

114TH CONGRESS
1ST SESSION

H. R. 3675

To amend the Higher Education Act of 1965 to ensure that student loans are available at interest rates that do not exceed the interest rates at which the Federal Government provides loans to banks through the discount window operated by the Federal Reserve System, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

OCTOBER 1, 2015

Mr. DESAULNIER (for himself, Mr. TAKANO, Mr. HUFFMAN, Ms. JUDY CHU of California, Mr. LOWENTHAL, and Ms. SLAUGHTER) introduced the following bill; which was referred to the Committee on Ways and Means, and in addition to the Committee on Education and the Workforce, for a period to be subsequently determined by the Speaker, in each case for consideration of such provisions as fall within the jurisdiction of the committee concerned

A BILL

To amend the Higher Education Act of 1965 to ensure that student loans are available at interest rates that do not exceed the interest rates at which the Federal Government provides loans to banks through the discount window operated by the Federal Reserve System, 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,*

1 **SECTION 1. SHORT TITLE.**

2 This Act may be cited as the “Student Borrower
3 Fairness Act”.

4 **SEC. 2. AVAILABILITY OF STUDENT LOANS AT FEDERAL RE-**
5 **SERVE BANK DISCOUNT RATE.**

6 (a) AVAILABILITY OF STUDENT LOANS.—Section
7 455(b) of the Higher Education Act of 1965 (20 U.S.C.
8 1087e(b)) is amended—

9 (1) by redesignating paragraphs (9) and (10)
10 as paragraphs (10) and (11); and

11 (2) by inserting after paragraph (8) the fol-
12 lowing new paragraph:

13 “(9) SPECIAL RULE FOR NEW LOANS ON OR
14 AFTER JULY 1, 2015.—

15 “(A) APPLICATION OF LOWER RATE OF IN-
16 TEREST.—Notwithstanding the preceding para-
17 graphs of this subsection, if the rate of interest
18 determined under subparagraph (B) with re-
19 spect to any loan for which the first disburse-
20 ment is made on or after July 1, 2015, is less
21 than the applicable rate of interest for the loan
22 under paragraph (8), the applicable rate of in-
23 terest for the loan shall be the rate determined
24 under subparagraph (B).

25 “(B) DETERMINATION OF RATE.—The
26 rate of interest determined under this subpara-

1 graph is, with respect to a loan disbursed dur-
2 ing any 12-month period beginning on July 1
3 and ending on June 30, the primary credit rate
4 charged by the Federal Reserve banks on the
5 preceding June 1 for purposes of sections 13
6 and 13A of the Federal Reserve Act (12 U.S.C.
7 342 et seq.).

8 “(C) CONSULTATION.—The Secretary shall
9 determine the rate of interest under subpara-
10 graph (B) after consultation with the Secretary
11 of the Treasury and shall publish such rate in
12 the Federal Register as soon as practicable
13 after the date of determination.

14 “(D) FIXED RATE.—The applicable rate of
15 interest determined under this paragraph for a
16 loan shall be fixed for the period of the loan.”.

17 (b) BORROWER MODIFICATION OF INTEREST
18 RATES.—Section 455(b) of such Act (20 U.S.C.
19 1087e(b)), as amended by subsection (a), is further
20 amended by adding at the end the following new para-
21 graph:

22 “(12) BORROWER MODIFICATION OF INTEREST
23 RATE.—

24 “(A) MODIFICATION.—Notwithstanding
25 the preceding paragraphs of this subsection, the

1 borrower of a Federal Direct Stafford Loan, a
2 Federal Direct Unsubsidized Stafford Loan, a
3 Federal Direct PLUS Loan, or a Federal Di-
4 rect Consolidation Loan may elect to modify the
5 interest rate of the loan to be equal to the in-
6 terest rate that would be applicable to such loan
7 if such loan were first disbursed (or in the case
8 of a Federal Direct Consolidation Loan, first
9 applied for) on the date on which such borrower
10 elects to modify the interest rate of such loan.

11 “(B) FIXED RATE.—Except as provided in
12 subparagraph (C), an interest rate elected
13 under subparagraph (A) for a loan shall be
14 fixed for the life of the loan.

15 “(C) CONTINUING AUTHORITY TO MOD-
16 IFY.—A borrower may elect to modify the inter-
17 est rate of a loan in accordance with subpara-
18 graph (A) at any time during the life of the
19 loan.

20 “(D) CONSTRUCTION.—Nothing in this
21 paragraph shall be construed to authorize any
22 refunding of any repayment of a loan.”.

1 **SEC. 3. 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)), the amount of tax under subsection (b)
12 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.—

19 “(i) EMPLOYEES.—In the case of em-
20 ployees of the taxpayer other than the

1 chief operating officer or the highest paid
2 employee, the term ‘compensation’ means
3 wages (as defined in section 3121(a)) paid
4 by the taxpayer during a calendar year.

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

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

17 “(A) IN GENERAL.—If—

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

1 in the United States for the preceding tax-
2 able year, and

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

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

19 “(B) DEFINITIONS.—For purposes of this
20 paragraph—

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

24 “(I) in the case of a full-time em-
25 ployee paid hourly qualified wages, the

1 total number of hours worked for the
2 taxpayer by the employee, not to ex-
3 ceed 2,000 hours per employee, di-
4 vided by 2,000, and

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

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

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