ISSUES

The Sanders Income Inequality Tax Plan

The American people want corporations to invest in their workers, not just dividends, stock buybacks and outrageous compensation packages to their executives.

Details

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. Workers in this country should not be paid totally inadequate wages while CEOs make outrageously high compensation packages.

Bernie's Income Inequality Tax Plan raises taxes on companies with exorbitant pay gaps between their executives and typical workers.

Today, the SEC requires companies to disclose their CEO-to-median-worker pay ratios. As a result, we now know that:

- Walmart's CEO made $23.6 million last year, 1,076 times more than the median Walmart worker's $21,952.
- Jamie Dimon made over $30 million last year, 381 times more than the median JPMorganChase employee's $78,923.
- Home Depot's CEO made more than $11.4 million, 486 times more than the median Home Depot employee's $23,389.
- Nike's CEO was paid over $9.5 million in 2018, 379 times more than the median Nike employee's earnings of $24,955.
- American Airlines' CEO made almost $12 million last year, 195 times more than the median American Airlines employee's $61,527.

Under the new Sanders plan, companies with large gaps between their CEO and median worker pay would see progressively higher corporate tax rates with the most unequal companies paying five percentage points more in corporate taxes.

Specifically, this plan would impose tax rate increases on companies with CEO to median worker ratios above 50 to 1. If the CEO did not receive the largest paycheck in the firm, the ratio will be based on the highest-paid employee. 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. The highest penalty would kick in for companies that pay top executives over 500 times worker pay. These rates, if current corporate pay patterns continue, would raise around $150 billion over 10 years.

How companies' corporate taxes would increase if their compensation ratio is:

- Between 50 and 100: +0.5%
- Between 100 and 200: +1%
- Between 200 and 300: +2%
- Between 300 and 400: +3%

- Between 400 and 500: +4%
- More than 500: +5%

If this plan had been in effect last year:

- McDonald's would have paid up to $110.9 million more in taxes.
- Walmart would have paid up to $793.8 million more in taxes.
- JPMorganChase would have paid up to $991.6 million more in taxes.
- The Home Depot would have paid up to $538.2 million more in taxes.
- American Airlines would have paid up to $18.8 million more in taxes.

This plan would apply to all private and publicly held corporations with annual revenue of more than $100 million. The Treasury Department will be required to issue regulations to prevent tax avoidance, including by changing the composition of a firm's workforce. In addition, the pay ratio data for privately held corporations will be made public in the same manner that it is currently disclosed for publicly held corporations.

The revenue generated from this income inequality tax will be used to pay for Bernie's plan to eliminate medical debt. But the goal of this income inequality tax is not just to raise more revenue. It is to send a message to corporate America: stop paying your workers inadequate wages while CEOs make outrageous compensation packages.

The American people want corporations to invest in their workers, not just dividends, stock buybacks and outrageous compensation packages to their executives. That's what this plan is all about.

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