To amend the Internal Revenue Code of 1986 to expand the denial of deduction for certain excessive employee remuneration, and for other purposes.

IN THE SENATE OF THE UNITED STATES

Mr. REED introduced the following bill; which was read twice and referred to the Committee on ________

A BILL

To amend the Internal Revenue Code of 1986 to expand the denial of deduction for certain excessive employee remuneration, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. SHORT TITLE.

This Act may be cited as the “Stop Subsidizing Multimillion Dollar Corporate Bonuses Act”.

SEC. 2. EXPANSION OF DENIAL OF DEDUCTION FOR CERTAIN EXCESSIVE EMPLOYEE REMUNERATION.

(a) APPLICATION TO ALL CURRENT AND FORMER EMPLOYEES.—
(1) IN GENERAL.—Section 162(m) of the Internal Revenue Code of 1986 is amended—

(A) by striking “covered employee” each place it appears in paragraphs (1) and (4) and inserting “covered individual”, and

(B) by striking “such employee” each place it appears in subparagraphs (A) and (G) of paragraph (4) and inserting “such individual”.

(2) COVERED INDIVIDUAL.—Paragraph (3) of section 162(m) of such Code is amended to read as follows:

“(3) COVERED INDIVIDUAL.—For purposes of this subsection, the term ‘covered individual’ means any individual who is an officer, director, or employee of the taxpayer or a former officer, director, or employee of the taxpayer.”.

(3) CONFORMING AMENDMENTS.—

(A) Section 48D(b)(3)(A) of such Code is amended by inserting “(as in effect for taxable years beginning before January 1, 2014)” after “section 162(m)(3)’’.

(B) Section 409A(b)(3)(D)(ii) of such Code is amended by inserting “(as in effect for
taxable years beginning before January 1, 2014)” after “section 162(m)(3)”.

(b) EXPANSION OF APPLICABLE EMPLOYEE REMUNERATION.—

(1) ELIMINATION OF EXCEPTION FOR COMMISSION-BASED PAY.—

(A) IN GENERAL.—Paragraph (4) of section 162(m) of such Code, as amended by subsection (a), is amended by striking subparagraph (B) and by redesignating subparagraphs (C) through (G) as subparagraphs (B) through (F), respectively.

(B) CONFORMING AMENDMENTS.—

(i) Section 162(m)(5) of such Code is amended—

(I) by striking “subparagraphs (B), (C), and (D) thereof” in subparagraph (E) and inserting “subparagraphs (B) and (C) thereof”, and

(II) by striking “subparagraphs (F) and (G)” in subparagraph (G) and inserting “subparagraphs (E) and (F)”. 

(ii) Section 162(m)(6) of such Code is amended—
(I) by striking “subparagraphs (B), (C), and (D) thereof” in subparagraph (D) and inserting “subparagraphs (B) and (C) thereof”, and

(II) by striking “subparagraphs (F) and (G)” in subparagraph (G) and inserting “subparagraphs (E) and (F)”.

(2) INCLUSION OF PERFORMANCE-BASED COMPENSATION.—

(A) IN GENERAL.—Paragraph (4) of section 162(m) of the Internal Revenue Code of 1986, as amended by subsection (a) and paragraph (1) of this subsection, is amended by striking subparagraph (B) and redesignating subparagraphs (C) through (F) as subparagraphs (B) through (E), respectively.

(B) CONFORMING AMENDMENTS.—

(i) Section 162(m)(5) of such Code, as amended by paragraph (1), is amended—

(I) by striking “subparagraphs (B) and (C) thereof” in subparagraph (E) and inserting “subparagraph (B) thereof”, and
(II) by striking “subparagraphs (E) and (F)” in subparagraph (G) and inserting “subparagraphs (D) and (E)’’.

(ii) Section 162(m)(6) of such Code, as amended by paragraph (1), is amend-
ed—

(I) by striking “subparagraphs (B) and (C) thereof” in subparagraph (D) and inserting “subparagraph (B) thereof”, and

(II) by striking “subparagraphs (E) and (F)” in subparagraph (G) and inserting “subparagraphs (D) and (E)’’.

(e) EXPANSION OF APPLICABLE EMPLOYER.—Paragraph (2) of section 162(m) of the Internal Revenue Code of 1986 is amended to read as follows:

“(2) PUBLICLY HELD CORPORATION.—For pur-
poses of this subsection, the term ‘publicly held cor-
poration’ means any corporation which is an issuer (as defined in section 3 of the Securities Exchange Act of 1934 (15 U.S.C. 78e)—
“(A) the securities of which are registered under section 12 of such Act (15 U.S.C. 78l), or

“(B) that is required to file reports under section 15(d) of such Act (15 U.S.C. 780(d)).”.

(d) REGULATORY AUTHORITY.—

(1) IN GENERAL.—Section 162(m) of the Internal Revenue Code of 1986 is amended by adding at the end the following new paragraph:

“(7) REGULATIONS.—The Secretary may prescribe such guidance, rules, or regulations, including with respect to reporting, as are necessary to carry out the purposes of this subsection.”.

(2) CONFORMING AMENDMENT.—Paragraph (6) of section 162(m) of such Code is amended by striking subparagraph (H).

(e) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2013.