

## Eliminate the corporate bonus loophole

In 1993, Congress amended the tax code to limit the deductibility of executive compensation to no more than \$1 million per executive — unless the compensation was in the form of stock options and other “performance” pay. This loophole encouraged corporate boards to hand out massive bonuses that dramatically widened the pay gaps within U.S. corporations and contributed to skyrocketing inequality. The 2017 Trump-GOP tax law closed this “performance” pay loophole, but only for compensation going to the CEO, CFO, and the three other highest paid employees. As a result, performance pay above \$1 million going to Wall Street traders, celebrities, and other highly paid employees remains fully deductible.

### Why we should eliminate the corporate bonus loophole?

1. **Eliminate taxpayer subsidies for excessive compensation.** Small businesses and working families have to pick up the tab when large corporations and banks don't pay their fair share and are allowed to deduct unlimited sums from their federal taxes for the expense of corporate bonuses for highly paid employees. Under current law, the more corporations shell out in bonuses, the less they pay in taxes.
2. **Curb reckless “short-termism.”** The 2008 financial crisis is only the most severe example of how huge performance bonuses can encourage risky activities that endanger individual companies and the broader economy. Researchers have found that pay arrangements relying heavily on stock-based “performance pay” encourage managers to focus on boosting share prices in the short term at the expense of long-term value.
3. **Raise significant revenue.** Ending the corporate bonus loophole would raise tens of billions of dollars that could go towards investments in health, education, and infrastructure.
4. **Address public concerns about excessive pay.** A Hart Research [poll](#) found that 63 percent of Americans want to eliminate this loophole.

### Bills

Under the Stop Subsidizing Multimillion Dollar Corporate Bonuses Act of 2017 (H.R.399/S.82), compensation to any employee in excess of \$1 million would not be considered a legitimate business expense and therefore corporations could not deduct these sums from their taxable income. This reform would generate around \$24.4 billion over 10 years according to an estimate by Americans for Tax Fairness.

Let's build a financial system for  
working families, White, Black & Brown,  
not big Wall Street banks.

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