

115TH CONGRESS
1ST SESSION

H. R. 3633

To amend the Internal Revenue Code of 1986 to adjust the rate of income tax of a publicly traded corporation based on the ratio of compensation of the corporation's highest paid employee to the median compensation of all the corporation's employees.

IN THE HOUSE OF REPRESENTATIVES

AUGUST 1, 2017

Mr. DESAULNIER 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 adjust the rate of income tax of a publicly traded corporation based on the ratio of compensation of the corporation's highest paid employee to the median compensation of all the corporation's employees.

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 "CEO Accountability
5 and Responsibility Act".

1 **SEC. 2. INCOME TAX RATE OF PUBLICLY TRADED COR-**
2 **PORATIONS BASED ON COMPENSATION**
3 **RATIO.**

4 (a) **IN GENERAL.**—Section 11 of the Internal Rev-
5 enue Code of 1986 is amended by adding at the end the
6 following:

7 “(e) **TAX RATE OF PUBLICLY TRADED CORPORA-**
8 **TIONS BASED ON COMPENSATION RATIO.**—

9 “(1) **IN GENERAL.**—In the case of a publicly
10 traded corporation (as defined in section
11 162(m)(2)), in the amount of tax under subsection
12 (b) shall be determined—

13 “(A) by adjusting the highest rate of tax
14 applicable to the taxpayer by the percentage
15 point adjustment specified in paragraph (2),
16 and

17 “(B) by making proper adjustments to—

18 “(i) the dollar amount in clause (ii) of
19 the second sentence of paragraph (1), and

20 “(ii) the dollar amount in clause (ii)
21 of the third sentence of paragraph (1).

22 “(2) **ADJUSTMENT OF TAX RATE.**—For pur-
23 poses of paragraph (1), the percentage points speci-
24 fied in this paragraph shall be determined as follows:

“If the compensation ratio is:	The percentage point adjustment is:
Not more than 25	– 1 percentage points
More than 25 but not more than 50	– 0.5 percentage points
More than 50 but not more than 100	zero
More than 100 but not more than 150	+0.5 percentage points
More than 150 but not more than 200	+1 percentage points
More than 200 but not more than 250	+1.5 percentage points
More than 250 but not more than 300	+2 percentage points
More than 300 but not more than 400	+2.5 percentage points
More than 400	+3 percentage points.

1 “(3) DEFINITIONS.—For purposes of this sub-
2 section—

3 “(A) COMPENSATION RATIO.—The com-
4 pensation ratio for a taxable year means a
5 ratio—

6 “(i) the numerator of which is the
7 amount equal to the greater of the com-
8 pensation of the chief operating officer or
9 the highest paid employee of the taxpayer
10 for the calendar year preceding the begin-
11 ning of the taxable year, and

12 “(ii) the denominator of which is the
13 amount equal to the median compensation
14 of all employees employed by the taxpayer
15 in the United States for the calendar year
16 preceding the beginning of the taxable
17 year.

18 “(B) COMPENSATION.—

1 “(i) EMPLOYEES.—In the case of em-
2 ployees of the taxpayer other than the
3 chief operating officer or the highest paid
4 employee, the term ‘compensation’ means
5 wages (as defined in section 3121(a)) paid
6 by the taxpayer during a calendar year.

7 “(ii) CEO AND HIGHEST PAID EM-
8 PLOYEE.—In the case of the chief oper-
9 ating officer and the highest paid employee
10 of the taxpayer, the term ‘compensation’
11 means total compensation for the calendar
12 year, as reported in the Summary Com-
13 pensation Table reported to the Securities
14 and Exchange Commission pursuant to
15 Item 402 of Regulation S–K of the Securi-
16 ties and Exchange Commission.

17 “(4) SPECIAL RULE IF CONTRACTED OR FOR-
18 EIGN EMPLOYEE RATIO INCREASES.—

19 “(A) IN GENERAL.—If—

20 “(i) the total number of full-time em-
21 ployees, determined on an annual full-time
22 equivalent basis, employed by the taxpayer
23 in the United States for a taxable year is
24 reduced by more than 10 percent, as com-
25 pared to the total number of full-time em-

1 ployees, determined on an annual full-time
2 equivalent basis, employed by the taxpayer
3 in the United States for the preceding tax-
4 able year, and

5 “(ii) the total number of contracted
6 employees or foreign full-time employees,
7 determined on an annual full-time equiva-
8 lent basis, of the taxpayer for that taxable
9 year has increased, as compared with the
10 total number of contracted employees or
11 foreign full-time employees, determined on
12 an annual full-time equivalent basis, of the
13 taxpayer for the preceding taxable year,

14 then the applicable tax rate determined under
15 paragraph (2) shall be increased by 50 percent.
16 For taxpayers who first commence doing busi-
17 ness during the taxable year, the number of
18 full-time employees, contracted employees, and
19 foreign full-time employees for the immediately
20 preceding prior taxable year shall be zero.

21 “(B) DEFINITIONS.—For purposes of this
22 paragraph—

23 “(i) ANNUAL FULL-TIME EQUIVA-
24 LENT.—The term ‘annual full-time equiva-
25 lent’ means—

1 “(I) in the case of a full-time em-
2 ployee paid hourly qualified wages, the
3 total number of hours worked for the
4 taxpayer by the employee, not to ex-
5 ceed 2,000 hours per employee, di-
6 vided by 2,000, and

7 “(II) in the case of a salaried
8 full-time employee, the total number
9 of weeks worked for the taxpayer by
10 the employee divided by 52.

11 “(ii) CONTRACTED FULL-TIME EM-
12 PLOYEE.—The term ‘contracted full-time
13 employee’ means an individual engaged by
14 the taxpayer to provide a specific set of
15 services established pursuant to the terms
16 and conditions of a written employment
17 contract that delineates the length of em-
18 ployment, the salary and bonuses (if any)
19 to be paid, and the benefits that accrue to
20 that individual.

21 “(iii) FOREIGN FULL-TIME EM-
22 PLOYEE.—The term ‘foreign full-time em-
23 ployee’ means a full-time employee of the
24 taxpayer that is employed at a location
25 other than the United States.

1 “(iv) FULL-TIME EMPLOYEE.—The
2 term ‘full-time employee’ means an em-
3 ployee of the taxpayer that either—

4 “(I) is paid compensation by the
5 taxpayer for services of not less than
6 an average of 35 hours per week, or

7 “(II) is a salaried employee of
8 the taxpayer and is paid compensation
9 during the taxable year for full-time
10 employment.

11 “(5) CONTROLLED GROUPS.—For purposes of
12 this subsection, all persons treated as a single em-
13 ployer under subsection (b), (c), (m) or (o) of sec-
14 tion 414 shall be treated as one person.

15 “(6) REPORTS.—The taxpayer shall furnish
16 such reports to the Secretary with respect to com-
17 pensation and such other matters as the Secretary
18 may require. The reports required by this subsection
19 shall be filed at such time and in such manner as
20 may be required by the Secretary.

21 “(7) REGULATIONS.—The Secretary shall pre-
22 scribe such regulations and other guidance as may
23 be necessary or appropriate to carry out this sub-
24 section, including any guidelines regarding the deter-

1 mination of wages, average compensation, and com-
2 pensation ratio.”.

3 (b) **EFFECTIVE DATE.**—The amendment made by
4 subsection (a) shall apply to taxable years beginning after
5 the date of the enactment of this Act.

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