By prohibiting any future payments to Iran, this bill could put us in the position of violating the Algiers Accords and owing even more money. It comes at the expense of addressing issues that really matter, like Flint, like Zika, like the opioid epidemic, like gun violence, like the Louisiana floods and the crumbling infrastructure of this Nation. The list goes on and on.

I urge my colleagues to oppose this rule and the underlying measure.

I yield back the balance of my time.

Mr. BYRNE. Mr. Speaker, I yield myself the balance of my time to close.

The gentleman said earlier in his remarks that there are times when the United States has to have interactions with bad people. As a member of the Armed Services Committee, I understand that. We do. But we should be wise in doing so. He and I completely agreed about the ill wisdom of the deal that President Obama struck with Iran; nonetheless, he struck the deal.

He said that there are 200 Iranian claims pending. I have no idea if any of those claims are meritorious. But if even one of them is meritorious, I don't think he would agree—and I know I don't agree, and the vast majority of people in America don't agree—that you pay such a claim by sending pallets of cash. Why would they do that? Why would any President of the United States send pallets of cash to the leading state sponsor of terrorism? It is to hide what they were doing, and they have been found out. We should never do that with anyone, but particularly not with an enemy.

The other thing that this bill provides, besides a prohibition on that—and that is so common sense that I don't know how we could disagree about it—is it requires congressional notification. Don't we want the Congress, as a coequal branch of government, to know before we pay money to the leading state sponsor of terrorism? Don't we want to let the American people know what is going on?

This is a very commonsense bill. The people of the United States expect us to do nothing less than this. So while I appreciate some of the other things we heard about it, some of the other issues they mentioned, let's focus on this. Let's at least get this done so that this President and no President can ever, ever again pay ransom to Iran.

Mr. Speaker, I again urge my colleagues to support House Resolution 879 and the underlying legislation.

The material previously referred to by Mr. HASTINGS is as follows:

AN AMENDMENT TO H. RES. 879 OFFERED BY MR. HASTINGS

At the end of the resolution, add the following new sections:

SEC. 3. Immediately upon adoption of this resolution the Speaker shall, pursuant to clause 2(b) of rule XVIII, declare the House resolved into the Committee of the Whole House on the state of the Union for consideration of the bill (H.R. 4479) to provide emergency assistance related to the Flint water crisis, and for other purposes. The first reading of the bill shall be dispensed with. All points of order against consideration of the bill are waived. General debate shall be confined to the bill and shall not exceed one hour equally divided and controlled by the chair and ranking minority member of the Committee on Energy and Commerce. After general debate the bill shall be considered for amendment under the five-minute rule. All points of order against provisions in the bill are waived. At the conclusion of consideration of the bill for amendment the Committee shall rise and report the bill to the House with such amendments as may have been adopted. The previous question shall be considered as ordered on the bill and amendments thereto to final passage without intervening motion except one motion to recommit with or without instructions. If the Committee of the Whole rises and reports that it has come to no resolution on the bill, then on the next legislative day the House shall, immediately after the third daily order of business under clause 1 of rule XIV, resolve into the Committee of the Whole for further consideration of the bill.

SEC. 4. Clause 1(c) of rule XIX shall not apply to the consideration of H.R. 4479.

THE VOTE ON THE PREVIOUS QUESTION: WHAT IT REALLY MEANS

This vote, the vote on whether to order the previous question on a special rule, is not merely a procedural vote. A vote against ordering the previous question is a vote against the Republican majority agenda and a vote to allow the Democratic minority to offer an alternative plan. It is a vote about what the House should be debating.

Mr. Clarence Cannon's Precedents of the House of Representatives (VI, 308–311), describes the vote on the previous question on the rule as ''a motion to direct or control the consideration of the subject before the House being made by the Member in charge.'' To defeat the previous question is to give the opposition a chance to decide the subject before the House. Cannon cites the Speaker's ruling of January 13, 1920, to the effect that ''the refusal of the House to sustain the demand for the previous question passes the control of the resolution to the opposition'' in order to offer an amendment. On March 15, 1909, a member of the majority party offered a rule resolution. The House defeated the previous question and a member of the opposition rose to a parliamentary inquiry, asking who was entitled to recognition. Speaker Joseph G. Cannon (R–Illinois) said: ''The previous question having been refused, the gentleman from New York, Mr. Fitzgerald, who had asked the gentleman to yield to him for an amendment, is entitled to the first recognition.''

The Republican majority may say ''the vote on the previous question is simply a vote on whether to proceed to an immediate vote on adopting the resolution . . . [and] has no substantive legislative or policy implications whatsoever.'' But that is not what they have always said. Listen to the Republican Leadership Manual on the Legislative Process in the United States House of Representatives, (6th edition, page 135). Here's how the Republicans describe the previous question vote in their own manual: ''Although it is generally not possible to amend the rule because the majority Member controlling the time will not yield for the purpose of offering an amendment, the same result may be achieved by voting down the previous question on the rule. . . . When the motion for the previous question is defeated, control of the time passes to the Member who led the opposition to ordering the previous question. That Member, because he then controls the time, may offer an amendment to the rule, or yield for the purpose of amendment.''

In Deschler's Procedure in the U.S. House of Representatives, the subchapter titled ''Amending Special Rules'' states: ''a refusal to order the previous question on such a rule [a special rule reported from the Committee on Rules] opens the resolution to amendment and further debate.'' (Chapter 21, section 21.2) Section 21.3 continues: ''Upon rejection of the motion for the previous question on a resolution reported from the Committee on Rules, control shifts to the Member leading the opposition to the previous question, who may offer a proper amendment or motion and who controls the time for debate thereon.''

Clearly, the vote on the previous question on a rule does have substantive policy implications. It is one of the only available tools for those who oppose the Republican majority's agenda and allows those with alternative views the opportunity to offer an alternative plan.

Mr. BYRNE. Mr. Speaker, I yield back the balance of my time, and I move the previous question on the resolution.

The SPEAKER pro tempore. The question is on ordering the previous question.

The question was taken; and the Speaker pro tempore announced that the ayes appeared to have it.

Mr. HASTINGS. Mr. Speaker, on that I demand the yeas and nays.

The yeas and nays were ordered.

The SPEAKER pro tempore. Pursuant to clause 8 of rule XX, further proceedings on this question will be postponed.

EMPOWERING EMPLOYEES THROUGH STOCK OWNERSHIP ACT

Mr. BRADY of Texas. Mr. Speaker, pursuant to House Resolution 875, I call up the bill (H.R. 5719) to amend the Internal Revenue Code of 1986 to modify the tax treatment of certain equity grants, and ask for its immediate consideration.

The Clerk read the title of the bill.

The SPEAKER pro tempore. Pursuant to House Resolution 875, the amendment in the nature of a substitute recommended by the Committee on Ways and Means, printed in the bill, is adopted, and the bill, as amended, is considered read.

The text of the bill, as amended, is as follows:

H.R. 5719

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. SHORT TITLE.

This Act may be cited as the ''Empowering Employees through Stock Ownership Act''.

SEC. 2. TREATMENT OF QUALIFIED EQUITY GRANTS.

(a) IN GENERAL.—

(1) ELECTION TO DEFER INCOME.—Section 83 of the Internal Revenue Code of 1986 is amended by adding at the end the following new subsection:

''(i) QUALIFIED EQUITY GRANTS.—

''(1) IN GENERAL.—For purposes of this subtitle, if qualified stock is transferred to a qualified employee who makes an election with respect to such stock under this subsection—

''(A) except as provided in subparagraph (B), no amount shall be included in income under subsection (a) for the first taxable year in which

the rights of the employee in such stock are transferable or are not subject to a substantial risk of forfeiture, whichever is applicable, and

''(B) an amount equal to the amount which would be included in income of the employee under subsection (a) (determined without regard to this subsection) shall be included in income for the taxable year of the employee which includes the earliest of—

''(i) the first date such qualified stock becomes transferable (including transferable to the employer),

''(ii) the date the employee first becomes an excluded employee,

''(iii) the first date on which any stock of the corporation which issued the qualified stock becomes readily tradable on an established securities market (as determined by the Secretary, but not including any market unless such market is recognized as an established securities market by the Secretary for purposes of a provision of this title other than this subsection),

''(iv) the date that is 7 years after the first date the rights of the employee in such stock are transferable or are not subject to a substantial risk of forfeiture, whichever occurs earlier, or

''(v) the date on which the employee revokes (at such time and in such manner as the Secretary may provide) the election under this subsection with respect to such stock.

