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## **ESOP Association LEGISLATIVE ALERT**

### **Legislative Language of ESOP Proposal Revealed**

Section 3701 of HR 3970, by Congressman Charles Rangel, is the ESOP S Corp provision about which we wrote to you yesterday. You can read this provision and the entire bill by going on the Ways and Means website, and clicking on the left hand side, under Hot Topics, the live connection to the language of HR 3970, which is labeled as "HR 3970, The Tax Reduction and Reform Act of 2007." The Ways and Means site can be accessed from the Association's website under government affairs, menu item capital links, U.S. House of Representatives, or directly at <http://waysandmeans.house.gov/MoreInfo.asp?section=34>.

Please note, the provision defines as an option any interest that is the same as what is defined as synthetic equity in IRC 409(p)(6)(C). The new tax provision would apply to options granted after the date of enactment.

There is strong opposition to the entire bill, and enactment would be no earlier than some time in 2008, or perhaps even later, if ever.

Again, the leadership of the Association is reviewing the proposal in detail to determine the Association's position on behalf of its members. The provisions definition of what is a stock option is broad.