

AMENDMENT TO H.R. 8
OFFERED BY MS. JACKSON LEE OF TEXAS

At the end, add the following:

1 **SEC. ____.** **EXTENSION OF ABOVE-THE-LINE DEDUCTION**
2 **FOR CERTAIN EXPENSES OF ELEMENTARY**
3 **AND SECONDARY SCHOOL TEACHERS.**

4 (a) **IN GENERAL.**—Section 62(a)(2)(D) of the Inter-
5 nal Revenue Code of 1986 is amended by striking “or
6 2011” and inserting “2011, 2012, or 2013”.

7 (b) **EFFECTIVE DATE.**—The amendments made by
8 this section shall apply to taxable years beginning after
9 December 31, 2011.

10 **SEC. ____.** **CONSISTENT TREATMENT OF STOCK OPTIONS BY**
11 **CORPORATIONS.**

12 (a) **CONSISTENT TREATMENT FOR WAGE DEDUC-**
13 **TION.**—

14 (1) **IN GENERAL.**—Section 83(h) of the Internal
15 Revenue Code of 1986 (relating to deduction of em-
16 ployer) is amended—

17 (A) by striking “In the case of” and in-
18 sserting:

19 “(1) **IN GENERAL.**—In the case of”, and

1 (B) by adding at the end the following new
2 paragraph:

3 “(2) STOCK OPTIONS.—In the case of property
4 transferred to a person in connection with a stock
5 option, any deduction related to such stock option
6 shall be allowed only under section 162(q) and para-
7 graph (1) shall not apply.”.

8 (2) TREATMENT OF COMPENSATION PAID WITH
9 STOCK OPTIONS.—Section 162 of such Code (relat-
10 ing to trade or business expenses) is amended by re-
11 designating subsection (q) as subsection (r) and by
12 inserting after subsection (p) the following new sub-
13 section:

14 “(q) TREATMENT OF COMPENSATION PAID WITH
15 STOCK OPTIONS.—

16 “(1) IN GENERAL.—In the case of compensa-
17 tion for personal services that is paid with stock op-
18 tions, the deduction under subsection (a)(1) shall
19 not exceed the amount the taxpayer has treated as
20 compensation cost with respect to such stock options
21 for the purpose of ascertaining income, profit, or
22 loss in a report or statement to shareholders, part-
23 ners, or other proprietors (or to beneficiaries), and
24 shall be taken into account in the same period that

1 such compensation cost is recognized for such pur-
2 pose.

3 “(2) SPECIAL RULES FOR CONTROLLED
4 GROUPS.—The Secretary may prescribe rules for the
5 application of paragraph (1) in cases where the
6 stock option is granted by—

7 “(A) a parent or subsidiary corporation
8 (within the meaning of section 424) of the tax-
9 payer, or

10 “(B) another corporation.”.

11 (b) CONSISTENT TREATMENT FOR RESEARCH TAX
12 CREDIT.—Section 41(b)(2)(D) of the Internal Revenue
13 Code of 1986 (defining wages for purposes of credit for
14 increasing research expenses) is amended by inserting at
15 the end the following new clause:

16 “(iv) SPECIAL RULE FOR STOCK OP-
17 TIONS.—The amount which may be treated
18 as wages for any taxable year in connec-
19 tion with the issuance of a stock option
20 shall not exceed the amount allowed for
21 such taxable year as a compensation de-
22 duction under section 162(q) with respect
23 to such stock option.”.

24 (c) APPLICATION OF AMENDMENTS.—The amend-
25 ments made by this section shall apply to stock options

1 exercised after the date of the enactment of this Act, ex-
2 cept that—

3 (1) such amendments shall not apply to stock
4 options that were granted before such date and that
5 vested in taxable periods beginning on or before
6 June 15, 2005,

7 (2) for stock options that were granted before
8 such date of enactment and vested during taxable
9 periods beginning after June 15, 2005, and ending
10 before such date of enactment, a deduction under
11 section 162(q) of the Internal Revenue Code of 1986
12 (as added by subsection (a)(2)) shall be allowed in
13 the first taxable period of the taxpayer that ends
14 after such date of enactment,

15 (3) for public entities reporting as small busi-
16 ness issuers and for non-public entities required to
17 file public reports of financial condition, paragraphs
18 (1) and (2) shall be applied by substituting “Decem-
19 ber 15, 2005” for “June 15, 2005”, and

20 (4) no deduction shall be allowed under section
21 83(h) or section 162(q) of such Code with respect to
22 any stock option the vesting date of which is
23 changed to accelerate the time at which the option
24 may be exercised in order to avoid the applicability
25 of such amendments.

1 **SEC. ____ . APPLICATION OF EXECUTIVE PAY DEDUCTION**
2 **LIMIT.**

3 (a) **IN GENERAL.**—Subparagraph (D) of section
4 162(m)(4) of the Internal Revenue Code of 1986 (defining
5 applicable employee remuneration) is amended to read as
6 follows:

7 “(D) **STOCK OPTION COMPENSATION.**—
8 The term ‘applicable employee remuneration’
9 shall include any compensation deducted under
10 subsection (q), and such compensation shall not
11 qualify as performance-based compensation
12 under subparagraph (C).”.

13 (b) **EFFECTIVE DATE.**—The amendment made by
14 this section shall apply to stock options exercised or grant-
15 ed after the date of the enactment of this Act.

