

111TH CONGRESS  
2D SESSION

# H. R. 4414

To amend the Internal Revenue Code of 1986 to impose a 75 percent tax on bonuses paid by certain financial and other businesses.

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## IN THE HOUSE OF REPRESENTATIVES

JANUARY 12, 2010

Mr. KUCINICH (for himself, Ms. WATSON, Ms. NORTON, Mr. CLAY, Mr. ELLISON, and Mr. HARE) 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 impose a 75 percent tax on bonuses paid by certain financial and other businesses.

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 “Responsible Banking  
5 Act of 2010”.

6 **SEC. 2. FINDINGS.**

7 The Congress hereby finds:

1           (1) Excessive use of financial leverage contrib-  
2           uted to the ongoing U.S. financial and economic cri-  
3           sis.

4           (2) The largest U.S. banks remain severely  
5           undercapitalized.

6           (3) U.S. banks have failed to recognize losses  
7           from imprudent investments, particularly in assets  
8           linked to home mortgages and commercial real es-  
9           tate, and the resulting economic uncertainty and  
10          household indebtedness are major impediments to  
11          U.S. economic recovery.

12          (4) Multiple large public subsidies have been ex-  
13          tended to the financial services industry in the form  
14          of cost-free access to capital, low-cost Federal loans  
15          and guarantees, Federal purchases of troubled as-  
16          sets, and other exceptional actions taken and policies  
17          put in place since January 2008.

18          (5) These public subsidies represent an extraor-  
19          dinary benefit to all industry participants in the fi-  
20          nancial marketplace, regardless of whether they have  
21          received direct Federal assistance.

22          (6) A short-term focus on compensation has en-  
23          couraged banking decision-makers to underestimate  
24          business risks, has undermined effective corporate

1 risk management, and has thereby contributed to ex-  
 2 cessive systemic risk.

3 (7) Existing regulatory rules and institutions  
 4 have proven inadequate to protect the American peo-  
 5 ple from ineffective and imprudent risk manage-  
 6 ment.

7 (8) The flow of credit to small and medium-  
 8 sized businesses and to households continues to con-  
 9 tract, impeding overall economic recovery.

10 (9) Enhanced capital adequacy is urgently  
 11 needed to restore the health of the U.S. banking sys-  
 12 tem.

13 (10) The use of profits to pay bonuses rather  
 14 than recapitalize financial institutions delays recov-  
 15 ery of financial institutions and impedes recovery in  
 16 the real economy.

17 **SEC. 3. TAX ON BONUSES PAID BY CERTAIN FINANCIAL**  
 18 **AND OTHER BUSINESSES.**

19 (a) IN GENERAL.—Subtitle D of the Internal Rev-  
 20 enue Code of 1986 is amended by adding at the end the  
 21 following new chapter:

22 **“CHAPTER 48—TAX ON BONUSES PAID BY**  
 23 **CERTAIN FINANCIAL AND OTHER**  
 24 **BUSINESSES**

“Sec. 5000A. Bonuses paid by certain businesses.

1 **“SEC. 5000A. BONUSES PAID BY CERTAIN BUSINESSES.**

2 “(a) IMPOSITION OF TAX.—There is hereby imposed  
3 a tax equal to 75 percent of any bonus paid for services  
4 performed in any specified business.

5 “(b) LIABILITY FOR TAX.—The tax imposed by sub-  
6 section (a) shall be paid by the person paying the bonus.

7 “(c) SPECIFIED BUSINESS.—For purposes of this  
8 section, the term ‘specified business’ means—

9 “(1) the Federal National Mortgage Associa-  
10 tion,

11 “(2) the Federal Home Loan Mortgage Cor-  
12 poration,

13 “(3) any business as a financial institution, in-  
14 surance company, hedge fund, financial adviser, or a  
15 broker or dealer in securities, and

16 “(4) any lending or finance business.

17 “(d) TERMINATION.—This section shall not apply to  
18 bonuses paid more than 5 years after the date of the en-  
19 actment of this section.”.

20 (b) TAX NOT DEDUCTIBLE.—Paragraph (6) of sec-  
21 tion 275(a) of such Code is amended by inserting “48,”  
22 after “46,”.

23 (c) CLERICAL AMENDMENT.—The table of chapters  
24 for subtitle D of such Code is amended by adding at the  
25 end the following new item:

“CHAPTER 48. TAX ON BONUSES PAID BY CERTAIN FINANCIAL AND OTHER  
BUSINESSES.”.

1       (d) EFFECTIVE DATE.—The amendments made by  
2 this section shall apply to bonuses paid after the date of  
3 the enactment of this Act.

