

The Take on Wall Street Coalition urges support for tax proposals to rein in CEO Pay while investing in our recovery

9/10/21

Dear Member of Congress:

The undersigned organizations support a broad range of progressive revenue raisers to pay for the vital public investments in President Biden's Build Back Better plans to address human needs and climate change. This letter highlights four specific revenue proposals now under consideration that deserve more attention.

Each of these proposals would raise significant revenue while curbing a key driver of our nation's skyrocketing inequality — excessive CEO pay. Americans across the political spectrum have been outraged about overpaid CEOs for a long time. During the pandemic crisis, top executives have further enriched themselves while workers — particularly workers of color — lost hours, jobs, and lives. Now is the time to use tax policy to narrow these gaps.

1. CEO pay ratio tax

Senate Finance Chair Ron Wyden has reportedly developed a list of revenue options that includes an excise tax on corporations with big gaps between CEO and worker pay. In a [letter to Congress](#) earlier this year, many of our organizations endorsed a similar proposal, the [Tax Excessive CEO Pay Act](#). Such taxes would give corporations an incentive to narrow their pay gaps by lifting up worker wages and reining in CEO compensation. The tax would also discourage the outrageous levels of compensation that give executives an incentive to take excessive risks. Wall Street's reckless "bonus culture" proved a key factor in the 2008 financial crisis.

2. Stock buybacks tax

On September 10, Chair Wyden and Senator Sherrod Brown unveiled [a bill](#) that fleshes out another option on the revenue list — a stock buyback tax. The Stock Buyback Accountability Act would impose a 2% excise tax on the amount spent by a publicly traded company on share repurchases. As business analysts [have long documented](#), such stock buybacks artificially inflate executives' stock-based pay. Taxing buybacks could help curb such unearned executive windfalls while encouraging investment in human capital, research and development, and other productive purposes.

3. Carried interest loophole

Under current rules, executives of private equity, real estate, and hedge funds pay the capital-gains tax rate on so-called "carried interest" (earnings tied to a percentage of the fund's profits) — instead of the significantly higher ordinary income tax rate. As a result, wealthy Wall Street fund managers pay a lower tax rate than millions of our country's teachers, firefighters, and nurses. Chair Wyden has introduced a [bill](#) to treat carried interest as ordinary income, as the [Biden administration](#), Senators Tammy Baldwin, Elizabeth Warren, and [others](#) have proposed. Wyden's bill would also require managers to pay an annual tax on accrued carried interest, generating a total of [\\$63 billion](#) over a decade.

4. Bonus deductibility cap

Another option on Chair Wyden’s list would “expand restrictions on business deductions for employees making more than \$1 million.” A 1993 tax reform created a huge loophole that allowed corporations to deduct unlimited amounts of executive pay off their taxable income — as long as that pay was in stock options or other forms of so-called “performance” pay. In other words, the more corporations paid their CEO, the less they owed in taxes. Subsequent reforms have partially closed this loophole by setting a \$1 million deductibility cap on all compensation going to a company’s top 10 executives. Congress should consider extending this cap to all employees, as proposed in the [Stop Subsidizing Multimillion Dollar Corporate Bonuses Act](#). Taxpayers shouldn’t have to subsidize any mega-million-dollar salaries.

For too long, we have tolerated a corporate business model that funnels resources into bloated executive compensation instead of supporting working families and a tax system that is rigged in favor of CEOs and other wealthy Americans. The pandemic has only exacerbated the inequities that hold our country back and make us more vulnerable to crises of all sorts.

We urge you to support these and other tax reforms that would reduce our nation’s extreme inequality and generate revenue for vital public investments.

Sincerely,

Take on Wall Street

Americans for Financial Reform

AFL-CIO

Communications Workers of America

Consumer Action

Public Citizen

International Brotherhood of Teamsters

Institute for Policy Studies, Global Economy Project

Network Lobby for Catholic Social Justice

United For Respect