



H.R. 1343 – Encouraging Employee Ownership Act of 2017 (Rep. Hultgren, R-IL)

CONTACT: [Jennifer Weinhart](#), 202-226-0706

FLOOR SCHEDULE:

Expected to be considered on April 4, 2017 under a structured [rule](#).

TOPLINE SUMMARY:

[H.R. 1343](#) would amend the Securities and Exchange Commission [Rule 701](#), to increase securities sales threshold for certain disclosure requirements. Specifically, the bill would increase from \$5 million to \$10 million the amount of sales before an issuer needs to disclose additional information like risk factors, certain financial statements, and the plans under which offerings are made.

COST:

The Congressional Budget Office (CBO) [estimates](#) “that implementing H.R. 1343 would cost less than \$500,000 to issue new rules to adjust the disclosure threshold. Under current law, the SEC is authorized to collect fees sufficient to offset its annual appropriation; therefore, CBO estimates that the net effect on discretionary spending would be negligible, assuming appropriation actions consistent with that authority.”

CONSERVATIVE CONCERNS:

- **Expand the Size and Scope of the Federal Government?** No.
- **Encroach into State or Local Authority?** No.
- **Delegate Any Legislative Authority to the Executive Branch?** No.
- **Contain Earmarks/Limited Tax Benefits/Limited Tariff Benefits?** No.

DETAILED SUMMARY AND ANALYSIS:

Under current law, an issuer is required to provide further disclosures to investors, like risk factors, if an issuer sells more than \$5 million of securities, in aggregate, over a consecutive 12-month period. This legislation would increase the disclosure level to \$10 million of aggregate sales over a consecutive 12-month period. The SEC would be required to index the aggregate sales price for inflation every five years, so that it reflects the change in the [Consumer Price Index for All Urban Consumers](#).

Rule 701 was issued by the SEC in order to allow private companies to sell securities to employees as part of their compensation packages. In 1999, the SEC introduced the disclosure requirements for sales in excess of \$5 million. According to the committee [report](#), this rule “restricts the aggregate offering price of securities subject to outstanding offers and the amount sold in the preceding 12 months to no more than \$5 million dollars.” By amending the disclosure trigger amount, the legislation would let employees of private

businesses take advantage of the registration exemptions and shareholder provisions issued in the [Jumpstart Our Business Startups Act](#).

A committee report can be found [here](#). A similar bill, [H.R. 1645](#), the Capital Markets Improvement Act of 2016, passed the House on February 3, 2016, by a vote of [265-159](#). The legislative bulletin for that bill can be found [here](#).

AMENDMENTS:

1. [Rep. Polis \(D-CO\)](#) – This amendment would require the GAO to report to Congress on the impact of the legislation on employee ownership within one year following enactment.

COMMITTEE ACTION:

H.R. 1343 was introduced on March 2, 2017 and was referred to the House Committee on Financial Services, which reported the bill by the yeas and nays, 48-11, on March 9, 2017.

ADMINISTRATION POSITION:

A Statement of Administration Policy is not yet available.

CONSTITUTIONAL AUTHORITY:

Congress has the power to enact this legislation pursuant to the following: Section 8, Clause 3: To regulate Commerce with foreign Nations, and among the several States, and with the Indian Tribes. Section 8, Clause 18: To make all Laws which shall be necessary and proper for carrying into Execution the foregoing Powers, and all other Powers vested by the Constitution in the Government of the United States, or in any Department or Officer thereof.

NOTE: *RSC Legislative Bulletins are for informational purposes only and should not be taken as statements of support or opposition from the Republican Study Committee.*