

107TH CONGRESS
1ST SESSION

H. R. 2691

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

IN THE HOUSE OF REPRESENTATIVES

JULY 31, 2001

Mr. SABO (for himself, Mr. BONIOR, Mr. DEFazio, Mr. DELAHUNT, Mr. KUCINICH, Ms. LEE, Ms. MCKINNEY, Ms. SCHAKOWSKY, Mr. STARK, Mr. VISCLOSKY, and Mr. WYNN) 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 2001”.

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-

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

“(i) EXCESSIVE COMPENSATION.—

“(1) IN GENERAL.—No deduction shall be allowed under this chapter for any excessive compensation with respect to any full-time employee.

“(2) EXCESSIVE COMPENSATION.—For purposes of this subsection, the term ‘excessive compensation’ means, with respect to any employee, the amount by which—

“(A) the compensation for services performed by such employee during the taxable year, exceeds

“(B) an amount equal to 25 times the lowest compensation for services performed by any other full-time employee during such taxable year.

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

“(A) COMPENSATION.—

“(i) IN GENERAL.—The term ‘compensation’ means salary, wages, and bonuses.

“(ii) INCLUSION OF NONCASH BENEFITS.—The term ‘compensation’ includes

1 any remuneration (including benefits) in
2 any medium other than cash, but shall not
3 include—

4 “(I) any payment referred to in
5 so much of section 3121(a)(5) as pre-
6 cedes subparagraph (E) thereof, and

7 “(II) any benefit provided to or
8 on behalf of an employee if at the
9 time such benefit is provided it is rea-
10 sonable to believe that the employee
11 will be able to exclude such benefit
12 from gross income under this chapter.

13 “(iii) PART-YEAR EMPLOYEES.—In
14 the case of any part-year employee, the
15 compensation of the employee shall be
16 computed on an annualized basis.

17 “(B) EMPLOYER.—All persons treated as a
18 single employer under subsection (a) or (b) of
19 section 52 or subsection (m) or (o) of section
20 414 shall be treated as 1 employer.”

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

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