

employee stock purchase plan” for “a qualified stock option, an incentive stock option, an option granted under an employee stock purchase plan, or a restricted stock option”.

1990—Pub. L. 101-508, §11801(c)(9)(A)(i), renumbered section 425 of this title as this section.

Subsec. (a). Pub. L. 101-508, §11801(c)(9)(F)(i), substituted “424(a)” for “425(a)”.

Subsec. (c)(3)(A)(ii). Pub. L. 101-508, §11801(c)(9)(F)(ii), substituted “422(a)(1) or 423(a)(1)” for “422(a)(1), 422A(a)(1), 423(a)(1), or 424(a)(1)”.

Subsec. (d). Pub. L. 101-508, §11801(c)(9)(F)(iii), substituted “422(b)(6) and 423(b)(3)” for “422(b)(7), 422A(b)(6), 423(b)(3), and 424(b)(3)”.

Subsec. (g). Pub. L. 101-508, §11801(c)(9)(F)(iv), substituted “422(a)(2) and 423(a)(2)” for “422(a)(2), 422A(a)(2), 423(a)(2), and 424(a)(2)” and “424(a)” for “425(a)”.

Subsec. (h)(2). Pub. L. 101-508, §11801(c)(9)(F)(v)(I), added par. (2) and struck out former par. (2) which related to special rules for sections 423 and 424 options and to an exception that such rules would not apply with respect to a modification, extension or renewal of a restricted stock option before Jan. 1, 1964, if the aggregate of the monthly fair market value for 12 consecutive months before date of modification, etc., divided by 12 is an amount less than 80% of the fair market value of such stock on the date of original granting or the date of modification, etc., whichever is higher.

Subsec. (h)(3). Pub. L. 101-508, §11801(c)(9)(F)(v)(III), struck out at end “If a restricted stock option is exercisable after the expiration of 10 years from the date such option is granted, subparagraph (B) shall not apply unless the terms of the option are also changed to make it not exercisable after the expiration of such period.”

Subsec. (h)(3)(B). Pub. L. 101-508, §11801(c)(9)(F)(v)(II), substituted “section 423(b)(9)” for “sections 422(b)(6), 423(b)(9), and 424(b)(2)”.

1989—Subsec. (c)(1). Pub. L. 101-239 made technical correction to Pub. L. 100-647, §1018(l)(2), see 1988 Amendment note below.

1988—Subsec. (c)(1). Pub. L. 100-647, §1018(l)(2), as amended by Pub. L. 101-239, substituted “paragraphs (2), (3), and (4)” for “paragraphs (2) and (3)”.

Subsec. (c)(4). Pub. L. 100-647, §1018(l)(1), added par. (4).

1984—Subsec. (h)(3)(B). Pub. L. 98-369 struck out reference to section 422A(b)(5).

1983—Subsec. (c)(1). Pub. L. 97-448, §102(j)(6)(B), substituted “paragraphs (2) and (3)” for “paragraph (2)”.

Subsec. (c)(3). Pub. L. 97-448, §102(j)(6)(A), added par. (3).

Subsec. (j). Pub. L. 97-448, §102(j)(5), inserted reference to an incentive stock option.

1981—Subsec. (d). Pub. L. 97-34, §251(b)(2), inserted reference to section 422A(b)(6).

Subsec. (g). Pub. L. 97-34, §251(b)(3), inserted reference to section 422A(a)(2).

Subsec. (h)(3)(B). Pub. L. 97-34, §251(b)(4), inserted reference to section 422A(b)(5).

#### EFFECTIVE DATE OF 1996 AMENDMENT

Amendment by Pub. L. 104-188 effective, except as otherwise expressly provided, as if included in the provision of the Revenue Reconciliation Act of 1990, Pub. L. 101-508, title XI, to which such amendment relates, see section 1702(i) of Pub. L. 104-188, set out as a note under section 38 of this title.

