

105TH CONGRESS
1ST SESSION

H. R. 687

To amend the Internal Revenue Code of 1986 to deny employers a deduction for payments of excessive compensation.

IN THE HOUSE OF REPRESENTATIVES

FEBRUARY 11, 1997

Mr. SABO (for himself, Mr. CONYERS, Mr. OLVER, Ms. NORTON, Mr. HINCHEY, Mr. SANDERS, Mr. TOWNS, Mr. MARTINEZ, Mr. VENTO, Ms. VELÁZQUEZ, and Ms. MCKINNEY) 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 deny employers a deduction for payments of excessive 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 1997”.

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

3 (a) IN GENERAL.—Section 162 of the Internal Reve-
4 nue Code of 1986 (relating to deduction for trade or busi-
5 ness expenses) is amended by inserting after subsection
6 (h) the following new subsection:

7 “(i) EXCESSIVE COMPENSATION.—

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

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

15 “(A) the compensation for services per-
16 formed by such employee during the taxable
17 year, exceeds

18 “(B) an amount equal to 25 times the low-
19 est compensation for services performed by any
20 other full-time employee during such taxable
21 year.

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

24 “(A) COMPENSATION.—

1 “(i) IN GENERAL.—The term ‘com-
2 pensation’ means salary, wages, and bo-
3 nuses.

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

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

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

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