

118TH CONGRESS
1ST SESSION

S. 3176

To amend the Internal Revenue Code of 1986 to impose an excise tax
on excessively disparate wages paid to chief executive officers.

IN THE SENATE OF THE UNITED STATES

NOVEMBER 1, 2023

Mr. WHITEHOUSE (for himself, Ms. WARREN, and Mr. MERKLEY) 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 impose
an excise tax on excessively disparate wages paid to
chief executive officers.

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 “Curtailing Executive
5 Overcompensation (CEO) Act”.

1 **SEC. 2. EXCISE TAX ON EXCESSIVE CHIEF EXECUTIVE OFFI-**
 2 **CER PAY DISPARITY.**

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

6 **“CHAPTER 50B—PAY DISPARITY**

“Sec. 5000E. Excessive pay disparity.

7 **“SEC. 5000E. EXCESSIVE PAY DISPARITY.**

8 “(a) IN GENERAL.—In the case of any employer
 9 which is an applicable employer for the calendar year,
 10 there is hereby imposed a tax equal to the lesser of—

11 “(1) 1 percent of the product of—

12 “(A) the pay disparity factor of the appli-
 13 cable employer for the calendar year, and

14 “(B) the excess of—

15 “(i) amount determined under sub-
 16 section (c)(2)(A) for such calendar year,
 17 over

18 “(ii) 5,000 percent of the amount de-
 19 termined under subsection (c)(2)(B) for
 20 such calendar year, or

21 “(2) 1 percent of the gross receipts (within the
 22 meaning of section 448(c)) of such applicable em-
 23 ployer.

24 “(b) APPLICABLE EMPLOYER.—

1 “(1) IN GENERAL.—For purposes of this sec-
 2 tion, the term ‘applicable employer’ means, with re-
 3 spect to any calendar year, any employer which—

4 “(A) has not less than \$100,000,000 in
 5 gross receipts (within the meaning of section
 6 448(c)) for each of the 3 calendar years pre-
 7 ceding such calendar year, and

8 “(B) has paid wages in excess of
 9 \$10,000,000 for each calendar year in the 3-
 10 calendar-year period taken into account under
 11 subparagraph (A).

12 “(2) AGGREGATION RULE.—For purposes of
 13 this section, the rules of subsection (a) and (b) of
 14 section 52 shall apply.

15 “(3) PREDECESSORS.—For purposes of para-
 16 graph (1)(A), rules similar to the rules of section
 17 448(c)(3)(D) shall apply.

18 “(4) INFLATION ADJUSTMENT.—

19 “(A) IN GENERAL.—In the case of any cal-
 20 endar year after 2024, the \$100,000,000
 21 amount under paragraph (1)(A) and the
 22 \$10,000,000 amount under paragraph (1)(B)
 23 shall each be increased by an amount equal
 24 to—

25 “(i) such dollar amount, multiplied by

1 “(ii) the cost-of-living adjustment de-
 2 termined under section 1(f)(3) for such
 3 calendar year, determined by substituting
 4 ‘calendar year 2023’ for ‘calendar year
 5 2016’ in subparagraph (A)(ii) thereof.

6 “(B) ROUNDING.—The amount of any in-
 7 crease under clause (i) shall be rounded to the
 8 nearest multiple of \$100,000.

9 “(c) PAY DISPARITY FACTOR.—For purposes of this
 10 section—

11 “(1) IN GENERAL.—The term ‘pay disparity
 12 factor’ means, with respect to any applicable em-
 13 ployer for calendar year, the excess (if any) of—

14 “(A) the pay disparity ratio of such em-
 15 ployer for such calendar year, over

16 “(B) 50.

17 “(2) PAY DISPARITY RATIO.—The term ‘pay
 18 disparity ratio’ means, with respect to any applicable
 19 employer for calendar year, the ratio of—

20 “(A) the average qualified wages for the 5-
 21 calendar year period ending with such calendar
 22 year of the individual who is the highest com-
 23 pensated employee of the applicable employer
 24 for such calendar year, to

1 “(B) the median wages paid to all applica-
 2 ble employees of the applicable employer for
 3 such calendar year.

4 “(3) WAGES; QUALIFIED WAGES.—

5 “(A) WAGES.—The term ‘wages’ has the
 6 meaning given such term under section
 7 3401(a), determined without regard to para-
 8 graph (8) thereof.

9 “(B) QUALIFIED WAGES.—

10 “(i) IN GENERAL.—The term ‘quali-
 11 fied wages’ means wages increased by—

12 “(I) any elective deferrals (within
 13 the meaning of section 402(g)(3)) not
 14 included in wages, and

15 “(II) any amounts described in
 16 section 415(c)(3)(D)(ii) which are not
 17 included in wages.

18 “(ii) SELF-EMPLOYED INDIVIDUALS
 19 AND OWNER-EMPLOYEES.—In the case of
 20 an employee (within the meaning of section
 21 401(c)(1)), the term ‘qualified wages’ in-
 22 cludes the earned income (as defined in
 23 section 401(c)(2) of such employee, but de-
 24 termined without regard to any exclusion
 25 under section 911) of such employee.

1 “(4) APPLICABLE EMPLOYEE.—For purposes of
2 this subsection—

3 “(A) IN GENERAL.—The term ‘applicable
4 employee’ means any individual whose wages in
5 connection with services performed for the ap-
6 plicable employer for the calendar year are
7 equal to or more than \$5,000.

8 “(B) INFLATION ADJUSTMENT.—

9 “(i) IN GENERAL.—In the case of any
10 calendar year after 2024, the \$5,000
11 amount under subparagraph (A)(ii) shall
12 be increased by an amount equal to—

13 “(I) such dollar amount, multi-
14 plied by

15 “(II) the cost-of-living adjust-
16 ment determined under section 1(f)(3)
17 for such calendar year, determined by
18 substituting ‘calendar year 2023’ for
19 ‘calendar year 2016’ in subparagraph
20 (A)(ii) thereof.

21 “(ii) ROUNDING.—The amount of any
22 increase under clause (i) shall be rounded
23 to the nearest multiple of \$100.

24 “(d) JOINT AND SEVERAL LIABILITY.—If more than
25 one taxpayer is treated as a single employer under this

1 section by reason of subsection (b)(2), then each such tax-
 2 payer shall be jointly and severally liable for the tax im-
 3 posed by subsection (a).

4 “(e) REGULATIONS.—The Secretary shall issue regu-
 5 lations as necessary to prevent avoidance of the purposes
 6 of this section, including regulations to prevent the manip-
 7 ulation of the pay disparity factor by changes to the com-
 8 position of the workforce (including by using the services
 9 of contractors rather than employees).”.

10 (b) NO DEDUCTION FROM INCOME TAXES.—Section
 11 275(a)(6) of the Internal Revenue Code of is amended by
 12 inserting “50B,” after “50A,”.

13 (c) CLERICAL AMENDMENT.—The table of chapters
 14 for subtitle D of the Internal Revenue Code of 1986 is
 15 amended by adding at the end the following new item:

“CHAPTER 50B—PAY DISPARITY”.

16 (d) EFFECTIVE DATE.—The amendments made by
 17 this section shall apply to taxable years beginning after
 18 the date of the enactment of this Act.

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