

## Public Law 91-675

## AN ACT

To amend section 905 of the Tax Reform Act of 1969.

January 12, 1971  
[H. R. 17984]

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,* That subsection (c) of section 905 of the Tax Reform Act of 1969 (Public Law 91-172) is hereby amended as follows:

Tax Reform Act  
of 1969, amend-  
ment,  
83 Stat. 714.  
26 USC 311 note.

(a) in paragraph (1) strike out “(2) and (3)” and insert in lieu thereof “(2), (3), (4), and (5)”;

(b) at the end of such subsection add the following new paragraphs:

“(4) The amendments made by subsections (a) and (b) shall not apply to a distribution by a corporation of property (held on December 1, 1969, by the distributing corporation or a corporation which was a wholly owned subsidiary of the distributing corporation on such date) in redemption of stock outstanding on November 30, 1969, which is redeemed and canceled before July 31, 1971, if—

“(A) such redemption is pursuant to a resolution adopted before November 1, 1969, by the Board of Directors authorizing the redemption of a specific amount of stock constituting more than 10 percent of the outstanding stock of the corporation at the time of the adoption of such resolution; and

“(B) more than 40 percent of the stock authorized to be redeemed pursuant to such resolution was redeemed before December 30, 1969, and more than one-half of the stock so redeemed was redeemed with property other than money.

“(5) The amendments made by subsections (a) and (b) shall not apply to a distribution of stock by a corporation organized prior to December 1, 1969, for the principal purpose of providing an equity participation plan for employees of the corporation whose stock is being distributed (hereinafter referred to as the ‘employer corporation’) if—

“(A) the stock being distributed was owned by the distributing corporation on November 30, 1969,

“(B) the stock being redeemed was acquired before January 1, 1973, pursuant to such equity participation plan by the shareholder presenting such stock for redemption (or by a predecessor of such shareholder),

“(C) the employment of the shareholder presenting the stock for redemption (or the predecessor of such shareholder) by the employer corporation commenced before January 1, 1971,

“(D) at least 90 percent in value of the assets of the distributing corporation on November 30, 1969, consisted of common stock of the employer corporation, and

“(E) at least 50 percent of the outstanding voting stock of the employer corporation is owned by the distributing corporation at any time within the nine-year period ending one year before the date of such distribution.”

Approved January 12, 1971.