

106TH CONGRESS
1ST SESSION

S. 1132

To amend the Internal Revenue Code of 1986 to allow the reinvestment of employee stock ownership plan dividends without the loss of any dividend deduction.

IN THE SENATE OF THE UNITED STATES

MAY 26, 1999

Mr. BREAU (for himself and Mr. HATCH) 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 to allow the reinvestment of employee stock ownership plan dividends without the loss of any dividend deduction.

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 “ESOP Dividend Rein-
5 vestment and Participant Security Act of 1999”.

6 **SEC. 2. ESOP DIVIDENDS MAY BE REINVESTED WITHOUT**
7 **LOSS OF DIVIDEND DEDUCTION.**

8 (a) IN GENERAL.—Section 404(k)(2)(A) of the Inter-
9 nal Revenue Code of 1986 (defining applicable dividends)

1 is amended by striking “or” at the end of clause (ii), by
 2 redesignating clause (iii) as clause (iv), and by inserting
 3 after clause (ii) the following new clause:

4 “(iii) is, at the election of such par-
 5 ticipants or their beneficiaries—

6 “(I) payable as provided in clause
 7 (i) or (ii), or

8 “(II) paid to the plan and rein-
 9 vested in qualifying employee securi-
 10 ties, or”.

11 (b) EFFECTIVE DATE.—The amendments made by
 12 this section shall apply to taxable years beginning after
 13 December 31, 1999.

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