Labor Unions, Anti-Poverty Groups, and Other Leading Economic Justice Organizations Urge Support for the

"Tax Excessive CEO Pay Act"

Dear Member of Congress,

We write to strongly endorse the "Tax Excessive CEO Pay Act" (S. 2849/H.R. 5066 in the 116th Congress).

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 264 times their median worker pay.

Sadly, these obscene disparities are continuing during the pandemic. While so many working families are suffering some corporate boards are even bending the rules to protect CEOs from the financial impacts of Covid-19.

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 support Covid recovery and reduce inequality.

Americans across the political spectrum are outraged about the extreme gaps between CEO and worker pay. 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 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 look forward to working with Congressional leaders to make the Tax Excessive CEO Pay Act law.

Sincerely,

1. AFL-CIO
2. Americans for Financial Reform
3. American Sustainable Business Council
4. Americans for Democratic Action (ADA)
5. American Federation of State, County and Municipal Employees (AFSCME)
6. Campaign for America's Future
7. Center for Popular Democracy (CPD)
8. Coalition on Human Needs
9. Communications Workers of America (CWA)
10. Consumer Action
11. Economic Policy Institute (EPI)
12. Franciscan Action Network
13. Greenpeace USA
14. Institute for Policy Studies (IPS)
15. International Brotherhood of Teamsters
16. International Federation of Professional and Technical Engineers (IFPTE)
17. MO Jobs with Justice
18. National Council of Churches
19. National Federation of Federal Employees
20. National Health Care for the Homeless Council
21. National LGBTQ Task Force Action Fund
22. NETWORK Lobby for Catholic Social Justice
23. Our Revolution
24. Patriotic Millionaires
25. People Demanding Action
26. People's Action
27. Public Citizen
28. Service Employees International Union (SEIU)
29. Social Security Works
30. Strong Economy for All Coalition
31. The Other 98%
32. Take on Wall Street
33. United for a Fair Economy (UFE)

34. United for Respect (UFR)
35. Working Families Party

Senate contact: Richard Phillips, Senior Tax Analyst, Senate Budget Committee - Majority Staff (Richard_Phillips@budget.senate.gov)

House contact: Samira Damavandi, Legislative Assistant, Congresswoman Barbara Lee (Samira.Damavandi@mail.house.gov)

Organization sign-on contact: Mandla Deskins, Take On Wall Street Advocacy Coordinator, Americans for Financial Reform, Mandla@ourfinancialsecurity.org, tel. 202-321-6019