#### EFFECTIVE DATE OF 1989 AMENDMENT

Amendment by Pub. L. 101-239 effective, except as otherwise provided, as if included in the provision of the Technical and Miscellaneous Revenue Act of 1988, Pub. L. 100-647, to which such amendment relates, see section 7817 of Pub. L. 101-239, set out as a note under section 1 of this title.

#### EFFECTIVE DATE OF 1988 AMENDMENT

Amendment by Pub. L. 100-647 effective, except as otherwise provided, as if included in the provision of

the Tax Reform Act of 1986, Pub. L. 99-514, to which such amendment relates, see section 1019(a) of Pub. L. 100-647, set out as a note under section 1 of this title.

#### EFFECTIVE DATE OF 1984 AMENDMENT

Pub. L. 98-369, div. A, title V, §555(c)(3), July 18, 1984, 98 Stat. 898, as amended by Pub. L. 99-514, title XVIII, §1855(a)(4), Oct. 22, 1986, 100 Stat. 2882, provided that: “The amendment made by subsection (b) [amending this section] shall apply with respect to modifications of options after March 20, 1984.”

#### EFFECTIVE DATE OF 1983 AMENDMENT

Pub. L. 97-448, title I, §102(j)(6), Jan. 12, 1983, 96 Stat. 2373, provided that the amendment made by that section is effective only with respect to transfers after March 15, 1982.

Amendment by section 102(j)(5) of title I of Pub. L. 97-448 effective, except as otherwise provided, as if it had been included in the provision of the Economic Recovery Tax Act of 1981, Pub. L. 97-34, to which such amendment relates, see section 109 of Pub. L. 97-448, set out as a note under section 1 of this title.

#### EFFECTIVE DATE OF 1981 AMENDMENT

Amendment by Pub. L. 97-34 applicable with respect to options granted on or after Jan. 1, 1976, and exercised on or after Jan. 1, 1981, or outstanding on Jan. 1, 1981, or granted on or after Jan. 1, 1976, and outstanding Aug. 13, 1981, see section 251(c) of Pub. L. 97-34, set out as an Effective Date note under section 422 of this title.

#### EFFECTIVE DATE

Section applicable to taxable years ending after Dec. 31, 1963, except in cases of options granted after Dec. 31, 1963, and before Jan. 1, 1965, in which case par. (1) of subsec. (h) shall not apply to any change in the terms of such option made before Jan. 1, 1965, to permit such option to qualify under pars. (3), (4), and (5) of section 422(b), see section 221(e) of Pub. L. 88-272, set out as an Effective Date of 1964 Amendment note under section 421 of this title.

#### SAVINGS PROVISION

For provisions that nothing in amendment by Pub. L. 101-508 be construed to affect treatment of certain transactions occurring, property acquired, or items of income, loss, deduction, or credit taken into account prior to Nov. 5, 1990, for purposes of determining liability for tax for periods ending after Nov. 5, 1990, see section 11821(b) of Pub. L. 101-508, set out as a note under section 45K of this title.

### [§ 425. Renumbered § 424]

## PART III—RULES RELATING TO MINIMUM FUNDING STANDARDS AND BENEFIT LIMITATIONS

### Subpart

- A. Minimum funding standards for pension plans.
- B. Benefit limitations under single-employer plans.

#### AMENDMENTS

2006—Pub. L. 109-280, title I, §113(a)(1)(A), Aug. 17, 2006, 120 Stat. 846, substituted “RULES RELATING TO MINIMUM FUNDING STANDARDS AND BENEFIT LIMITATIONS” for “MINIMUM FUNDING STANDARDS FOR SINGLE-EMPLOYER DEFINED BENEFIT PENSION PLANS” in part heading and added subpart analysis.

### SUBPART A—MINIMUM FUNDING STANDARDS FOR PENSION PLANS

#### Sec.

- 430. Minimum funding standards for single-employer defined benefit pension plans.

- Sec.  
431. Minimum funding standards for multiemployer plans.<sup>1</sup>  
432. Additional funding rules for multiemployer plans in endangered status or critical status.  
433. Minimum funding standards.<sup>2</sup>

## AMENDMENTS

2006—Pub. L. 109-280, title II, §212(d), Aug. 17, 2006, 120 Stat. 917, added item 432.

