

112TH CONGRESS  
1ST SESSION

# H. R. 382

To amend the Internal Revenue Code of 1986 to limit the deductibility  
of excessive rates of executive compensation.

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IN THE HOUSE OF REPRESENTATIVES

JANUARY 20, 2011

Ms. LEE of California (for herself and Ms. WOOLSEY) introduced the following  
bill; which was referred to the Committee on Ways and Means

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## A BILL

To amend the Internal Revenue Code of 1986 to limit the  
deductibility of excessive rates of executive compensation.

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 “Income Equity Act  
5 of 2011”.

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

8 (a) IN GENERAL.—Section 162 of the Internal Rev-  
9 enue Code of 1986 (relating to deduction for trade or busi-

1 ness expenses) is amended by inserting after subsection  
2 (h) the following new subsection:

3 “(i) EXCESSIVE COMPENSATION.—

4 “(1) IN GENERAL.—No deduction shall be al-  
5 lowed under this chapter for any excessive com-  
6 pensation with respect to any full-time employee.

7 “(2) EXCESSIVE COMPENSATION.—For pur-  
8 poses of this subsection, the term ‘excessive com-  
9 pensation’ means, with respect to any employee, the  
10 amount by which—

11 “(A) the compensation for services per-  
12 formed by such employee during the taxable  
13 year, exceeds

14 “(B) the greater of—

15 “(i) an amount equal to 25 times the  
16 lowest compensation for services performed  
17 by any other full-time employee during  
18 such taxable year, or

19 “(ii) \$500,000.

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

22 “(A) COMPENSATION.—

23 “(i) IN GENERAL.—The term ‘com-  
24 pensation’ includes wages, salary, deferred  
25 compensation, retirement contributions,

1 options, bonuses, property, and any other  
2 form of compensation or bonus that the  
3 Secretary of the Treasury determines is  
4 appropriate.

5 “(ii) PART-YEAR EMPLOYEES.—In the  
6 case of any part-year employee, the com-  
7 pensation of the employee shall be com-  
8 puted on an annualized basis.

9 “(B) EMPLOYER.—All persons treated as a  
10 single employer under subsection (a) or (b) of  
11 section 52 or subsection (m) or (o) of section  
12 414 shall be treated as 1 employer.

13 “(4) REPORTING.—Each employer who provides  
14 compensation in any taxable year to any employee in  
15 an amount which is more than 25 times the amount  
16 of the lowest-compensated full-time employee, shall  
17 file a report with the Secretary containing—

18 “(A) the compensation of the lowest-com-  
19 pensated full-time employee,

20 “(B) the average pay of all non-managerial  
21 employees,

22 “(C) the average pay of all executive staff,  
23 and

24 “(D) the exact compensation of the top 5  
25 employees of the company.

1 Any such report shall be filed at such time and in  
2 such manner as the Secretary may require.”.

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

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