''(2) QUALIFIED STOCK.—

''(A) IN GENERAL.—For purposes of this subsection, the term 'qualified stock' means, with respect to any qualified employee, any stock in a corporation which is the employer of such employee, if—

''(i) such stock is received—

''(I) in connection with the exercise of an option, or

''(II) in settlement of a restricted stock unit, and

''(ii) such option or restricted stock unit was provided by the corporation—

''(I) in connection with the performance of services as an employee, and

''(II) during a calendar year in which such corporation was an eligible corporation.

''(B) LIMITATION.—The term 'qualified stock' shall not include any stock if the employee may sell such stock to, or otherwise receive cash in lieu of stock from, the corporation at the time that the rights of the employee in such stock first become transferable or not subject to a substantial risk of forfeiture.

''(C) ELIGIBLE CORPORATION.—For purposes of subparagraph (A)(ii)(II)—

''(i) IN GENERAL.—The term 'eligible corporation' means, with respect to any calendar year, any corporation if—

''(I) no stock of such corporation (or any predecessor of such corporation) is readily tradable on an established securities market (as determined under paragraph (1)(B)(iii)) during any preceding calendar year, and

''(II) such corporation has a written plan under which, in such calendar year, not less than 80 percent of all employees who provide services to such corporation in the United States (or any possession of the United States) are granted stock options, or restricted stock units, with the same rights and privileges to receive qualified stock.

''(ii) SAME RIGHTS AND PRIVILEGES.—For purposes of clause (i)(II)—

''(I) except as provided in subclauses (II) and (III), the determination of rights and privileges with respect to stock shall be determined in a similar manner as provided under section 423(b)(5),

''(II) employees shall not fail to be treated as having the same rights and privileges to receive qualified stock solely because the number of shares available to all employees is not equal in amount, so long as the number of shares available to each employee is more than a de minimis amount, and

''(III) rights and privileges with respect to the exercise of an option shall not be treated as the same as rights and privileges with respect to the settlement of a restricted stock unit.

''(iii) EMPLOYEE.—For purposes of clause (i)(II), the term 'employee' shall not include any employee described in section 4980E(d)(4) or any excluded employee.

''(iv) SPECIAL RULE FOR CALENDAR YEARS BEFORE 2017.—In the case of any calendar year beginning before January 1, 2017, clause (i)(II) shall be applied without regard to whether the rights and privileges with respect to the qualified stock are the same.

''(3) QUALIFIED EMPLOYEE; EXCLUDED EMPLOYEE.—For purposes of this subsection—

''(A) IN GENERAL.—The term 'qualified employee' means any individual who—

''(i) is not an excluded employee, and

''(ii) agrees in the election made under this subsection to meet such requirements as determined by the Secretary to be necessary to ensure that the withholding requirements of the corporation under chapter 24 with respect to the qualified stock are met.

''(B) EXCLUDED EMPLOYEE.—The term 'excluded employee' means, with respect to any corporation, any individual—

''(i) who was a 1-percent owner (within the meaning of section 416(i)(1)(B)(ii)) at any time during the 10 preceding calendar years,

''(ii) who is or has been at any prior time—

''(I) the chief executive officer of such corporation or an individual acting in such a capacity, or

''(II) the chief financial officer of such corporation or an individual acting in such a capacity,

''(iii) who bears a relationship described in section 318(a)(1) to any individual described in subclause (I) or (II) of clause (ii), or

''(iv) who has been for any of the 10 preceding taxable years one of the 4 highest compensated officers of such corporation determined with respect to each such taxable year on the basis of the shareholder disclosure rules for compensation under the Securities Exchange Act of 1934 (as if such rules applied to such corporation).

''(4) ELECTION.—

''(A) TIME FOR MAKING ELECTION.—An election with respect to qualified stock shall be made under this subsection no later than 30 days after the first time the rights of the employee in such stock are transferable or are not subject to a substantial risk of forfeiture, whichever occurs earlier, and shall be made in a manner similar to the manner in which an election is made under subsection (b).

''(B) LIMITATIONS.—No election may be made under this section with respect to any qualified stock if—

''(i) the qualified employee has made an election under subsection (b) with respect to such qualified stock,

''(ii) any stock of the corporation which issued the qualified stock is readily tradable on an established securities market (as determined under paragraph (1)(B)(iii)) at any time before the election is made, or

''(iii) such corporation purchased any of its outstanding stock in the calendar year preceding the calendar year which includes the first time the rights of the employee in such stock are transferable or are not subject to a substantial risk of forfeiture, unless—

''(I) not less than 25 percent of the total dollar amount of the stock so purchased is deferral stock, and

''(II) the determination of which individuals from whom deferral stock is purchased is made on a reasonable basis.

''(C) DEFINITIONS AND SPECIAL RULES RELATED TO LIMITATION ON STOCK REDEMPTIONS.—

''(i) DEFERRAL STOCK.—For purposes of this paragraph, the term 'deferral stock' means stock with respect to which an election is in effect under this subsection

''(ii) DEFERRAL STOCK WITH RESPECT TO ANY INDIVIDUAL NOT TAKEN INTO ACCOUNT IF INDIVIDUAL HOLDS DEFERRAL STOCK WITH LONGER DEFERRAL PERIOD.—Stock purchased by a corporation from any individual shall not be treated as deferral stock for purposes of clause (iii) if such individual (immediately after such purchase) holds any deferral stock with respect to which an election has been in effect under this subsection for a longer period than the election with respect to the stock so purchased.

''(iii) PURCHASE OF ALL OUTSTANDING DEFERRAL STOCK.—The requirements of subclauses (I) and (II) of subparagraph (B)(iii) shall be treated as met if the stock so purchased includes all of the corporation's outstanding deferral stock.

''(iv) REPORTING.—Any corporation which has outstanding deferral stock as of the beginning of any calendar year and which purchases any of its outstanding stock during such calendar year shall include on its return of tax for the taxable year in which, or with which, such calendar year ends the total dollar amount of its outstanding stock so purchased during such calendar year and such other information as the Secretary may require for purposes of administering this paragraph.

''(5) CONTROLLED GROUPS.—For purposes of this subsection, all corporations which are members of the same controlled group of corporations (as defined in section 1563(a)) shall be treated as one corporation.

''(6) NOTICE REQUIREMENT.—Any corporation that transfers qualified stock to a qualified employee shall, at the time that (or a reasonable period before) an amount attributable to such stock would (but for this subsection) first be includible in the gross income of such employee—

''(A) certify to such employee that such stock is qualified stock, and

''(B) notify such employee—

''(i) that the employee may elect to defer income on such stock under this subsection, and

''(ii) that, if the employee makes such an election—

''(I) the amount of income recognized at the end of the deferral period will be based on the value of the stock at the time at which the rights of the employee in such stock first become transferable or not subject to substantial risk of forfeiture, notwithstanding whether the value of the stock has declined during the deferral period,

''(II) the amount of such income recognized at the end of the deferral period will be subject to withholding under section 3401(i) at the rate determined under section 3402(t), and

''(III) the responsibilities of the employee (as determined by the Secretary under paragraph (3)(A)(ii)) with respect to such withholding.''.

(2) DEDUCTION BY EMPLOYER.—Subsection (h) of section 83 of the Internal Revenue Code of 1986 is amended by striking ''or (d)(2)'' and inserting ''(d)(2), or (i)''.

(b) WITHHOLDING.—

(1) TIME OF WITHHOLDING.—Section 3401 of the Internal Revenue Code of 1986 is amended by adding at the end the following new subsection:

''(i) QUALIFIED STOCK FOR WHICH AN ELECTION IS IN EFFECT UNDER SECTION 83(i).—For purposes of subsection (a), qualified stock (as defined in section 83(i)) with respect to which an election is made under section 83(i) shall be treated as wages—

''(1) received on the earliest date described in section 83(i)(1)(B), and

''(2) in an amount equal to the amount included in income under section 83 for the taxable year which includes such date.''.

