

117TH CONGRESS
1ST SESSION

S. 178

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

FEBRUARY 2, 2021

Mr. REED (for himself, Mr. BLUMENTHAL, Mr. WHITEHOUSE, Mr. BROWN, Mr. VAN HOLLEN, Mr. MERKLEY, Ms. BALDWIN, and Ms. WARREN) introduced the following bill; which was read twice and referred to the Committee on Finance

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.

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 “Stop Subsidizing Mul-
5 timillion Dollar Corporate Bonuses Act”.

6 **SEC. 2. EXPANSION OF DENIAL OF DEDUCTION FOR CER-**
7 **TAIN EXCESSIVE EMPLOYEE REMUNERA-**
8 **TION.**

9 (a) IN GENERAL.—

(1) EXPANSION.—Section 162(m) of the Internal Revenue Code of 1986 is amended—

(A) by striking “applicable employee remuneration” each place it appears in paragraphs (1), (4), and (5)(E) and inserting “applicable remuneration”,

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

(C) by striking “employee” each place it appears in paragraph (1) and subparagraphs (A), (C)(ii), and (E) of paragraph (4) and inserting “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—

“(A) any individual who performs services (directly or indirectly) for the taxpayer (or any predecessor) for any taxable year beginning after December 31, 2020, or

“(B) any employee—

1 “(i) who was the principal executive
 2 officer or principal financial officer of the
 3 taxpayer (or any predecessor) at any time
 4 during any preceding taxable year begin-
 5 ning after December 31, 2016, and before
 6 January 1, 2021, or who was an individual
 7 acting in such a capacity, or

8 “(ii) the total compensation of whom
 9 for any taxable year described in clause (i)
 10 was required to be reported to shareholders
 11 under the Securities Exchange Act of 1934
 12 by reason of such individual being among
 13 the 3 highest compensated officers for the
 14 taxable year (other than any individual de-
 15 scribed in clause (i)).

16 Such term shall include any employee who would be
 17 described in subparagraph (B)(ii) if the reporting
 18 described in such subparagraph were required as so
 19 described.”.

20 (3) CONFORMING AMENDMENTS.—

21 (A) The heading for section 162(m) of the
 22 Internal Revenue Code of 1986 is amended by
 23 striking “EMPLOYEE”.

24 (B) The heading for section 162(m)(4) is
 25 amended by striking “EMPLOYEE”.

1 (b) MODIFICATION OF DEFINITION OF PUBLICLY
 2 HELD CORPORATION.—Section 162(m)(2) of the Internal
 3 Revenue Code of 1986 is amended—

4 (1) by inserting “, with respect to any taxable
 5 year,” after “means”, and

6 (2) by striking subparagraph (B) and inserting
 7 the following:

8 “(B) that was required to file reports
 9 under section 15(d) of such Act (15 U.S.C.
 10 78o(d)) at any time during the 3-taxable year
 11 period ending with such taxable year.”.

12 (c) REGULATORY AUTHORITY.—

13 (1) IN GENERAL.—Section 162(m) of the Inter-
 14 nal Revenue Code of 1986 is amended by adding at
 15 the end the following new paragraph:

16 “(7) REGULATIONS.—The Secretary may pre-
 17 scribe such guidance, rules, or regulations as are
 18 necessary to carry out the purposes of this sub-
 19 section, including regulations—

20 “(A) with respect to reporting, and

21 “(B) to prevent avoidance of the purposes
 22 of this section by providing compensation
 23 through a pass-through or other entity.”.

1 (2) CONFORMING AMENDMENT.—Paragraph (6)
2 of section 162(m) of such Code is amended by strik-
3 ing subparagraph (H).

4 (d) EFFECTIVE DATE.—The amendments made by
5 this section shall apply to taxable years beginning after
6 December 31, 2020.

○