

# Close the Corporate Tax Loophole: **END TAX EXEMPTION FOR HUGE CEO BONUSES**

## Key Talking Points

- Big corporations avoid paying taxes on multimillion-dollar bonuses paid to their CEOs—forcing taxpayers to subsidize massive compensation for already-wealthy executives.
- Congress should pass a new bill that would close the loophole, so big corporations have to follow the law on their tax payments just like the rest of us.

While companies squeeze every penny they can get out of workers' pay, a few top executives receive massive bonuses. What's worse, if these massive bonuses are linked to "performance," corporations can deduct the massive payments as an expense on their federal taxes. This loophole encourages inflated payments, usually in stock shares, and increases the CEO-to-worker pay gap.

### How are bonuses subsidized?

Under current law, tax-deductible executive salaries are capped at \$1 million—except for "performance-based" compensation. That loophole allows companies to give their CEOs multimillion-dollar bonuses and claim those bonuses are performance-based—so the company doesn't have to pay taxes on them.

### Why should we close the CEO bonus loophole?

1. CEOs push for risky policies that drive up short-term profits in order to get a bigger bonus. This drive for immediate profit led Wall Street banks to make huge financial gambles, contributing to the massive crisis in 2008.
2. By eliminating the tax deductibility of multimillion-dollar "performance bonuses" paid to corporate CEOs, we can take a major step towards encouraging more modest executive pay.
3. Closing the loophole can raise real money—estimated at as much as \$50 billion over the next decade that could allow all students to refinance their student loans, helping end the cycle of student debt.

It's a big problem with a straightforward solution: bonuses need to also be treated as salary, subject to the \$1 million cap on tax deductibility.

**Ask your Member of Congress to co-sponsor the Stop Subsidizing Multimillion Dollar Corporate Bonuses Act (H.R. 2013/S. 1127) by calling 1-855-973-4213.**

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