

119TH CONGRESS
1ST SESSION

S. 1416

To amend the Internal Revenue Code of 1986 for purposes of the tax on private foundation excess business holdings to treat as outstanding any employee-owned stock purchased by a business enterprise pursuant to certain employee stock ownership retirement plans.

IN THE SENATE OF THE UNITED STATES

APRIL 10, 2025

Mr. SCOTT of Florida introduced the following bill; which was read twice and referred to the Committee on Finance

A BILL

To amend the Internal Revenue Code of 1986 for purposes of the tax on private foundation excess business holdings to treat as outstanding any employee-owned stock purchased by a business enterprise pursuant to certain employee stock ownership retirement plans.

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 “Reduction of Excess
5 Business Holding Accrual Act”.

1 **SEC. 2. CERTAIN PURCHASES OF EMPLOYEE-OWNED STOCK**
 2 **DISREGARDED FOR PURPOSES OF FOUNDA-**
 3 **TION TAX ON EXCESS BUSINESS HOLDINGS.**

4 (a) IN GENERAL.—Section 4943(c)(4)(A) of the In-
 5 ternal Revenue Code of 1986 is amended by adding at the
 6 end the following new clauses:

7 “(v) For purposes of clause (i), subpara-
 8 graph (D), and paragraph (2), any voting stock
 9 which—

10 “(I) is not readily tradable on an es-
 11 tablished securities market,

12 “(II) is purchased by the business en-
 13 terprise on or after January 1, 2020, from
 14 an employee stock ownership plan (as de-
 15 fined in section 4975(e)(7)) in which em-
 16 ployees of such business enterprise partici-
 17 pate, in connection with a distribution
 18 from such plan, and

19 “(III) is held by the business enter-
 20 prise as treasury stock, cancelled, or re-
 21 tired,

22 shall be treated as outstanding voting stock, but
 23 only to the extent so treating such stock would
 24 not result in permitted holdings exceeding 49
 25 percent (determined without regard to this
 26 clause). The preceding sentence shall not apply

1 with respect to the purchase of stock from a
2 plan during the 10-year period beginning on the
3 date the plan is established.

4 “(vi) Clause (ii) shall not apply with re-
5 spect to any decrease in the percentage of hold-
6 ings in a business enterprise by reason of the
7 application of clause (v).”.

8 (b) EFFECTIVE DATE.—The amendment made by
9 this section shall apply to taxable years ending after the
10 date of the enactment of this Act.

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