(2) AMOUNT OF WITHHOLDING.—Section 3402 of such Code is amended by adding at the end the following new subsection:

''(t) RATE OF WITHHOLDING FOR CERTAIN STOCK.—In the case of any qualified stock (as defined in section 83(i)) with respect to which an election is made under section 83(i)—

''(1) the rate of tax under subsection (a) shall not be less than the maximum rate of tax in effect under section 1, and

''(2) such stock shall be treated for purposes of section 3501(b) in the same manner as a noncash fringe benefit.''.

(c) COORDINATION WITH OTHER DEFERRED COMPENSATION RULES.—

(1) ELECTION TO APPLY DEFERRAL TO STATUTORY OPTIONS.—

(A) INCENTIVE STOCK OPTIONS.—Section 422(b) of the Internal Revenue Code of 1986 is amended by adding at the end the following: ''Such term shall not include any option if an election is made under section 83(i) with respect to the stock received in connection with the exercise of such option.''.

(B) EMPLOYEE STOCK PURCHASE PLANS.—Section 423(a) of such Code is amended by adding at the end the following flush sentence:

''The preceding sentence shall not apply to any share of stock with respect to which an election is made under section 83(i).''.

(2) EXCLUSION FROM DEFINITION OF NONQUALIFIED DEFERRED COMPENSATION PLAN.—Subsection (d) of section 409A of the Internal Revenue Code of 1986 is amended by adding at the end the following new paragraph:

''(7) TREATMENT OF QUALIFIED STOCK.—An arrangement under which an employee may receive qualified stock (as defined in section 83(i)(2)) shall not be treated as a nonqualified deferred compensation plan solely because of an employee's ability to defer recognition of income pursuant to an election under section 83(i).''.

(d) INFORMATION REPORTING.—Section 6051(a) of the Internal Revenue Code of 1986 is amended by striking ''and'' at the end of paragraph (13), by striking the period at the end of paragraph (14) and inserting a comma, and by inserting after paragraph (14) the following new paragraphs:

''(15) the amount excludable from gross income under subparagraph (A) of section 83(i)(1),

''(16) the amount includible in gross income under subparagraph (B) of section 83(i)(1) with respect to an event described in such subparagraph which occurs in such calendar year, and

''(17) the aggregate amount of income which is being deferred pursuant to elections under section 83(i), determined as of the close of the calendar year.''.

(e) PENALTY FOR FAILURE OF EMPLOYER TO PROVIDE NOTICE OF TAX CONSEQUENCES.—Section 6652 of the Internal Revenue Code of 1986 is amended by adding at the end the following new subsection:

''(o) FAILURE TO PROVIDE NOTICE UNDER SECTION 83(i).—In the case of each failure to provide a notice as required by section 83(i)(6), at the time prescribed therefor, unless it is shown that such failure is due to reasonable cause and not to willful neglect, there shall be paid, on notice and demand of the Secretary and in the same manner as tax, by the person failing to provide such notice, an amount equal to $100 for each such failure, but the total amount imposed on such person for all such failures during any calendar year shall not exceed $50,000.''.

(f) EFFECTIVE DATES.—

(1) IN GENERAL.—Except as provided in paragraph (2), the amendments made by this section shall apply to stock attributable to options exercised, or restricted stock units settled, after December 31, 2016.

(2) REQUIREMENT TO PROVIDE NOTICE.—The amendments made by subsection (e) shall apply to failures after December 31, 2016.

(g) TRANSITION RULE.—Until such time as the Secretary (or the Secretary's delegate) issue regulations or other guidance for purposes of implementing the requirements of paragraph (2)(C)(i)(II) of section 83(i) of the Internal Revenue Code of 1986 (as added by this section), or the requirements of paragraph (6) of such section, a corporation shall be treated as being in compliance with such requirements (respectively) if such corporation complies with a reasonable good faith interpretation of such requirements.

The SPEAKER pro tempore. The bill shall be debatable for 1 hour, equally divided and controlled by the chair and ranking minority member of the Committee on Ways and Means.

The gentleman from Texas (Mr. BRADY) and the gentleman from Michigan (Mr. LEVIN) each will control 30 minutes.

The Chair recognizes the gentleman from Texas.

GENERAL LEAVE

Mr. BRADY of Texas. Mr. Speaker, I ask unanimous consent that all Members have 5 legislative days to revise and extend their remarks and to include any extraneous material on H.R. 5719, currently under consideration.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from Texas?

There was no objection.

Mr. BRADY of Texas. Mr. Speaker, I yield myself such time as I may consume.

America's startup companies are a driving force behind our Nation's dynamic and prosperous free enterprise system. Over the past century, bold, innovative Americans have taken risks and started businesses of all sizes that deliver opportunity for millions of middle class families and workers.

We should do everything we can to help America's startups attract the talented, hardworking employees they need to put their breakthrough ideas into motion. One of the best things we can do is ensure that our Tax Code supports American innovators. Our Tax Code must support—not suppress—innovation, entrepreneurship, and economic freedom.

Today, I am honored to speak in support of legislation to do just that, Congressman ERIK PAULSEN's Empowering Employees through Stock Ownership Act.

□ 1315

This bipartisan, bicameral legislation takes action to keep America at the forefront of innovation by supporting startups and the workers who help them thrive.

Right now many startup companies offer their workers stock options as a portion of their compensation. This helps startups attract top talent because they may not have the money to pay high salaries offered by larger businesses.

The problem is, many startup workers can't exercise their stock options because they don't make enough to afford the associated tax payment. In addition, many startups are privately held, so there may not be an available market for these workers to sell some of the stocks so they can pay the tax.

Ultimately, this means a portion of a startup worker's compensation—sometimes a significant portion—can be essentially out of reach. So when a worker is considering whether to take a job at an exciting new small business, this issue can make the opportunity in that company a lot less attractive.

Congressman PAULSEN's commonsense legislation fixes the problem. It allows startup workers to defer the tax payment on their stock options for 7 years or until there is an ability to sell the stock, whichever comes first. Importantly, the bill includes provisions to ensure this tax relief can only be utilized by workers who need it. Those who hold large equity stakes in a startup or highly paid positions at the company won't be eligible.

The bottom line is that by facilitating employee ownership, this bill will not only help startups attract talent, it will allow their workers to own a stake in that next breakthrough product or service.

Congressman PAULSEN is a long-time champion of employee ownership, free enterprise, and economic freedom—pillars of a strong American economy. I want to thank him for his leadership on this important bipartisan legislation, and I urge all my colleagues to join me in supporting its passage.

The Empowering Employees through Stock Ownership Act is a smart, bipartisan solution to help ensure that American startups will continue to be a driving force behind American innovation, job growth, and prosperity.

Mr. Speaker, I reserve the balance of my time, and I ask unanimous consent that the gentleman from Minnesota (Mr. PAULSEN) be permitted to control the balance of my time.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from Texas?

There was no objection.

Mr. LEVIN. Mr. Speaker, I yield myself such time as I may consume.

This bill addresses an issue that is worthy of being addressed. It surely would be taken up as part of overall tax reform. But this bill surely is not an emergency; and costing over $1 billion, it is not paid for.

Today, as this House leaves, there has been no action on Flint. That is an emergency—poisoned water, children at risk—and it is being required that emergency funding for Flint be paid for. In contrast, action on this bill is in no way an emergency, and it is not being required to be paid for.

And still no attention to Zika. That is an emergency. It is spreading while some here in D.C. are stalling. I quote Anthony Fauci, the Director of the National Institute of Allergy and Infectious Diseases. This is what he told one writer:

''First, we took money from other infections. We borrowed money from ourselves from malaria and TB.

''When we ran out of that money, we started tapping into the Ebola funds that we really should not be tapping into because we still need them to keep the lid on Ebola.''

