

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.

IN THE HOUSE OF REPRESENTATIVES

JULY 12, 2005

Mr. SABO 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 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-

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) an amount equal to 25 times the low-
15 est compensation for services performed by any
16 other full-time employee during such taxable
17 year.

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

20 “(A) COMPENSATION.—

21 “(i) IN GENERAL.—The term ‘com-
22 pensation’ means salary, wages, and bo-
23 nuses.

24 “(ii) INCLUSION OF NONCASH BENE-
25 FITS.—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.

