

Labor Unions, Anti-Poverty Groups, and Other Leading Economic Justice Organizations Urge Support for “Tax Excessive CEO Pay Act”

November 13, 2019

Dear Member of Congress,

We write to strongly endorse the “Tax Excessive CEO Pay Act” to be introduced by Senators Bernie Sanders, Congresswoman Barbara Lee, and Congresswoman Rashida Tlaib. We encourage you to become an original co-sponsor of this important legislation, which will be introduced on Wednesday, November 13.

As you well know, while worker wages have largely stagnated, CEO pay has skyrocketed over the past several decades. In the 1950s, CEOs made [20 times](#) more than their median employees. Last year, the average S&P 500 CEO made [287 times](#) their median worker pay.

The more corporations channel into executives’ pockets, the less they have for wages and other investments. By putting a tax penalty on corporations with extreme pay gaps, the bill would give corporations an incentive to narrow their divides by lifting up the bottom and bringing down the top of their pay scale.

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. Current executive compensation practices also contribute to short-term decision making that leaves payrolls, employee training, and R&D budgets slashed. [Academic research](#) indicates that extreme pay gaps also undermine business effectiveness by lowering employee [morale](#), which in turn, reduces [productivity](#) and increases [turnover](#).

Under this bill, the wider a company’s gap between CEO and median worker pay, the higher their federal corporate tax rate. The tax penalties would begin at 0.5 percentage points for companies that pay their top executives between 50 and 100 times more than their typical workers. Companies that pay top executives over 500 times worker pay would face the highest increase in their tax rate, at 5 percentage points. All private and publicly held U.S. corporations with average annual sales for the three preceding years of at least \$100 million would be subject to the tax.

The bill would raise an estimated [\\$150 billion](#) over 10 years that could be used to reduce inequality. The [Institute for Policy Studies](#) looked at the 80 percent of S&P 500 companies with pay ratios of 100 to 1 and higher in 2018. If the bill’s proposed tax penalties had been in place, these firms would’ve owed as much as \$17.2 billion more in federal taxes.

Americans across the political spectrum are outraged about today’s extreme pay gaps. A [Stanford survey](#) found that 52 percent of Republicans want to see a fixed cap on CEO pay relative to worker pay — a more radical approach than a tax penalty on large disparities. A new [Gallup analysis](#) concludes that a CEO-worker pay gap tax “fits well with existing public opinion” and likely enjoys “majority support.” This bill would encourage corporations to narrow their gaps, reducing poverty and inequality all across the United States, while holding companies with outrageous CEO pay ratios accountable.

We thank Senators Bernie Sanders, Congresswoman Barbara Lee and Congresswoman Rashida Tlaib for introducing the Tax Excessive CEO Pay Act legislation and look forward to working with you to make it law.

To become a co-sponsor, contact Richard Phillips, Senior Tax Analyst, Senate Budget Committee - Minority Staff (Richard_Phillips@budget.senate.gov) or Emma Mehrabi, Legislative Director for Rep. Barbara Lee (emma.mehrabi@mail.house.gov).

Sincerely,

AFL-CIO
American Sustainable Business Council
Americans for Democratic Action (ADA)
Campaign for America's Future
Center for Popular Democracy
Communications Workers of America
Coalition on Human Needs
EPI Policy Center
Franciscan Action Network
Institute for Policy Studies/Global Economy Project
International Brotherhood of Teamsters
International Federation of Professional & Technical Engineers (IFPTE)
Jobs With Justice
National Council of Churches
National Federation of Federal Employees
National Health Care for the Homeless Council
NETWORK
Other98
Our Revolution
People's Action
People Demanding Action
Public Citizen
Restaurant Opportunities Centers United
Service Employees International Union (SEIU)
Social Security Works
Strong Economy for All
Take on Wall Street
United for Respect
Working Families Party