

103D CONGRESS  
1ST SESSION

# H. R. 1320

To amend the Internal Revenue Code of 1986 to exclude certain employee productivity awards from gross income.

---

IN THE HOUSE OF REPRESENTATIVES

MARCH 11, 1993

Mr. GOODLING introduced the following bill; which was referred to the Committee on Ways and Means

---

## A BILL

To amend the Internal Revenue Code of 1986 to exclude certain employee productivity awards from gross income.

1 *Be it enacted by the Senate and House of Representa-*  
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “American Business  
5 Productivity and Quality Enhancement Act of 1993”.

6 **SEC. 2. EXCLUSION FROM GROSS INCOME FOR CERTAIN**  
7 **EMPLOYEE PRODUCTIVITY AWARDS.**

8 (a) IN GENERAL.—Section 74 of the Internal Reve-  
9 nue Code of 1986 (relating to prizes and awards) is

1 amended by adding at the end thereof the following new  
2 subsection:

3 “(d) EXCEPTION FOR CERTAIN EMPLOYEE PRODUC-  
4 TIVITY AWARDS.—

5 “(1) IN GENERAL.—Gross income shall not in-  
6 clude the value of an employee productivity award  
7 received by the taxpayer if the cost to the employer  
8 for such award does not exceed—

9 “(A) \$500, reduced by

10 “(B) the cost to the employer for all other  
11 employee productivity awards previously made  
12 to the taxpayer during the taxable year of the  
13 employer in which such award was made.

14 “(2) AWARD EXCEEDING COST LIMITATION.—If  
15 the cost to the employer of the employee productivity  
16 award received by the taxpayer exceeds the limita-  
17 tion of paragraph (1), then gross income includes  
18 the greater of—

19 “(A) the portion of the cost to the em-  
20 ployer in excess of such limitation (but not in  
21 excess of the value of the award), or

22 “(B) the amount by which the value of the  
23 award exceeds such limitation.

1 The remaining portion of the value of such award  
2 shall not be included in the gross income of the  
3 recipient.

4 “(3) EMPLOYEE PRODUCTIVITY AWARD.—For  
5 purposes of this subsection, the term ‘employee pro-  
6 ductivity award’ means any property which is—

7 “(A) transferred by an employer to an em-  
8 ployee for productivity or quality achievement,

9 “(B) awarded under a written plan or pro-  
10 gram of the taxpayer which does not discrimi-  
11 nate in favor of highly compensated employees  
12 (within the meaning of section 414(q)),

13 “(C) awarded as part of a meaningful  
14 presentation,

15 “(D) awarded as a result of employee ac-  
16 tivity which resulted in—

17 “(i) increased productivity per worker,

18 “(ii) increased competitiveness in the  
19 marketability of any product of the em-  
20 ployer, or

21 “(iii) an improvement in, or increased  
22 efficiency in producing, any product of the  
23 employer, and

24 “(E) awarded under conditions and cir-  
25 cumstances that do not create a significant like-

1           likelihood of the payment of disguised compensa-  
2           tion.

3           Such term does not include any award made during  
4           any taxable year of the employer which was made  
5           after employee productivity awards (other than  
6           awards excludable under section 132(e)(1)) have  
7           previously been made during such taxable year to  
8           more than 10 percent of the employees of the  
9           taxpayer.”

10          (b) EMPLOYMENT TAX AND WITHHOLDING EXCLU-  
11          SION.—Sections 3121(a)(20), 3231(e)(5), 3306(b)(16),  
12          and 3401(a)(19) of such Code are each amended by strik-  
13          ing “74(c)” and inserting “74 (c) or (d)”.

14          (c) EFFECTIVE DATE.—The amendments made by  
15          this section shall apply to awards made on or after Janu-  
16          ary 1, 1993.

○