

114TH CONGRESS  
1ST SESSION

# S. 1127

To amend the Internal Revenue Code of 1986 to expand the denial of deduction for certain excessive employee remuneration, and for other purposes.

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IN THE SENATE OF THE UNITED STATES

APRIL 29, 2015

Mr. REED (for himself and Mr. BLUMENTHAL) introduced the following bill;  
which was read twice and referred to the Committee on Finance

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## A BILL

To amend the Internal Revenue Code of 1986 to expand the denial of deduction for certain excessive employee remuneration, 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 Subsidizing Mul-  
5 timillion Dollar Corporate Bonuses Act”.

6 **SEC. 2. EXPANSION OF DENIAL OF DEDUCTION FOR CER-**  
7 **TAIN EXCESSIVE EMPLOYEE REMUNERA-**  
8 **TION.**

9 (a) APPLICATION TO ALL CURRENT AND FORMER  
10 EMPLOYEES.—

1 (1) IN GENERAL.—Section 162(m) of the Inter-  
2 nal Revenue Code of 1986 is amended—

3 (A) by striking “covered employee” each  
4 place it appears in paragraphs (1) and (4) and  
5 inserting “covered individual”, and

6 (B) by striking “such employee” each  
7 place it appears in subparagraphs (A) and (G)  
8 of paragraph (4) and inserting “such indi-  
9 vidual”.

10 (2) COVERED INDIVIDUAL.—Paragraph (3) of  
11 section 162(m) of such Code is amended to read as  
12 follows:

13 “(3) COVERED INDIVIDUAL.—For purposes of  
14 this subsection, the term ‘covered individual’ means  
15 any individual who is an officer, director, or em-  
16 ployee of the taxpayer or a former officer, director,  
17 or employee of the taxpayer.”.

18 (3) CONFORMING AMENDMENTS.—

19 (A) Section 48D(b)(3)(A) of such Code is  
20 amended by inserting “(as in effect for taxable  
21 years beginning before January 1, 2015)” after  
22 “section 162(m)(3)”.

23 (B) Section 409A(b)(3)(D)(ii) of such  
24 Code is amended by inserting “(as in effect for

1 taxable years beginning before January 1,  
2 2015)” after “section 162(m)(3)”.

3 (b) EXPANSION OF APPLICABLE EMPLOYEE REMU-  
4 NERATION.—

5 (1) ELIMINATION OF EXCEPTION FOR COMMIS-  
6 SION-BASED PAY.—

7 (A) IN GENERAL.—Paragraph (4) of sec-  
8 tion 162(m) of such Code, as amended by sub-  
9 section (a), is amended by striking subpara-  
10 graph (B) and by redesignating subparagraphs  
11 (C) through (G) as subparagraphs (B) through  
12 (F), respectively.

13 (B) CONFORMING AMENDMENTS.—

14 (i) Section 162(m)(5) of such Code is  
15 amended—

16 (I) by striking “subparagraphs  
17 (B), (C), and (D) thereof” in sub-  
18 paragraph (E) and inserting “sub-  
19 paragraphs (B) and (C) thereof”, and

20 (II) by striking “subparagraphs  
21 (F) and (G)” in subparagraph (G)  
22 and inserting “subparagraphs (E) and  
23 (F)”.

24 (ii) Section 162(m)(6) of such Code is  
25 amended—

1 (I) by striking “subparagraphs  
 2 (B), (C), and (D) thereof” in sub-  
 3 paragraph (D) and inserting “sub-  
 4 paragraphs (B) and (C) thereof”, and  
 5 (II) by striking “subparagraphs  
 6 (F) and (G)” in subparagraph (G)  
 7 and inserting “subparagraphs (E) and  
 8 (F)”.

9 (2) INCLUSION OF PERFORMANCE-BASED COM-  
 10 PENSATION.—

11 (A) IN GENERAL.—Paragraph (4) of sec-  
 12 tion 162(m) of the Internal Revenue Code of  
 13 1986, as amended by subsection (a) and para-  
 14 graph (1) of this subsection, is amended by  
 15 striking subparagraph (B) and redesignating  
 16 subparagraphs (C) through (F) as subpara-  
 17 graphs (B) through (E), respectively.

18 (B) CONFORMING AMENDMENTS.—

19 (i) Section 162(m)(5) of such Code,  
 20 as amended by paragraph (1), is amend-  
 21 ed—

22 (I) by striking “subparagraphs  
 23 (B) and (C) thereof” in subparagraph  
 24 (E) and inserting “subparagraph (B)  
 25 thereof”, and

1 (II) by striking “subparagraphs  
2 (E) and (F)” in subparagraph (G)  
3 and inserting “subparagraphs (D) and  
4 (E)”.

5 (ii) Section 162(m)(6) of such Code,  
6 as amended by paragraph (1), is amend-  
7 ed—

8 (I) by striking “subparagraphs  
9 (B) and (C) thereof” in subparagraph  
10 (D) and inserting “subparagraph (B)  
11 thereof”, and

12 (II) by striking “subparagraphs  
13 (E) and (F)” in subparagraph (G)  
14 and inserting “subparagraphs (D) and  
15 (E)”.

16 (c) EXPANSION OF APPLICABLE EMPLOYER.—Para-  
17 graph (2) of section 162(m) of the Internal Revenue Code  
18 of 1986 is amended to read as follows:

19 “(2) PUBLICLY HELD CORPORATION.—For pur-  
20 poses of this subsection, the term ‘publicly held cor-  
21 poration’ means any corporation which is an issuer  
22 (as defined in section 3 of the Securities Exchange  
23 Act of 1934 (15 U.S.C. 78c))—

1           “(A) the securities of which are registered  
2           under section 12 of such Act (15 U.S.C. 78l),  
3           or

4           “(B) that is required to file reports under  
5           section 15(d) of such Act (15 U.S.C. 780(d)).”.

6           (d) REGULATORY AUTHORITY.—

7           (1) IN GENERAL.—Section 162(m) of the Inter-  
8           nal Revenue Code of 1986 is amended by adding at  
9           the end the following new paragraph:

10           “(7) REGULATIONS.—The Secretary may pre-  
11           scribe such guidance, rules, or regulations, including  
12           with respect to reporting, as are necessary to carry  
13           out the purposes of this subsection.”.

14           (2) CONFORMING AMENDMENT.—Paragraph (6)  
15           of section 162(m) of such Code is amended by strik-  
16           ing subparagraph (H).

17           (e) EFFECTIVE DATE.—The amendments made by  
18           this section shall apply to taxable years beginning after  
19           December 31, 2014.

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