''When we ran out of that . . . Secretary . . . Burwell had to do something she really did not want to do. She had to take money using her transfer authority from cancer, diabetes, heart disease and mental health and give it to us to be able to continue to prepare the sites for the Zika vaccine trials that we will be performing.''

So Zika, that is an emergency. It is spreading here while we, as I said, in D.C. are stalling. Here we go once again on this legislation, not an emergency, not being paid for. I think the way the House majority is handling this legislation and other legislation, or the lack of it, is inexcusable and in some respects is immoral.

Let me read from the Statement of Administration Policy: ''The Administration is committed to helping startups, boosting innovation, and growing the economy, and is willing to work with the Congress on fiscally responsible measures to achieve those goals. However, the Administration strongly opposes H.R. 5719 because it would increase the Federal deficit by $1 billion over the next ten years. Failing to pay for new tax cuts is fiscally irresponsible.''

Mr. Speaker, working on stock options and the tax treatment of it is one thing. Zika and Flint are orders of a different magnitude. For these reasons and others, I urge a ''no'' vote.

I reserve the balance of my time.

Mr. PAULSEN. Mr. Speaker, I yield myself such time as I may consume.

Mr. Speaker, when you ask a small-business owner or an entrepreneur about the challenge of starting a new business, they will often tell you that the key to their success is keeping talented employees and recruiting talented employees to keep their company moving forward.

Today we have an opportunity to help startup companies. The Empowering Employees through Stock Ownership Act is a bipartisan initiative that focuses on two simple but very important concepts: keeping the United States on the forefront of innovation and promoting employee ownership. I want to thank the gentleman from New York (Mr. CROWLEY) for his bipartisan leadership on this issue as well.

Mr. Speaker, today our Tax Code is forcing many mid- and lower-level employees at startup companies and businesses around the country to let a very promising investment opportunity pass them by. Unlike employees at larger, more established companies, startup employees are often offered compensation in the form of stock options, a significant part of their compensation. And it is a common practice for a business that is developing a new and promising technology but is not yet profitable.

More and more employees of startups these days aren't exercising their stock options, and that is because if they do, they get hit with a tax bill from the IRS, a tax bill that can be unaffordable because they don't have the cash available to make the tax payment which is due immediately. As a result, employees are letting their stock options expire, missing out on thousands and thousands of dollars that could help them send their kids to college or plan for their retirement.

So here is a simple solution today, Mr. Speaker. The Empowering Employees through Stock Ownership Act will let an employee defer their tax payment for a reasonable period—7 years—or until there is a market for their stock, which they could then sell to get the money needed to pay the tax bill.

Many employees are drawn to startup businesses these days for the opportunity to work on shaping the future, the next innovative solution that can improve the lives of millions of people. It might be in health care, it might be treating cancer, or it could be in developing new mobile computer technology.

They are also drawn, though, to the chance and the opportunity to have some ownership over this new idea. However, some are now choosing to instead stay at or go to a larger, established company because they know at a startup business they could face a very unfortunate tax situation.

So to put it simply, Mr. Speaker, the Tax Code should not stand in the way of developing new, life-changing technologies. We should help these startups attract new employees and new talent and help those employees chase their dreams to seek new, creative environments that could lead to the next breakthrough innovation.

The legislation is also designed to promote employee ownership. Only those individuals at startup businesses where similar stock options are offered to 80 percent of their employees or more will be eligible for the tax deferral provided in the bill. This will encourage businesses to offer more of their employees an ownership stake, as well as serve as a very important guardrail to prevent companies that only offer stock options to a select few high-level employees from taking advantage of any provisions in the legislation.

Importantly, the Empowering Employees through Stock Ownership Act also contains several provisions to ensure that only those employees who truly need tax deferral are actually able to obtain it. Individuals that own more than 1 percent of a business, the CEO, the CFO, and the four highest paid employees at a business are not eligible for deferral.

Mr. Speaker, the Empowering Employees through Stock Ownership Act is part of Leader MCCARTHY's Innovation Initiative here in the House. It is endorsed by the Venture Capital Association, the Small Business and Entrepreneurship Council, and dozens of businesses around the country.

I include in the RECORD their three letters of support.

NATIONAL VENTURE CAPITAL ASSOCIATION,
September 7, 2016.

Hon. ERIK PAULSEN,
House of Representatives, Washington, DC.
Hon. JOSEPH CROWLEY,
House of Representatives, Washington, DC.

DEAR REPRESENTATIVES PAULSEN AND CROWLEY: On behalf of our nation's venture capital investors and the entrepreneurs they support, I write to express our support for H.R. 5719, the Empowering Employees through Stock Ownership Act, and to thank you for your leadership on this important issue. This legislation would allow startup employees to defer tax liability on income arising from exercised but illiquid stock options.

As you know, stock options are a critical tool for attracting talented individuals to work at our nation's startups. Employees are often compensated with stock options as a promise that if the startup succeeds, everybody shares in the gain. And, stock options are particularly important for startups who are often cash strapped and using all resources available to develop and build a novel product. But as the U.S. capital markets have become more hostile to small capitalization companies, increasingly startups are opting to stay private longer rather than pursue an initial public offering (IPO). This has given rise to challenges for employees at our nation's startups when their stock options vest without a liquid market to sell their shares in order to pay the taxes that are due.

Your legislation to allow an additional period of time for employees to defer taxes on exercised stock options is a common sense solution to this challenge that will encourage more talented Americans to help build today's startups into tomorrow's Fortune 500 success stories. We must make new company creation a national priority to compete in the 21st century economy. Your bill will help us avoid a startup brain drain by preserving the value of stock options for employees. NVCA and its member firms look forward to working with you to pass this legislation into law and protect the value of stock options for startup employees. Again, thank you for your leadership on this important issue.

Sincerely,

BOBBY FRANKLIN,
President and CEO.

SMALL BUSINESS & ENTREPRENEURSHIP COUNCIL,
September 19, 2016.

Hon. ERIK PAULSEN,
House of Representatives, Washington, DC.
Hon. JOE CROWLEY,
House of Representatives, Washington, DC.

DEAR REPRESENTATIVES PAULSEN AND CROWLEY: The Small Business & Entrepreneurship Council (SBE Council) and its 100,000 members nationwide strongly support H.R. 5719, the Empowering Employees Through Stock Ownership Act.

Startup companies face many obstacles, including the recruitment and retention of skilled employees. Employees at startup companies often do not enjoy the higher salaries offered at established companies, but are drawn to the idea of helping to build an enterprise that is at the forefront of the next innovation. At many startup companies, employees are offered stock options or equity ownership to compensate for lower compensation and to share ownership in the company. Currently, if employees exercise these options, they are required to pay taxes immediately but sometimes lack the resources to do so. That means they may miss out on a potential financial opportunity. This is a barrier for some individuals to join a start-up, which means both the company and individual lose, and so does our economy.

H.R. 5719 resolves this barrier by allowing employees seven years or before the stock becomes tradeable on an established market to pay the taxes when they exercise options. H.R. 5719 will help startup companies attract

and keep talented employees, and provide skilled individuals another key incentive to join these promising businesses.

Thank you for your leadership on this important issue. SBE Council looks forward to working with you to advance H.R. 5719 into law.

Sincerely,

KAREN KERRIGAN,
President & CEO.

SEPTEMBER 19, 2016.

Hon. ERIK PAULSEN,
Cannon House Office Building,
Washington, DC.
Hon. JOSEPH CROWLEY,
Longworth House Office Building,
Washington, DC.

DEAR REPRESENTATIVE PAULSEN AND REPRESENTATIVE CROWLEY: We write you to express our support for H.R. 5719, the Empowering Employees through Stock Ownership Act (EESO). This bipartisan initiative, led by your efforts, will make it possible for more employees to obtain an ownership stake in the companies they help build and make it easier for startups and private companies to attract the talent necessary to grow the economy.

