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**Heller, Warner Introduce Bipartisan Legislation to Improve Stock Ownership**

**Washington, D.C** – Today, U.S. Senators Dean Heller (R-NV) and Mark Warner (D-VA) reintroduced the Empowering Employees through Stock Ownership Act, legislation that will encourage more employees to pursue stock ownership for the companies they work for.

“We are reintroducing legislation that will encourage employers to own stock in companies they work for by giving them greater flexibility on paying taxes for those stocks,” **said Heller.** “Encouraging stock ownership will not only increase an employee’s stake in the company they work for—creating a better work environment overall— but also provide greater economic opportunity for employees who do not hold a more senior level or management position.”

[WARNER QUOTE]

Under current law, employees are required to pay taxes when they exercise their options or when their Restricted Stock Units (RSUs) vest. For privately held companies that are growing, the tax consequences for employees can be prohibitive and result in many employees being unable to exercise their stock options. As a result, employees are missing out on the opportunity to gain wealth as the company they work for succeeds.

Under the new Internal Revenue Code (IRC) Section 83(i) employees will be able to defer their income tax liability for an additional period of time—up to 7 years. The Empowering Employees through Stock Ownership Act extends the time period in which employees are required to pay tax upon exercise of stock options or RSUs that are settled for stock up to 7 years. The employee can decide to revoke the 83(i) election and pay income tax at any point. Similar to other tax elections in the stock options space, the employer will be required to report the future tax liability on the employee’s Form W-2.

An eligible corporation is required to grant options to 80% or more of its employees, must offer employees stock options on similar terms, and cannot be traded on an established market. There may be instances where the stock price of the company declines after the employee makes the 83(i) election. It is critical that employers provide employees with information, through a written notice, on the tax consequences of this election. Failure of the company to provide a notice to an employee will result in a penalty

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