small businesses, as defined by the Ad-

1 administrator of the Small Business Administration,  
2 that are attempting to establish employee ownership;

3 (2) raise awareness of profit sharing to compa-  
4 nies and employees, including ESOPs;

5 (3) not later than 180 days after the date of  
6 enactment of this Act, submit to Congress a report  
7 on any barriers to employee ownership in companies.

8 (c) STAFF.—

9 (1) IN GENERAL.—The Director of the National  
10 Economic Council may, without regard to the civil  
11 service laws (including regulations), appoint and ter-  
12 minate such personnel as may be necessary to enable  
13 the Office of Employee Ownership and Worker Em-  
14 powerment to carry out this section.

15 (2) COMPENSATION.—The Director of the Na-  
16 tional Economic Council may fix the compensation  
17 of personnel without regard to chapter 51 and sub-  
18 chapter III of chapter 53 of title 5, United States  
19 Code, relating to classification of positions and Gen-  
20 eral Schedule pay rates, except that the rate of pay  
21 for personnel may not exceed the rate payable for  
22 level V of the Executive Schedule under section 5316  
23 of that title.