

**NEWS from the Institute for Policy Studies — for immediate release**

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**Taxing Corporations With Big Pay Gaps**

***New data reveals typical employees at 50 U.S. corporations would have to work 1,000 years to make as much as their CEOs made last year***

Washington, D.C. — A new [Institute for Policy Studies report](https://ips-dc.org/report-executive-excess-2019/) reveals staggering new stats on the gap between CEO and worker pay and estimates just how much revenue tax penalties on companies with extreme CEO-worker pay divides could raise.

Support for such tax penalties is growing nationwide. Presidential candidate Bernie Sanders is expected [to release a plan today](https://www.washingtonpost.com/business/2019/09/30/bernie-sanders-pushes-inequality-tax-punish-companies-where-ceos-earn-far-more-than-workers/) and policymakers in [seven state legislatures](https://inequality.org/action/corporate-pay-equity/) have introduced similar proposals. Portland, Oregon became the first jurisdiction to begin collecting revenue from a CEO pay gap tax last year, and San Francisco voters will find a [proposal](https://www.vox.com/recode/2019/7/19/20690934/ceo-tax-san-francisco-income-inequality) for such a tax on their March 2020 ballots.

**Key IPS report findings:**

* At the 50 publicly traded U.S. corporations with the widest pay gaps in 2018, the typical employee would have to work at least **1,000 years** — an entire millennium — to earn what their CEO made in just one.
* Among S&P 500 firms, nearly 80 percent paid their CEO more than **100 times** their median worker pay in 2018, and nearly 10 percent had median pay below the **poverty line** for a family of four.
* S&P 500 corporations as a whole would have owed as much as **$17.2 billion** more in 2018 federal taxes if they were subject to tax penalties ranging from 0.5 percentage points on pay ratios over 100:1 to 5 percentage points on ratios above 500:1.
* **Walmart**, with a pay gap of 1,076 to 1, would have owed as much as $794 million in extra federal taxes in 2018 with this penalty in place. With those millions, the federal government could have extended food stamp benefits to 520,997 people for an entire year.
* **Marathon Petroleum**, with a 714-to-1 gap, would have owed an extra $228 million, more than enough to provide annual heating assistance for 126,000 low-income people.
* **CVS**,a drug store chain with a 618-to-1 ratio, would have added a revenue stream that could have provided annual Medicare prescription benefits for 33,977 seniors.

“Tax penalties on extreme CEO-worker pay gaps build on the living wage movement by encouraging corporations to lift up the bottom and bring down the top of their wage scales,” notes **Sarah Anderson**, the lead author of the new IPS *Executive Excess* report. “Such reforms would also give a boost to small businesses and employee-owned firms and cooperatives that spread their resources more equitably than most large corporate enterprises.”

Excessive executive compensation was a factor in the financial crisis, prompting the U.S. Congress to insert several CEO pay provisions in the 2010 Dodd-Frank financial reform. These included a requirement that publicly held U.S. corporations annually disclose their CEO-median worker pay ratios. The SEC finalized the [disclosure regulation](https://www.sec.gov/news/pressrelease/2015-160.html#targetText=Section%20953(b)%20of%20the,ratio%20of%20those%20two%20amounts.) in 2015 and corporations began [reporting their ratios](https://aflcio.org/paywatch/company-pay-ratios) last year.

“Outrageous CEO compensation gives CEOs an incentive to behave outrageously,” notes *Executive Excess* co-author **Sam Pizzigati**. “More equitable corporate compensation patterns would help discourage the sorts of scandalous behaviors we’ve seen in everything from the financial meltdown a dozen years ago to today’s opioid crisis.”

**IPS executive compensation experts:**

**Sarah Anderson** directs the IPS Global Economy Project and co-edits the IPS web site [Inequality.org](http://inequality.org/). She has been the lead author on all 26 of the Institute’s annual *Executive Excess* reports. Her executive compensation analysis has been featured in [NPR’s 1A](https://the1a.org/shows/2019-04-30/the-economy-is-thriving-but-are-you), [The Guardian](https://www.theguardian.com/business/2018/mar/18/america-ceo-worker-pay-gap-new-data-what-can-we-do), [CNN](https://www.cnn.com/2019/03/26/business/wall-street-profits-bonuses-big-banks/index.html), [Washington Post](https://www.washingtonpost.com/news/business/wp/2018/03/26/wall-streets-average-bonus-in-2017-three-times-what-most-u-s-households-made-all-year/?utm_term=.4f66b16efd90), the[New York Times](https://www.nytimes.com/2017/08/30/opinion/corporate-tax-cuts-jobs.html?mcubz=3), and many other outlets.

**Sam Pizzigati,** an IPS associate fellow, co-edits Inequality.org. His latest book is[*The Case for a Maximum Wage*](http://politybooks.com/bookdetail/?isbn=9781509524914&subject_id=88).

**Additional CEO pay ratio resources**: Since 2017, IPS has maintained an [online clearinghouse](https://inequality.org/action/corporate-pay-equity/) that spotlights related policy analysis, draft legislation, and statements from institutional investors and other advocates.

**For more information:**

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*The****Institute for Policy Studies****(IPS-DC.org) is a nonpartisan, multi-issue research center that has conducted path-breaking research on executive compensation for more than 20 years. IPS also provides a constant stream of inequality analysis and solutions through our*[*Inequality.org*](http://inequality.org/) web site and weekly [newsletter](https://inequality.org/resources/inequality-weekly/).

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