

115TH CONGRESS
1ST SESSION

S. 1843

To amend the Internal Revenue Code of 1986 to deny a deduction for excessive compensation of any employee of an employer, and for other purposes.

IN THE SENATE OF THE UNITED STATES

SEPTEMBER 19, 2017

Mrs. GILLIBRAND (for herself and Mr. DURBIN) introduced the following bill;
which was read twice and referred to the Committee on Finance

A BILL

To amend the Internal Revenue Code of 1986 to deny a deduction for excessive compensation of any employee of an employer, and for other purposes.

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 “Stop CEO Excessive
5 Pay Act”.

1 **SEC. 2. DENIAL OF DEDUCTION FOR PAYMENTS OF EXCES-**
 2 **SIVE COMPENSATION.**

3 (a) IN GENERAL.—Section 162 of the Internal Rev-
 4 enue Code of 1986 is amended by inserting after sub-
 5 section (h) the following new subsections:

6 “(i) EXCESSIVE COMPENSATION.—

7 “(1) IN GENERAL.—No deduction shall be al-
 8 lowed under this chapter for any excessive com-
 9 pensation for any employee of the taxpayer.

10 “(2) EXCESSIVE COMPENSATION.—For pur-
 11 poses of this subsection, the term ‘excessive com-
 12 pensation’ means, with respect to any employee, the
 13 amount by which the compensation for services per-
 14 formed by such employee during the taxable year ex-
 15 ceeds the lesser of—

16 “(A) the median of the compensation paid
 17 for services performed by all employees of the
 18 taxpayer during the taxable year, multiplied by
 19 25, or

20 “(B) \$1,000,000.

21 “(3) OTHER DEFINITIONS AND SPECIAL
 22 RULES.—For purposes of this subsection—

23 “(A) COMPENSATION.—The term ‘com-
 24 pensation’ includes wages, salary, fees, commis-
 25 sions, fringe benefits, deferred compensation,
 26 retirement contributions, options, bonuses,

1 property, and any other form of remuneration
2 that the Secretary determines is appropriate.

3 “(B) EMPLOYER.—All persons treated as a
4 single employer under subsection (a) or (b) of
5 section 52 or subsection (m) or (o) of section
6 414 shall be treated as a single taxpayer for
7 purposes of this subsection.

8 “(C) EMPLOYEE.—The term ‘employee’ in-
9 cludes full-time, part-time, and seasonal em-
10 ployees.

11 “(4) REPORTING.—Each employer which pro-
12 vides any excessive compensation to any employee
13 during a taxable year shall file a report with the
14 Secretary with respect to such taxable year includ-
15 ing—

16 “(A) the amount of compensation of the
17 employee of the taxpayer receiving the lowest
18 amount of compensation during such taxable
19 year,

20 “(B) the amount of compensation of the
21 employee of the taxpayer receiving the highest
22 amount of compensation during such taxable
23 year,

1 “(C) the median compensation of all em-
 2 ployees of the taxpayer during such taxable
 3 year,

4 “(D) the number of employees of the tax-
 5 payer who are receiving excessive compensation
 6 during such taxable year, and

7 “(E) the amount of compensation of each
 8 employee described in subparagraph (D) during
 9 such taxable year.

10 Such report shall be filed at such time and in such
 11 manner as the Secretary may require.

12 “(j) FINES RELATING TO EXECUTIVE COMPENSA-
 13 TION.—No deduction shall be allowed under this chapter
 14 for any fine paid to the Securities and Exchange Commis-
 15 sion under section 16(h)(4) of the Securities Exchange
 16 Act of 1934.”.

17 (b) EFFECTIVE DATE.—The amendment made by
 18 this section shall apply to taxable years beginning after
 19 the date of the enactment of this Act.

20 **SEC. 3. AMENDMENT TO THE SECURITIES EXCHANGE ACT**
 21 **OF 1934.**

22 (a) IN GENERAL.—Section 16 of the Securities Ex-
 23 change Act of 1934 (15 U.S.C. 78p) is amended by adding
 24 at the end the following:

1 “(h) SHAREHOLDER APPROVAL OF EXECUTIVE COM-
2 PENSATION.—

3 “(1) CALCULATION OF COMPENSATION.—For
4 purposes of this subsection, the term ‘compensation’
5 includes wages, salary, fees, commissions, fringe
6 benefits, deferred compensation, retirement contribu-
7 tions, options, bonuses, property, and any other
8 form of remuneration that the Commission, in con-
9 sultation with the Secretary of the Treasury, deter-
10 mines is appropriate.

11 “(2) LIMITATION.—

12 “(A) IN GENERAL.—Except as provided in
13 subparagraph (B), the compensation paid to an
14 employee of an issuer in any taxable year may
15 not exceed the lesser of—

16 “(i) \$1,000,000; or

17 “(ii) an amount that is 25 times the
18 median amount of compensation paid to all
19 employees of that issuer during that tax-
20 able year.

21 “(B) EXCEPTION.—An issuer may pay
22 compensation described in subparagraph (A) to
23 an employee of the issuer if, not more than 18
24 months before the last day of the taxable year
25 in which the compensation is paid, not less than

1 50 percent of the shareholders of the issuer
2 vote to approve the compensation through a
3 proxy or consent or authorization for an annual
4 or other meeting of the shareholders.

5 “(3) PROXY CONTENTS.—Proxy materials for a
6 shareholder vote described in paragraph (2)(B) shall
7 include, with respect to the most recent taxable year
8 ending before the date on which the vote takes
9 place—

10 “(A) the amount of compensation paid to
11 the lowest paid employee of the issuer;

12 “(B) the amount of compensation paid to
13 the highest paid employee of the issuer;

14 “(C) the median amount of compensation
15 paid to all employees of the issuer;

16 “(D) the number of employees of the
17 issuer who are paid compensation in an amount
18 that is more than 25 times the amount de-
19 scribed in subparagraph (C); and

20 “(E) the total amount of compensation
21 paid to the employees described in subpara-
22 graph (D).

23 “(4) MONEY PENALTY.—

24 “(A) IN GENERAL.—The Commission may
25 impose a civil penalty against an issuer if—

1 “(i) the issuer, in a taxable year, pays
2 compensation to an employee of the issuer
3 in an amount that exceeds the lesser of—

4 “(I) \$1,000,000; or

5 “(II) 25 times the median
6 amount of compensation paid to all
7 employees of that issuer during that
8 taxable year; and

9 “(ii)(I) the issuer does not conduct a
10 vote described in paragraph (2)(B) with
11 respect to the compensation described in
12 clause (i); or

13 “(II) less than 50 percent of the
14 shareholders of the issuer vote to approve
15 the compensation described in clause (i), in
16 contravention of the requirement under
17 paragraph (2)(B).

18 “(B) AMOUNT OF PENALTY.—The amount
19 of the penalty imposed under subparagraph (A)
20 shall be equal to the excess of—

21 “(i) the compensation described in
22 subparagraph (A)(i); over

23 “(ii) the lesser of—

24 “(I) \$1,000,000; or

1 “(II) the amount that is 25 times
2 the median amount of compensation
3 paid to all employees of the issuer
4 during the taxable year in which that
5 compensation is paid to that em-
6 ployee.”.

7 (b) DEADLINE FOR RULEMAKING.—Not later than 1
8 year after the date of enactment of this Act, the Securities
9 and Exchange Commission shall issue any final rules and
10 regulations required to carry out section 16(h) of the Se-
11 curities Exchange Act of 1934, as added by subsection (a).

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