

109TH CONGRESS  
1ST SESSION

# H. R. 3260

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

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## IN THE HOUSE OF REPRESENTATIVES

JULY 12, 2005

Mr. SABO 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 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 2005”.

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

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

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

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

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

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

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

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