### § 430. Minimum funding standards for single-employer defined benefit pension plans

#### (a) Minimum required contribution

For purposes of this section and section 412(a)(2)(A), except as provided in subsection (f), the term “minimum required contribution” means, with respect to any plan year of a defined benefit plan which is not a multiemployer plan—

(1) in any case in which the value of plan assets of the plan (as reduced under subsection (f)(4)(B)) is less than the funding target of the plan for the plan year, the sum of—

(A) the target normal cost of the plan for the plan year,

(B) the shortfall amortization charge (if any) for the plan for the plan year determined under subsection (c), and

(C) the waiver amortization charge (if any) for the plan for the plan year as determined under subsection (e);

(2) in any case in which the value of plan assets of the plan (as reduced under subsection (f)(4)(B)) equals or exceeds the funding target of the plan for the plan year, the target normal cost of the plan for the plan year reduced (but not below zero) by such excess.

#### (b) Target normal cost

For purposes of this section:

##### (1) In general

Except as provided in subsection (i)(2) with respect to plans in at-risk status, the term “target normal cost” means, for any plan year, the excess of—

(A) the sum of—

(i) the present value of all benefits which are expected to accrue or to be earned under the plan during the plan year, plus

(ii) the amount of plan-related expenses expected to be paid from plan assets during the plan year, over

(B) the amount of mandatory employee contributions expected to be made during the plan year.

##### (2) Special rule for increase in compensation

For purposes of this subsection, if any benefit attributable to services performed in a preceding plan year is increased by reason of any increase in compensation during the current plan year, the increase in such benefit shall be treated as having accrued during the current plan year.

<sup>1</sup>Editorially supplied. Section 431 added by Pub. L. 109-280 without corresponding amendment of subpart analysis.

<sup>2</sup>Editorially supplied. Section 433 added by Pub. L. 113-97 without corresponding amendment of subpart analysis.

### (c) Shortfall amortization charge

#### (1) In general

For purposes of this section, the shortfall amortization charge for a plan for any plan year is the aggregate total (not less than zero) of the shortfall amortization installments for such plan year with respect to any shortfall amortization base which has not been fully amortized under this subsection.

#### (2) Shortfall amortization installment

For purposes of paragraph (1)—

##### (A) Determination

The shortfall amortization installments are the amounts necessary to amortize the shortfall amortization base of the plan for any plan year in level annual installments over the 7-plan-year period beginning with such plan year.

##### (B) Shortfall installment

The shortfall amortization installment for any plan year in the 7-plan-year period under subparagraph (A) with respect to any shortfall amortization base is the annual installment determined under subparagraph (A) for that year for that base.

##### (C) Segment rates

In determining any shortfall amortization installment under this paragraph, the plan sponsor shall use the segment rates determined under subparagraph (C) of subsection (h)(2), applied under rules similar to the rules of subparagraph (B) of subsection (h)(2).

#### (D) Special election for eligible plan years

##### (i) In general

If a plan sponsor elects to apply this subparagraph with respect to the shortfall amortization base of a plan for any eligible plan year (in this subparagraph and paragraph (7) referred to as an “election year”), then, notwithstanding subparagraphs (A) and (B)—

(I) the shortfall amortization installments with respect to such base shall be determined under clause (ii) or (iii), whichever is specified in the election, and

(II) the shortfall amortization installment for any plan year in the 9-plan-year period described in clause (ii) or the 15-plan-year period described in clause (iii), respectively, with respect to such shortfall amortization base is the annual installment determined under the applicable clause for that year for that base.

##### (ii) 2 plus 7 amortization schedule

The shortfall amortization installments determined under this clause are—

(I) in the case of the first 2 plan years in the 9-plan-year period beginning with the election year, interest on the shortfall amortization base of the plan for the election year (determined using the effective interest rate for the plan for the election year), and

(II) in the case of the last 7 plan years in such 9-plan-year period, the amounts