Part of the lure of startups and many private companies is the ability for virtually all employees to own a piece of their company. Unfortunately, it is difficult for many private company employees to realize the value of their equity (either through exercise or vesting) because of the unique way tax rules apply to employee grants at private companies. Under current law, employees are often required to pay taxes on the value of their shares long before they are able to sell and realize the economic value of those shares. This is due to the fact that, unlike public company employees who are able to sell shares in the public markets to offset the tax consequences of exercised or vested equity grants, private company employees do not have the ability to sell their shares since no public market (or liquid secondary market) exists. This means that many private company employees cannot cover the cost of taxes at the time of exercise/vesting through the sale of shares, but, instead, must pay those costs out of pocket.

This situation is exacerbated for employees who have seen their options or shares grow significantly in value since their date of grant. In this case, taxes due on the difference between grant price and fair market value on the exercise or vesting date will be significant, meaning that many employees will never be able to afford to exercise their options and hold shares. As a result, many private company employees allow their equity grants to expire and lose a significant component of their compensation and potential future growth through the ownership stake.

Your legislation would help solve this problem for many employees by providing them with the ability to choose to defer the payment of the income tax due upon exercise (or vesting in the case of restricted stock units) until the underlying stock is sold. This legislation is structured to minimize the revenue impact to all stakeholders by simply changing the timing of when income taxes are payable.

Again, we thank you for your leadership on this issue. We look forward to working with you to help enact this common sense modification to our country's tax laws so that employees of innovative American companies are able to acquire and retain more of their ownership interests in the businesses they help build.

Sincerely,

Palantir Technologies; Avalara, Inc.; AppNexus Inc; Bloom Energy; Sonos; Space Exploration Technologies Corp.; Return Path; Stripe; NASDAQ Private Market; Acquia Inc.; Addepar; Sailpoint Technologies Inc.; Casper; Meetup; Betterment; Squarespace; Bromium; Engine; TechNet: The Voice of the Innovation Economy; Kleiner Perkins Caulfield Byer.

Angel Capital Association; Techstars; Hackers/Founders; Kansas City Startup Foundation; KC Tech Council; Y Combinator; GitHub Inc.; 23andMe, Inc.; Gusto; TechNexus; Accel; The Brandery; duolingo; Kabbage Inc.; Able Lending, Inc.; Garmentory; hobbyDB; Foot Cardigan; Equityzen Inc.; Foursquare.

2nd MD; Zaarly; Wealthfront Inc.; Hyperloop One; Medici.md; Automattic; Decibly; Medium; ClipMine, Inc.; whiteLabelLabs; Red & Blue Ventures; Global Accelerator Network; AIRMIKA, INC.; Innovation State; Hacom LLC; Village Capital; Help Scout; Filament; 60secondz; GeekGirlWeb, LLC.

Virtkick, Inc.; Speed & Function; 804RVA; Wefunder; Neighborland; Goalbook; Bristlecone Holdings; Blue Startups; Seed Philly; Lighthouse Labs; Hangar; Carao Ventures; Pick1; Alpha Prime Ventures; eShares, Inc.; CrowdCheck Inc.; Lean Team Tuning LLC.

Mr. PAULSEN. I urge all my colleagues in supporting this very commonsense, bipartisan, and bicameral legislation to increase employee ownership and accelerate American innovation.

Mr. Speaker, I reserve the balance of my time.

Mr. LEVIN. Mr. Speaker, I yield such time as he may consume to the distinguished gentleman from New York (Mr. CROWLEY), someone who has been a sponsor of this bill, and I ask unanimous consent that he be allowed to control the balance of my time.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from Michigan?

There was no objection.

Mr. CROWLEY. Mr. Speaker, I thank the gentleman from Michigan for yielding me the time.

I first want to recognize Congressman ERIK PAULSEN, my colead in drafting the Empowering Employees through Stock Ownership Act that we are debating today here on the floor. I appreciate his work in helping to draft this and our offices working together to do that.

We have drafted up a bipartisan bill that, on the merits, should be able to pass the House with an overwhelming majority—overwhelming majority. But I must state my disappointment with the majority—and not necessarily with the sponsor of this bill, but the leadership of the majority—for refusing to allow a simple up-or-down vote on my amendment, joined by the gentlewoman from California (Ms. ESHOO), to offset the $1 billion cost of this bill over 10 years, so that we could empower workers without saddling our children and our grandchildren and our great-grandchildren with more debt.

Now that, in and of itself, is problematic in terms of hoisting additional debt on our children, grandchildren, and great-grandchildren, if it weren't for the fact that we also have crises facing America, including the Zika virus.

I wonder how the women who today are pregnant and have the virus in them feel about the fact that we are doing a tax bill today, unpaid for, and yet are requiring an offset or a pay-for for money to go towards Zika virus, or the fact that we have been here for over a year and have not yet found the wherewithal to help the good people of Flint, Michigan, unless we find a way to pay for that assistance and that help; but somehow we are able to do this worthy bill on its face without a pay-for.

With respect to the underlying bill, I think all of us are growing increasingly concerned that far too many American workers have not been sharing in the success of the companies that they helped make successful. This bill aims to address that issue by promoting employee ownership, very egalitarian, something I know many on my side of the aisle are very excited about.

The Empowering Employees through Stock Ownership Act would allow workers at privately held firms and startups to defer the income taxes on their stock options up to 7 years or until a triggering event occurs that allows the stock to be sold, whichever occurs sooner.

The proposed legislation is needed to address real-world situations where employees of privately held firms, who are provided the opportunity to become part owners of the company they helped build through the granting of stock options and shares, cannot exercise that stock without paying taxes on them as income, even though the options cannot be readily sold. For example, there is no market for them to be sold on.

Businesses often offer stock to employees to share the value of their companies, recruit and maintain talented workers, and offer compensation in addition to a salary that they receive. Stock options also provide smaller startup companies the ability to compete with larger, more established companies in attracting top talent.

□ 1330

Currently, when an employee exercises their right to obtain stock in their company, it is a taxable event and taxed in the same way as any other form of compensation they receive.

In publicly traded companies, when employees exercise their stock options or shares vest, the employee is able to turn around and sell a small portion of that stock that is on the public market to pay the tax they owe, while at the same time continuing to retain shares and partial ownership of the company they work for.

Unfortunately, for employees of private companies and startups, there is no market for employees to sell their shares to cover the tax liability that they are exposed to in the same way that a publicly traded company employee has those liabilities.

This tax burden prevents employees of privately held companies from exercising their stock in the first place. That means they lose out on a share of their income, they lose out on the ability to become an owner in their company, and they lose out on part of their investment in their employer's long-term goals.

This bill defers the taxes owed for employees of privately held companies for 7 years or until there is what is known as a ''triggering event,'' which occurs when a stock is sold. Examples of triggering events are stock buybacks, acquisitions, or the company itself going public.

Besides making it easier for lower-wage workers to become owners in their company, this bill encourages companies to offer more stock to more workers. We do this by stating that, to obtain these important recruitment and retention benefits, a company must offer at least 80 percent of their full-time workforce the option to own stock. This 80 percent employee participation number excludes those who own 1 percent or more of the company as well as the CEO and CFO and the four highest-paid officers.

In small startups, excluding senior management and mandating an 80 percent employee coverage test ensures that more employees and those further down the chain of command will be offered to share in the success of the company. It is a good policy and, as I said before, it enjoys bipartisan support.

Because the bill is a tax expenditure, the Joint Committee on Taxation states that it would cost the Treasury and the American taxpayers $1 billion over 10 years.

Unfortunately, as I stated earlier, an effort that was led by my colleague from California (Ms. ESHOO) and myself to ensure this good policy was enacted without further adding to the debt and the deficit and by adding debt to future generations, unfortunately, was rejected by the majority. It is unfortunate.

While the Republicans in the Congress refuse to fund a billion dollars to help pregnant women in Florida, as I said before, fight off the Zika virus or provide clean drinking water to the people of Flint, Michigan, they are continuing their dangerous path of passing tax cuts that will explode the deficit.

Indeed, just in 2016, Ways and Means Committee Republicans have passed almost $55 billion in tax cuts out of the committee, all of which, if enacted, would blow up the deficit.

Let's be clear: Who will pay for this tab? Will it be us?

No. We will pass the tab on to our children, our grandchildren, and our great-grandchildren to pay for our excesses. It all boils down to values, my friends.

