

PLAN AMENDMENTS NOT REQUIRED UNTIL  
JANUARY 1, 1989

For provisions directing that if any amendments made by subtitle A or subtitle C of title XI [§§ 1101-1147 and 1171-1177] or title XVIII [§§ 1800-1899A] of Pub. L. 99-514 require an amendment to any plan, such plan amendment shall not be required to be made before the first plan year beginning on or after Jan. 1, 1989, see section 1140 of Pub. L. 99-514, as amended, set out as a note under section 401 of this title.

**§ 4979A. Tax on certain prohibited allocations of qualified securities**

**(a) Imposition of tax**

If—

(1) there is a prohibited allocation of qualified securities by any employee stock ownership plan or eligible worker-owned cooperative,

(2) there is an allocation described in section 664(g)(5)(A),

(3) there is any allocation of employer securities which violates the provisions of section 409(p), or a nonallocation year described in subsection (e)(2)(C) with respect to an employee stock ownership plan, or

(4) any synthetic equity is owned by a disqualified person in any nonallocation year,

there is hereby imposed a tax on such allocation or ownership equal to 50 percent of the amount involved.

**(b) Prohibited allocation**

For purposes of this section, the term “prohibited allocation” means—

(1) any allocation of qualified securities acquired in a sale to which section 1042 applies which violates the provisions of section 409(n), and

(2) any benefit which accrues to any person in violation of the provisions of section 409(n).

**(c) Liability for tax**

The tax imposed by this section shall be paid—

(1) in the case of an allocation referred to in paragraph (1) or (2) of subsection (a), by—

- (A) the employer sponsoring such plan, or  
(B) the eligible worker-owned cooperative,

which made the written statement described in section 664(g)(1)(E) or in section 1042(b)(3)(B) (as the case may be), and

(2) in the case of an allocation or ownership referred to in paragraph (3) or (4) of subsection (a), by the S corporation the stock in which was so allocated or owned.

**(d) Special statute of limitations for tax attributable to certain allocations**

The statutory period for the assessment of any tax imposed by this section on an allocation described in subsection (a)(2) of qualified employer securities shall not expire before the date which is 3 years from the later of—

(1) the 1st allocation of such securities in connection with a qualified gratuitous transfer (as defined in section 664(g)(1)), or

(2) the date on which the Secretary is notified of the allocation described in subsection (a)(2).

**(e) Definitions and special rules**

For purposes of this section—

**(1) Definitions**

Except as provided in paragraph (2), terms used in this section have the same respective meanings as when used in sections 409 and 4978.

**(2) Special rules relating to tax imposed by reason of paragraph (3) or (4) of subsection (a)**

**(A) Prohibited allocations**

The amount involved with respect to any tax imposed by reason of subsection (a)(3) is the amount allocated to the account of any person in violation of section 409(p)(1).

**(B) Synthetic equity**

The amount involved with respect to any tax imposed by reason of subsection (a)(4) is the value of the shares on which the synthetic equity is based.

**(C) Special rule during first nonallocation year**

For purposes of subparagraph (A), the amount involved for the first nonallocation year of any employee stock ownership plan shall be determined by taking into account the total value of all the deemed-owned shares of all disqualified persons with respect to such plan.

**(D) Statute of limitations**

The statutory period for the assessment of any tax imposed by this section by reason of paragraph (3) or (4) of subsection (a) shall not expire before the date which is 3 years from the later of—

- (i) the allocation or ownership referred to in such paragraph giving rise to such tax, or  
(ii) the date on which the Secretary is notified of such allocation or ownership.

(Added and amended Pub. L. 99-514, title XI, § 1172(b)(2), title XVIII, § 1854(a)(9)(A), Oct. 22, 1986, 100 Stat. 2514, 2877; Pub. L. 101-239, title VII, § 7304(a)(2)(D), Dec. 19, 1989, 103 Stat. 2353; Pub. L. 104-188, title I, § 1704(t)(22), Aug. 20, 1996, 110 Stat. 1888; Pub. L. 105-34, title XV, § 1530(c)(15)-(17), Aug. 5, 1997, 111 Stat. 1079, 1080; Pub. L. 107-16, title VI, § 656(c), June 7, 2001, 115 Stat. 134.)

AMENDMENTS

2001—Subsec. (a). Pub. L. 107-16, § 656(c)(1), added pars. (3) and (4) and, in concluding provisions, substituted “there is hereby imposed a tax on such allocation or ownership equal to 50 percent of the amount involved.” for “there is hereby imposed a tax on such allocation equal to 50 percent of the amount involved.”

Subsec. (c). Pub. L. 107-16, § 656(c)(2), amended heading and text of subsec. (c) generally. Prior to amendment, text read as follows: “The tax imposed by this section shall be paid by—

- “(1) the employer sponsoring such plan, or  
“(2) the eligible worker-owned cooperative,

which made the written statement described in section 664(g)(1)(E) or in section 1042(b)(3)(B) (as the case may be).”

Subsec. (e). Pub. L. 107-16, § 656(c)(3), amended heading and text of subsec. (e) generally. Prior to amendment, text read as follows: “Terms used in this section have the same respective meaning as when used in section 4978.”

