Institute for Policy Studies

Fact Sheet

February 2020

CEO Pay Reform is a Transpartisan Issue

Polling

Across the political spectrum, Americans are outraged by overpaid CEOs and the obscene gaps between CEO pay and typical worker pay at most large U.S. corporations.

- More than three-quarters (78%) of U.S. workers feel CEOs are overpaid compared to their employees.
- Americans think the right CEO-worker pay ratio is no higher than 7 to 1, while an Institute for Policy Studies report found that 80% of S&P 500 firms paid their CEO over 100 times more than their median worker in 2018. At 50 publicly held U.S. corporations, the gap was well more than 1,000 to 1.
- Over half of Republicans — a full 52%— favor an outright cap on CEO compensation relative to worker pay. Among Democrats, 66% hold this view.
- Public outrage over CEO pay exists despite a public perception that CEOs earn only a fraction of what they really make. A 2016 survey found that the typical American believed a CEO earns $1.0 million in pay. Actual average CEO pay at large corporations that year weas more than $10 million.

Republican Leader Support

Several prominent Republicans have weighed in to support restraining executive pay excess.

- President Donald Trump railed against sky-high CEO pay during his 2016 campaign. One proposal he supported at that time: closure of the "carried interest" loophole that allows hedge fund and private equity fund managers to cut the income taxes they owe by almost half.
- When he was a Congressman, Mick Mulvaney, Trump's acting chief of staff, introduced an amendment to eliminate US Export-Import Bank subsidies for any company with a CEO who's paid more than 100 times the median worker pay.
- While the 2017 GOP tax cuts were otherwise a huge gift to the wealthy, they did close one perverse loophole that had encouraged excessive CEO pay by allowing corporations to deduct unlimited amounts of executive pay from their federal tax bills, as long as they labeled that pay "performance-based."
- Republicans also initially supported a reform in their 2017 tax plan to curb the tax benefits CEOs receive on special company-sponsored retirement accounts. According to the Wall Street Journal, Republicans dropped the provision due to corporate pressure.

Select CEO Pay Bills

Tax Excessive CEO Pay Act: gives corporations an incentive to narrow pay gaps by increasing the federal corporate income tax rate on companies that pay their CEOs more than 50 times their median workers' pay. The bigger the gap, the bigger the hike. At a 50-to-1 gap, the tax goes up by half a percentage point. At 500-to-1, firms would see their tax bills jump by 5 full percentage points.

Worker Pension Fairness Act: ends tax advantages that allow CEOs to contribute unlimited amounts to special executive retirement plans and allocates the revenue from closing these loopholes to protect worker pension funds.

Stop Subsidizing Multimillion Dollar Corporate Bonuses Act: builds on a provision in the 2017 tax law to cap the corporate tax deductibility of all forms of employee compensation at no more than $1 million.

Carried Interest Fairness Act: eliminates the loophole that allows managers of private equity, real estate, and hedge funds to pay the discounted capital-gains tax rate on so-called "carried interest" (income tied to a percentage of the fund's profits) The **Stop Wall Street Looting Act** would also eliminate this loophole, as part of a broader plan to end private equity's predatory practices.

*Sarah Anderson directs the Global Economy Project and edits **Inequality.org** at the Institute for Policy Studies. Contact: sarah@ips-dc.org, tel: 202 787 5227.*