So while I oppose this legislation today—a bill that I am a cosponsor of—I am heartened by the fact that the Senate Finance Committee passed a companion bill to this bill just yesterday on a bipartisan basis. I don't know how they did it, but somehow they found an offset, Democrats and Republicans working together, which I attempted to do with my colleagues on the Republican side. They found an offset. It is remarkable the Republicans in the Senate thought it was important enough to pay for this and not add further debt to our future generations.

I look forward to supporting this bill when it comes back to the House, fully paid for, when we take up the Senate bill. We know that is what is going to happen. I look forward to working with the Senate to enact this good policy into law, but without saddling our children, our grandchildren, and our great-grandchildren with the cost of this benefit.

Mr. Speaker, I reserve the balance of my time.

Mr. PAULSEN. Mr. Speaker, I yield 1 minute to the gentleman from California (Mr. MCCARTHY), the majority leader, who has moved forward and focused attention on a number of different innovation initiatives. These initiatives have come from listening to entrepreneurs.

Mr. MCCARTHY. I thank the gentleman for yielding and, most importantly, for his work. It is not just the work today, but it is the work every day for almost all Americans.

When we talk about medical devices, they are so important to keep people alive. Well, there is one person in this House who led the charge to make sure that tax was repealed so that more medical devices and more jobs could be created, and that is the author of this bill. This bill is giving more Americans the opportunity for ownership. Isn't that the American Dream?

It is interesting, Mr. Speaker. I hear a lot of words on this floor. I heard just recently words about values. You know what is interesting? The record doesn't lie. I hear on this floor about values and I hear on this floor about Zika.

Do you know what?

That is one of the greatest threats to the citizens of America. That is why this House did not delay in acting. We passed not once, but twice, funding for $1.7 billion. But, Mr. Speaker, the sad part was that one side of the aisle got into another fight and tried to punish Americans, so they all voted ''no.'' And then it goes back, but it passes—thank God—because the majority took it up and sent it to the Senate.

Do you know what happened over in the Senate?

The minority party has voted not once, not twice, but three times, not against the bill, but even allowing the bill to be brought up.

While those Americans sit back and are very fearful about Zika, it was one party denying the bill to even come up in the Senate to get to the President.

So, yes, Mr. Speaker, when we talk about values, values matter. That is what we are talking about today. The House is considering two important pieces of innovation initiatives. The values. The values of creating jobs. The first is by Representative WILL HURD to improve government IT systems. The second is by Representative ERIK PAULSEN to help startups attract and retain the best employees they can.

These bills go right to the heart of the innovation initiative's two goals: to bring innovation into government and enable innovation in the private sector.

Now, I am not breaking any news here, but too many of our technology systems in government are increasingly outdated. So here are the facts. Last year alone, the Federal Government spent 80 percent—get this right—80 percent of the $80 billion directed to IT just maintaining old legacy systems. That is 80 percent of $80 billion.

Representative WILL HURD's bipartisan legislation will help bring government technology systems into the modern age, allowing the government to do its job more effectively, save taxpayers money, and keep public information secure. However, even as we use innovation to improve the way government functions, we can't ignore the importance of innovation in the private sector. You see, an innovation economy is a fundamental part of the American success story.

Today we have these businesses we call gazelles. Gazelles are small startups that grow 20 percent every year or double every 2 years. Gazelles make up 4 percent of all new startups. But do you know what? They make up 70 percent of all new jobs.

We have not reached America's full potential. Not even close. We need to update our laws to enable further innovation so that those with good ideas can create even more opportunity for Americans.

The idea of innovation producing growth is why we are voting today on Representative ERIK PAULSEN's Empowering Employees through Stock Ownership Act. The truth is, when the startups are funded and founded, they can't offer potential employees the same salaries and benefits of those companies that have already become household names, but they can offer partial ownership. That is the American Dream.

Offering stock options not only allows startups to attract the workers they need, it also gives employees a greater stake in the success of the company. But, unfortunately, the current Tax Code punishes many employees who own stock, taxing them before they even have the opportunity to sell the stock to pay the bill.

Representative PAULSEN's bill allows workers to actually own a piece of the company that they work for. It defers the tax they owe on the stocks for a time so that they have the opportunity to work for a young company that may not have the most resources, but does have a vision of a future that they can believe in.

By giving companies the chance to hire and retain the best employees, do you know what happens?

We will have more innovation, more growth, and more success for the American people.

As you grow in America and get older and have children, you no longer worry about what you will do. You worry about what opportunities your children will have.

Don't you dream that one day maybe your children can even own a piece of their company? But don't you hate to wake up and have the government punish you so that you can't be that owner? Why wouldn't you want government to work for you? Why wouldn't you want government to enhance? Why wouldn't you want innovation?

You want a government that is more effective, more efficient, and more accountable. You want a private sector that is able to spur growth and create more jobs. And you want a country that can protect you from the Zika virus.

Well, you know what? This Congress has acted on all of those and will act on the rest of them today. I hope that it is a bipartisan vote to represent all Americans.

Mr. CROWLEY. Mr. Speaker, I yield such time as she may consume to the gentlewoman from California (Ms. ESHOO), my good friend and colleague.

Ms. ESHOO. I thank the gentleman from New York, my good friend, for yielding.

Mr. Speaker, I rise in reluctant opposition not to the legislation—because I am a cosponsor of it and I think it is a very good bill and I think it is an important bill—Empowering Employees through Stock Ownership Act.

The underlying policy of this bill—it is bipartisan, as has been stated—is to allow employees of privately owned companies to be able to defer taxes owed on exercised stock options for up to 7 years.

I think that there is unanimity on this. I know something about stock options. I have represented Silicon Valley for 24 years. I led the House in a battle many, many years ago on stock options. And I won that, by the way. So I know how stock options work, and I think that it is very important for nonpublic entities—the startups, first of all—to be able to attract people. When they attract these talented employees, the option of stock options with a deferred tax status would be very, very important. It is a magnet.

We always want new businesses to be born. We want them to grow. We want them to go public. We want them to employ more people. That is the way our economy works. I think that it is a very, very important policy to support. But I also think that—as we recognize the responsibility to take a step to help to expand our economy, I also think it is responsible to think about how we conduct our finances. I wish I had a dime or a nickel for every time someone has come to the floor, especially from the other side, pounding their chest about the national debt.

So here we have a combination of good policy and irresponsible fiscal policy.

□ 1345

Now, Mr. CROWLEY and I went to—I couldn't make it, but it was our amendment at the Rules Committee to pay for this. The Joint Committee on Taxation says it is going to cost over $1 billion over 10 years.

Now, when first responders who got sick after the dollars were expended and we wanted them covered because they were, essentially, dying, they were over at the Energy and Commerce Committee, the majority said we are not doing this bill unless it is paid for. That was a national emergency, but you couldn't find the time or the way to take care of that.

When are we going to stop charging things to the national debt? Why do you think it is all right to do it this way? I really wonder if you want bipartisan support.

The American people want bipartisanship. They want it done responsibly. But they also want us—don't your constituents ask you how you are going to bring the debt down? Come on. This is like political cross-dressing here.

Why wouldn't the Rules Committee say: You know what? These Members are right, and they are offering a very sensible way to pay for this bill.

We gave you the pathway for it. We give you the answer for it. We say we will support the policy. We want it paid for. Why do you turn that down?

So I think it is sad, I really do. And all of this happy talk that comes to the floor about innovation, and we know and we are doing and whatever, I have represented it for 24 years, and I think one of the values of my constituents is fiscal responsibility as well as good policy, and that is what we offered.

So I urge my colleagues to examine the two prongs, not just the one. This could have been bipartisan and you could have passed it on a voice vote, for heaven's sake, if you had it paid for. And that is why I am on the floor to object to the way this is done, not to the policy, but that it isn't paid for.

The SPEAKER pro tempore. Members are reminded to please address their remarks to the Chair.

Mr. PAULSEN. Mr. Speaker, I yield 4 minutes to the gentleman from California (Mr. ROHRABACHER), who has been a passionate advocate for entrepreneurship.