1997—Subsec. (a). Pub. L. 105-34, § 1530(c)(15), amended heading and text of subsec. (a) generally. Prior to amendment, text read as follows: “If there is a prohibited allocation of qualified securities by any employee stock ownership plan or eligible worker-owned cooperative, there is hereby imposed a tax on such allocation equal to 50 percent of the amount involved.”

Subsec. (c). Pub. L. 105-34, § 1530(c)(16), amended heading and text of subsec. (c) generally. Prior to amendment, text read as follows: “The tax imposed by this section shall be paid by—

- “(1) the employer sponsoring such plan, or
- “(2) the eligible worker-owned cooperative,

which made the written statement described in section 1042(b)(3)(B).”

Subsecs. (d), (e). Pub. L. 105-34, § 1530(c)(17), added subsec. (d) and redesignated former subsec. (d) as (e).

1996—Subsec. (c). Pub. L. 104-188 amended directory language of Pub. L. 101-239, § 7304(a)(2)(D)(ii). See 1989 Amendment note below.

1989—Subsec. (b)(1). Pub. L. 101-239, § 7304(a)(2)(D)(i), struck out “or section 2057” after “section 1042”.

Subsec. (c). Pub. L. 101-239, § 7304(a)(2)(D)(ii), as amended by Pub. L. 104-188, struck out “or section 2057(d)” after “section 1042(b)(3)(B)” in concluding provisions.

1986—Subsec. (b)(1). Pub. L. 99-514, § 1172(b)(2)(A), inserted reference to section 2057.

Subsec. (c). Pub. L. 99-514, § 1172(b)(2)(B), inserted reference to section 2057(d).

#### EFFECTIVE DATE OF 2001 AMENDMENT

Amendment by Pub. L. 107-16 applicable to plan years beginning after Dec. 31, 2004, except that in the case of any employee stock ownership plan established after Mar. 14, 2001, or established on or before such date if employer securities held by the plan consist of stock in a corporation with respect to which an election under section 1362(a) of this title is not in effect on such date, amendment applicable to plan years ending after Mar. 14, 2001, see section 656(d) of Pub. L. 107-16, set out as a note under section 409 of this title.

#### EFFECTIVE DATE OF 1997 AMENDMENT

Amendment by Pub. L. 105-34 applicable to transfers made by trusts to, or for the use of, an employee stock ownership plan after Aug. 5, 1997, see section 1530(d) of Pub. L. 105-34, set out as a note under section 401 of this title.

#### EFFECTIVE DATE OF 1989 AMENDMENT

Amendment by Pub. L. 101-239 applicable to estates of decedents dying after Dec. 19, 1989, see section 7304(a)(3) of Pub. L. 101-239, set out as a note under section 409 of this title.

#### EFFECTIVE DATE OF 1986 AMENDMENT

Amendment by section 1172(b)(2) of Pub. L. 99-514 applicable to sales after Oct. 22, 1986, with respect to which election is made by executor of an estate who is required to file the return of the tax imposed by this title on a date (including extensions) after Oct. 22, 1986, see section 1172(c) of Pub. L. 99-514, set out as a note under section 409 of this title.

#### EFFECTIVE DATE

Pub. L. 99-514, title XVIII, § 1854(a)(9)(D), Oct. 22, 1986, 100 Stat. 2878, provided that: “The amendments made by this paragraph [enacting this section and amending section 1042 of this title] shall apply to sales of securities after the date of the enactment of this Act [Oct. 22, 1986].”

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99-514 require an amendment to any plan, such plan amendment shall not be required to be made before the first plan year beginning on or after Jan. 1, 1989, see section 1140 of Pub. L. 99-514, as amended, set out as a note under section 401 of this title.

### § 4980. Tax on reversion of qualified plan assets to employer

#### (a) Imposition of tax

There is hereby imposed a tax of 20 percent of the amount of any employer reversion from a qualified plan.

#### (b) Liability for tax

The tax imposed by subsection (a) shall be paid by the employer maintaining the plan.

#### (c) Definitions and special rules

For purposes of this section—

##### (1) Qualified plan

The term “qualified plan” means any plan meeting the requirements of section 401(a) or 403(a), other than—

- (A) a plan maintained by an employer if such employer has, at all times, been exempt from tax under subtitle A, or
- (B) a governmental plan (within the meaning of section 414(d)).

Such term shall include any plan which, at any time, has been determined by the Secretary to be a qualified plan.

##### (2) Employer reversion

###### (A) In general

The term “employer reversion” means the amount of cash and the fair market value of other property received (directly or indirectly) by an employer from the qualified plan.

###### (B) Exceptions

The term “employer reversion” shall not include—

- (i) except as provided in regulations, any amount distributed to or on behalf of any employee (or his beneficiaries) if such amount could have been so distributed before termination of such plan without violating any provision of section 401,
- (ii) any distribution to the employer which is allowable under section 401(a)(2)—

(I) in the case of a multiemployer plan, by reason of mistakes of law or fact or the return of any withdrawal liability payment,

(II) in the case of a plan other than a multiemployer plan, by reason of mistake of fact, or

(III) in the case of any plan, by reason of the failure of the plan to initially qualify or the failure of contributions to be deductible, or

- (iii) any transfer described in section 420(f)(2)(B)(ii)(II).

##### (3) Exception for employee stock ownership plans

###### (A) In general

If, upon an employer reversion from a qualified plan, any applicable amount is