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**Senate Tax Relief Bill Includes Heller Amendment to Make it Easier for Employers to Award Stock to Workers**

**WASHINGTON** - The U.S. Senate Finance Committee's [newly released Tax Cuts and Jobs Act](https://www.finance.senate.gov/chairmans-news/hatch-releases-modifications-to-senate-tax-plan) includes an amendment filed by U.S. Senator Dean Heller (R-NV) that would make it easier for startups and businesses to give employees an ownership stake in their company’s success by awarding stock options. A similar provision was also included in the U.S. House of Representatives’ version of the Tax Cuts and Jobs Act.

“Nevada’s successful and dynamic startup community is a strong source of job creation and economic growth in the state**,**”**said Heller**. “By letting even more Nevadans participate, through stock ownership, in the economic opportunity this community provides, my amendment will increase employee engagement, retention, and ultimately spur more innovation and job creation at home and across the country.”

Stock options, which are a right to purchase shares of a company at a future time at a fixed price, are an important tool for investing in and rewarding employees and increasing their compensation, but the tax implications often make this impractical for many employees of non-public firms. Heller’s amendment, which is similar to the [Empowering Employees through Stock Ownership Act (EESO*)*](https://www.heller.senate.gov/public/index.cfm/pressreleases?ID=B6F5E195-3732-4E75-BCFF-9F3B716C8BA8), promotes broad-based employee ownership by reducing this barrier to participation, giving employees new flexibility in handling their tax obligations for up to five years after exercising their stock options. In order to be eligible, stock options must be extended to 80 percent of the workforce, and majority owners, corporate officers, and the highest-paid executives will not be eligible for the seven-year tax deferment.

Under current law, employees are required to pay taxes when they exercise their options or when their Restricted Stock Units (RSUs) vest. In other words, to access their employee ownership stake, employees are required to pay taxes on the excess of the fair market value of the stock – the difference between the amount paid and the fair market value – and the employer receives a tax deduction on the date the employee exercises the option.

For companies that are publicly traded, employees can sell all or a portion of their shares on the public market to pay for their taxes, but in the case of privately held companies, there is generally not a market for employees to liquidate shares to cover their tax liability, and as a result, many employees are unable to exercise their stock options, missing out on the opportunity to gain wealth as their company succeeds.

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