Mr. ROHRABACHER. Mr. Speaker, entrepreneurship and employee ownership as well.

I rise in support of H.R. 5719, the Empowering Employees through Stock Ownership Act, a bill that will allow certain employee recipients of employer stock to defer paying income tax on the stock until they are able to liquidate a portion of the stock to pay those taxes or once 7 years have passed, whichever comes first.

This is a modest but meaningful step in the right direction. It is a modest and meaningful step toward transforming our economy into an ownership society where employees are empowered with a direct and enduring stake in the well-being of their company.

I applaud Representative PAULSEN for offering this legislation and Chairman BRADY for shepherding it through his committee and onto the floor.

As you may know, Mr. Speaker, I have a bill that was crafted in the same spirit as this bill that we are considering today. It is a bill that, in my view, should be this body's next step, after this step forward, toward creating an ownership society.

My bill, the Expanding Employee Ownership Act of 2016, which is H.R. 4577, would permanently exempt from income tax liability any stock that was received by employees as part of a broad-based distribution to all employees, so long as the employees held on to the stock for 5 years. If the employee holds the stock for 10 years or more, after that, a mechanism is triggered that allows the employees to sell their stock free of capital gains tax. So by giving the employee a pass on income tax for their stock or capital gains tax for their stock, we will greatly expand the number of working people in our country who own part of the company and maybe own a majority of the companies owned by employees throughout this country.

As we know, employee ownership has many positive attributes, and this bill takes us a step toward that. Studies show that employees who own a share in their company are more productive and prudent. Studies further show that employee-owned companies are generally more profitable and have a lower turnout rate. You have a solidarity between management and labor when the people working for a company own part of the company that they work for. It is more of a partnership.

Free enterprise doesn't just mean profit motive for the capitalists. It means profit motive—not only just profit motive, but it means freedom for everyone to participate in a system where ownership is so important to standard of living.

What has been really very disturbing in our society for these last 30, 40 years is we see the income disparity that exists in our society. Much of it is because working class people have been kept out of capital ownership, and that small, small number of Americans who own the capital have now vast amounts of wealth.

Well, I am not against people being wealthy, but I think that we should make sure our system is designed as our Founding Fathers meant it to be, where you have a maximum amount of people enjoying the freedom and liberty and rights of all the rest of the citizens.

This bill today and my proposal would just take us down a path in

which employees and ordinary working people would not only have a stake in their own company, but probably would have a stake in owning capital, which would bring down this disparity between working people and people of wealth. So today I ask my colleagues to join me in supporting this legislation.

Mr. CROWLEY. Mr. Speaker, I yield myself such time as I may consume.

Mr. Speaker, again I want to reiterate, I do appreciate working with Mr. PAULSEN on this issue, and there is really no opposition from me in terms of the policy that we are attempting to put forward here on the floor today. We all agree on the merits of the bill. It is a good bill. I think you have heard that from the ranking member of the Committee on Ways and Means, and you also heard it from the gentlewoman on the Energy and Commerce Committee, Ms. ESHOO.

Obviously, Mr. PAULSEN and I both agree that this bill has merit. It is a good bill. But I don't believe this will become law today. This bill, the one we are actually debating and we will have a vote on today, in and of itself, will not be enacted in its form today.

We need to enact good policies but not punish our next generation with new debt. That is something I have been reiterating over and over again. So I will vote ''no'' today on this bill, even though I am the cosponsor of the bill.

That is not the only reason why I will not support the underlying bill today, not just because of placing the debt and the burden of that debt on my children, our children, your grandchildren and great-grandchildren, but because of the fact that there are a number of crises going on in our country today that the Congress, the Republican Congress, simply can't get their hands around, and some are questioning whether they want to get their hands around them at all.

Here is a shocking statistic. Back in June of this year, it was reported by the CDC that 234 women in the 48 States, the continental United States, 234 women had contracted the Zika virus—pregnant women. I am sorry, pregnant women, 234 pregnant women.

While we were here in Congress in the month of June and July and then we broke for 7 weeks in August, and there was no work here done on the floor to address the issue of the Zika virus, as of the middle of September, of this month, in the U.S., 48 continental U.S. States, 749 pregnant women now have the Zika virus. That is three times as many people in a 3-month period.

Now, I don't suggest that possibly it would be, in 3 months from now, three times higher than it is today. In fact, I would argue it is probably a lot higher if we continue down this road of not addressing this issue at all.

But I would have to be one of the 515 women who contracted the Zika virus at the end of June and—why were we here in Congress and did not enact Zika legislation all through July, all through the month of August into September? If I am one of those 515 women who is now pregnant, I have got to wonder: What is my government doing? They may have gotten it anyway, but at least the government may have been making an attempt to prevent them from contracting the virus.

If I am one of those women, I am saying: The government didn't do anything. The Republican Congress, who controls the House of Representatives and controls the Senate, didn't do anything and, instead, forced the President to move money around the NIH, taking from cancer research, taking from the Ebola issue, taking those resources to try to stop the water from coming out of the dam, putting a finger in the hole. And that is a euphemism.

I mean, at the end of the day, if you are one of the 515 women, there is no answer for it. There is no agreeable answer to them. They are living a nightmare.

And let's think about the thousands and thousands and thousands and thousands of children under the age of 9 in Flint, Michigan, who have been exposed to horrific levels of lead poisoning in their drinking water, unbeknownst to them and their families.

Imagine you are the mother of that child or the father of that child, and you were giving them that drinking water, the guilt you must feel because you didn't know that there was lead in that water. You didn't know that your local government, your State government had let you down, and now your Federal Government is letting you down because we are not doing anything for them.

When the call is to do something and there are negotiations going on, we are not going to have to pay for the tax cuts; but folks in Michigan and Flint and folks in Florida—and now Texas has to be concerned, the southern tier of the United States—we are going to have to find an offset to address your emergent issues.

A tax cut for a bill that I think is worthy, we don't need a tax cut for it. We don't need a pay-for for the tax cut. But for an emergent crisis like Zika, like what happened in Flint, we have to find an offset.

How would you feel? How would you feel, America, if that happened to you? How would you feel about the Republican leadership of the House of Representatives and the Senate if that happened to you?

I know how I would feel. I know how I feel. I feel disappointed. I feel let down. I feel like the Republican leadership and caucus in the House and the Senate doesn't have your back, doesn't have my back. That is how I feel about it. That is how Americans feel.

Mr. Speaker, I yield back the balance of my time.

Mr. PAULSEN. Mr. Speaker, I yield myself such time as I may consume.

As we close, let me just start by thanking my colleagues on both sides of the aisle that have spoken in favor of the merits of the bill and in support for the bill. We all know that startups fuel innovation.

□ 1400

It is the entrepreneurial spirit and American ingenuity and know-how that has produced new technologies and has produced new breakthroughs and new inventions to improve health care, to improve society, and to create more jobs and economic growth. It is part of our DNA.

Startups don't have the ability to offer potential employees and new talent the same benefits or same salaries that can be more valuable in the long run than larger institutions can offer to certain employees. So, instead, these startups have to go forward and offer their employees something that could be more valuable—a chance to be a part of the company, a chance to own a piece of the rock.

A lot of startups offer stock options to recruit top talent. It is an incentive for an employee to work hard for the company they believe in or in the idea that they believe in. But more and more often, employees at these startups are missing out. They are missing out on the opportunity because they are not exercising their stock options to have the equity in the company that they believe in. They are not exercising them because if they do, they have to immediately pay the taxes on the income associated with the stock even though they may not be able to afford the cash payment to do so.

A big number of these startups, Mr. Speaker, are privately held with no market for the employees to sell a portion of their stock to pay their taxes. The IRS demands the tax payment immediately, and so those employees let their options expire. They never have the chance to get the investment at a job they believe in and a job they enjoy.

But, today, Mr. Speaker, we are fixing that. We have a solution. We are giving these startup employees a reasonable time period to pay the tax, allowing them to wait until their stock becomes tradeable on a public market so they can sell it to pay the bill.

