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News

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Committee Approves Baker Stock Option Bill

By an overwhelming bipartisan vote, the House Financial Services Committee chaired by Rep. Michael G. Oxley (OH), advanced legislation today that would preserve broad-based employee stock option plans. The legislation would also address concerns regarding excessive executive compensation.

"Today this committee has stated strongly that it's important that a vital job-creation tool be allowed to continue. But the effort doesn't end here, and it's my hope that the bill will receive consideration on the House floor as soon as possible," Rep. Richard H. Baker (LA) said.

Introduced by Rep. Baker on Nov. 21, H.R. 3574, the Stock Option Accounting Reform Act, passed the full committee by a recorded vote of 45 yeas to 13 nays, with three amendments.

A current Financial Accounting Standards Board proposal would require that all forms of share-based compensation be expensed and therefore made part of a company's bottom line, an action that many believe would eviscerate broad-based employee stock option plans.

Rep. Oxley said, "Passage of the Baker bill is an indication of the concern many members have about the Financial Accounting Standards Board's proposal and its potential to negatively affect the economy. In addition, I have serious concerns about the proper valuation of stock options. I hope both the commissioners and board members take note of the Committee's action today and carefully consider their approach."

The legislation, which has been the subject of several hearings in the 108th Congress, would require companies to report as an expense employee stock options granted to chief executive and the next four highest paid employees. In addition, small businesses would be exempt from expensing options, and newly public companies would be able to delay expensing in the first three years.

A manager's amendment offered by Rep. Oxley and an amendment offered by Rep. Baker make technical changes to the legislation and were approved by voice vote.

An amendment offered by Rep. Brad Sherman (CA), that would set a one-year deadline for the completion of an economic impact study mandated in the legislation, was agreed to by voice vote.

H.R. 3574 passed the House Financial Services Subcommittee on Capital Markets, Insurance, and Government Sponsored Enterprises on May 12, by voice vote.

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