



Experts pan Sanders' plan to tax corporations based on CEO pay disparity

Evie Fordham

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Democratic presidential candidate Sen. Bernie Sanders released a plan on Monday to levy taxes on companies with huge pay disparities between CEOs and their employees, but some economic experts said instead it won't help workers.

"Bernie Sanders makes it sound like CEO pay comes at the expense of workers, but that can't be true because CEO pay is typically only a tiny fraction of corporate revenues," Chris Edwards, director of tax policy at libertarian-leaning think tank the Cato Institute, told FOX Business. "Sanders complains about Walmart CEO pay of \$24 million, but that's only a tiny cost compared to the company's sales of \$500 billion a year."

"Bringing low prices to hundreds of millions of consumers is such a huge responsibility that it makes sense for Walmart to pay a lot to get the best possible CEO," Edwards added.

Sanders' "Income Inequality Tax Plan" would impose tax rate increases on companies with CEO to median worker ratios above 50 to 1. The Vermont senator's tax would apply to all private and publicly held corporations with annual revenue of more than \$100 million.

The larger the CEO-to-median-worker compensation ratio, the higher the corporate tax penalty for companies.

"The Treasury Department will be required to issue regulations to prevent tax avoidance, including by changing the composition of a firm's workforce," the plan reads.

That line troubled Edwards.

"If companies respond to these new penalties by hiring more high-income workers and getting rid of low-income workers, that would be disallowed," he said.

Like Edwards, the Heritage Foundation's Adam Michel believes Sanders' plan would ultimately hurt workers.

"Businesses pay their employees what the market demands, and levying new taxes on high pay will just make U.S. businesses less able to compete globally, expand their workforces, or raise wages of rank and file workers," Michel, a tax policy analyst at the conservative think tank, told FOX Business. "Policies that are actually designed to help low-income Americans should focus on removing barriers to success and increasing business investment."

Sanders' plan could create unpredictable incentives for corporations even though its goal of cutting down on income inequality is a noble one, Eric Toder, co-director of the liberal-leaning Urban Institute's tax policy center, told FOX Business.

"Rather than try to target companies with a certain pay structure, just say people who make more than a certain amount should pay more income tax," Toder said.

Sanders' plan could incentivize businesses to contract out low-paying work rather than keep it in-house, he said.

"One of the biggest issues that people have talked about is the fact that capital gains and dividends are taxed at lower rates than earnings. Now, since the last tax bill, there's a special deduction for pass-through business income, so that the people who are operating businesses pay a 20 percent lower rate, subject to certain restrictions, than people who earn wages. ... Why aren't we closing those gaps?" Toder asked.

Sanders is trailing former Vice President Joe Biden and Massachusetts Sen. Elizabeth Warren in the polls.

FOX Business' inquiry to the Sanders campaign was not returned at the time of publication.