Helping the innovation economy is a key and important way to promote new products, to promote new services, and to promote new ideas from the dreamers, the inventors, and entrepreneurs we have in America. Letting those innovators attract the brightest and best talent is going to keep America out front, always innovating, always creating, and always inspiring American leadership.

Mr. Speaker, I yield back the balance of my time.

The SPEAKER pro tempore (Mr. GRAVES of Louisiana). All time for debate has expired.

Pursuant to House Resolution 875, the previous question is ordered on the bill, as amended.

The question is on the engrossment and third reading of the bill.

The bill was ordered to be engrossed and read a third time, and was read the third time.

The SPEAKER pro tempore. The question is on the passage of the bill.

The question was taken; and the Speaker pro tempore announced that the ayes appeared to have it.

Mr. CROWLEY. Mr. Speaker, on that I demand the yeas and nays.

The yeas and nays were ordered.

The SPEAKER pro tempore. Pursuant to clause 8 of rule XX, further proceedings on this question will be postponed.

ANNOUNCEMENT BY THE SPEAKER PRO TEMPORE

The SPEAKER pro tempore. Pursuant to clause 8 of rule XX, the Chair will postpone further proceedings today on motions to suspend the rules on which a recorded vote or the yeas and nays are ordered, or on which the vote incurs objection under clause 6 of rule XX.

Record votes on postponed questions will be taken later.

MODERNIZING GOVERNMENT TECHNOLOGY ACT OF 2016

Mr. HURD of Texas. Mr. Speaker, I move to suspend the rules and pass the bill (H.R. 6004) to modernize Government information technology, and for other purposes, as amended.

The Clerk read the title of the bill.

The text of the bill is as follows:

H.R. 6004

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. SHORT TITLE.

This Act may be cited as the ''Modernizing Government Technology Act of 2016'' or the ''MGT Act''.

SEC. 2. FINDINGS; PURPOSES.

(a) FINDINGS.—The Congress finds the following:

(1) The Federal Government spends nearly 75 percent of its annual information technology funding on operating and maintaining existing, legacy information technology systems. These systems can pose operational risks, including rising costs and inability to meet mission requirements. These systems also pose security risks, including the inability to use current security best practices, such as data encryption and multi-factor authentication, making these systems particularly vulnerable to malicious cyber activity.

(2) In 2015, the Government Accountability Office (GAO) designated Improving the Management of IT Acquisitions and Operations to its biannual High Risk List and identified as a particular concern the increasing level of information technology spending on Operations and Maintenance making less funding available for development or modernization. The GAO also found the Government has spent billions on failed and poorly performing IT investments due to a lack of effective oversight.

(3) The Federal Government must modernize Federal IT systems to mitigate existing operational and security risks.

(4) The efficiencies, cost savings, and greater computing power, offered by modernized solutions, such as cloud computing, have the potential to—

(A) eliminate inappropriate duplication and reduce costs;

(B) address the critical need for cyber security by design; and

(C) move the Federal Government into a broad, digital-services delivery model that will transform the Federal Government's ability to meet mission requirements and deliver services to the American people.

(b) PURPOSES.—The purposes of this Act are the following:

(1) Assist the Federal Government in modernized Federal information technology to mitigate current operational and security risks.

(2) Incentivize cost savings in Federal information technology through modernization.

(3) Accelerate the acquisition and deployment of modernized information technology solutions, such as cloud computing, by addressing impediments in the areas of funding, development, and acquisition practices.

SEC. 3. ESTABLISHMENT OF AGENCY INFORMATION TECHNOLOGY SYSTEMS MODERNIZATION AND WORKING CAPITAL FUNDS.

(a) INFORMATION TECHNOLOGY SYSTEM MODERNIZATION AND WORKING CAPITAL FUNDS.—

(1) ESTABLISHMENT.—There is established in each covered agency an information technology system modernization and working capital fund (in this section referred to as the ''IT working capital fund'') for necessary expenses for the agency described in paragraph (3).

(2) SOURCE OF FUNDS.—Amounts may be deposited into an IT working capital fund as follows:

(A) Reprogramming of funds, including reprogramming of any funds available on the date of the enactment of this Act for the operation and maintenance of legacy information technology systems, in compliance with any applicable reprogramming law or guidelines of the Committees on Appropriations of the House of Representatives and the Senate.

(B) Transfer of funds, including transfer of any funds available on the date of the enactment of this Act for the operation and maintenance of legacy information technology systems, but only if transfer authority is specifically provided for by law.

(C) Amounts made available through discretionary appropriations.

(3) USE OF FUNDS.—An IT working capital fund established under paragraph (1) may be used, subject to the availability of appropriations, only for the following:

(A) To improve, retire, or replace existing information technology systems to improve efficiency and effectiveness.

(B) To transition to cloud computing and innovative platforms and technologies.

(C) To assist and support covered agency efforts to provide adequate, risk-based, and cost-effective information technology capabilities that address evolving threats to information security.

(D) Reimbursement of funds transferred from the Information Technology Modernization Fund established under section 4, with the approval of the agency Chief Information Officer.

(4) EXISTING FUNDS.—An IT working capital fund may not be used to supplant funds provided for the operation and maintenance of any system already within an appropriation for the covered agency at the time of establishment of the IT working capital fund.

(5) REPROGRAMMING AND TRANSFER OF FUNDS.—The head of each covered agency shall prioritize funds within the IT working capital fund to be used initially for cost savings activities approved by the covered agency Chief Information Officer, in consultation with the Administrator of the Office of Electronic Government. The head of each covered agency may—

(A) reprogram any amounts saved as a direct result of such activities for deposit into the applicable IT working capital fund, consistent with paragraph (2)(A); and

(B) transfer any amounts saved as a direct result of such activities for deposit into the applicable IT working capital fund, consistent with paragraph (2)(B).

(6) RETURN OF FUNDS.—Any funds deposited into an IT working capital fund shall be available for obligation for 3 years after the date of such deposit.

(7) AGENCY CIO RESPONSIBILITIES.—In evaluating projects to be funded from the IT working capital fund, the covered agency Chief Information Officer shall consider, to the extent applicable, guidance established pursuant to section 4(a)(1) to evaluate applications for funding from the Information Technology Modernization Fund that include factors such as a strong business case, technical design, procurement strategy (including adequate use of incremental software development practices), and program management.

(b) REPORTING REQUIREMENT.—

(1) IN GENERAL.—Not later than one year after the date of the enactment of this Act, and every 6 months thereafter, the head of each covered agency shall submit to the Director the following, with respect to the IT working capital fund for that covered agency:

(A) A list of each information technology investment funded with estimated cost and completion date for each such investment.

(B) A summary by fiscal year of the obligations, expenditures, and unused balances.

(2) PUBLIC AVAILABILITY.—The Director shall make the information required pursuant to paragraph (1) publicly available on a website.

(c) COVERED AGENCY DEFINED.—In this section, the term ''covered agency'' means each agency listed in section 901(b) of title 31, United States Code.

SEC. 4. ESTABLISHMENT OF INFORMATION TECHNOLOGY MODERNIZATION FUND AND BOARD.

(a) INFORMATION TECHNOLOGY MODERNIZATION FUND.—

(1) ESTABLISHMENT.—There is established in the Treasury an Information Technology Modernization Fund (in this section referred to as the ''Fund'') for technology related activities, to improve information technology, to enhance cybersecurity across the Federal Government, and to be administered in accordance with guidance established by the Director of the Office of Management of Budget.

(2) ADMINISTRATION OF FUND.—The Administrator of General Services, in consultation with the Chief Information Officers Council and with the concurrence of the Director, shall administer the Fund in accordance with this subsection.

(3) USE OF FUNDS.—The Administrator of General Services shall, in accordance with the recommendations of the Information Technology Modernization Board established under subsection (b), use amounts in the Fund for the following purposes:

(A) To transfer such amounts, to remain available until expended, to the head of an agency to improve, retire, or replace existing information technology systems to enhance cybersecurity and improve efficiency and effectiveness.

(B) For the development, operation, and procurement of information technology products, services, and acquisition vehicles for use by agencies to improve Government-wide efficiency and cybersecurity in accordance with the requirements of the agencies.