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113TH CONGRESS
1ST SESSION

H. R. 199

To amend the Internal Revenue Code of 1986 to limit the deductibility of excessive rates of executive compensation.

IN THE HOUSE OF REPRESENTATIVES

JANUARY 4, 2013

Ms. LEE of California 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 limit the deductibility of excessive rates of executive compensation.

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 ''Income Equity Act of 2013''.

SEC. 2. DENIAL OF DEDUCTION FOR PAYMENTS OF EXCESSIVE COMPENSATION.

(a) IN GENERAL.—Section 162 of the Internal Revenue 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) the greater of—

"(i) an amount equal to 25 times the lowest compensation for services performed by any other full-time employee during such taxable year, or

"(ii) $500,000.

"(3) DEFINITIONS AND SPECIAL RULES.—For purposes of this subsection—

"(A) COMPENSATION.—

"(i) IN GENERAL.—The term 'compensation' includes wages, salary, deferred compensation, retirement contributions,

options, bonuses, property, and any other form of compensation or bonus that the Secretary of the Treasury determines is appropriate.

"(ii) 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.

"(4) REPORTING.—Each employer who provides compensation in any taxable year to any employee in an amount which is more than 25 times the amount of the lowest-compensated full-time employee, shall file a report with the Secretary containing—

"(A) the compensation of the lowest-compensated full-time employee,

"(B) the average pay of all non-managerial employees,

"(C) the average pay of all executive staff, and

"(D) the exact compensation of the top 5 employees of the company.

Any such report shall be filed at such time and in such manner as the Secretary may require.''.

(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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