



Why Senator Sherrod Brown wants higher taxes on 'corporate freeloaders'

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Sen. Sherrod Brown (D-Ohio) said one way to close the income gap would be to tax corporations that pay employees less than a living wage.

"I'm for capitalism, to be sure, capitalism creates wealth," Brown told [Yahoo Finance Live](#). But the current tax code he said, "essentially allowed that wealth to flow, not allowed, pushed that wealth to flow mostly to the top."

Brown proposed [the Corporate Freeloader Fee Act](#) last year when Republicans controlled the U.S. Senate. It would have imposed an excise tax on businesses which paid employees less than 218% of [the federal poverty level](#). This year's federal poverty level is \$12,880 in annual wages for a single person or \$28,078 as calculated under Brown's bill.

"It said if a company pays wages that are so low that workers are eligible for Medicaid, and food stamps, and earned income tax credit and housing vouchers, Section 8 housing vouchers, they paid a higher tax rate," he notes.

Brown's proposal would have imposed an excise tax on the "aggregate amount of wages paid by the applicable employer with respect to employment of all employees of the employer during the calendar year." In other words, if 25% of a company's workforce earned less than Brown's poverty level formula, then the "freeloader fee" would be an excise tax equalling 25% of the total annual wages a company paid all employees.

The excise tax would have increased depending on the percentage of a company's workforce earning low wages. So, if 50% of a company's workforce were considered low wage the excise tax imposed on the company would be 50%.

"We know that productivity has gone up, executive compensation has exploded upward, that profits are up and wages have been flat for most of 20 years," Brown said.

The Associated Press annual [survey of CEO compensation](#) found the typical pay package for CEOs at the largest U.S. companies topped \$12.3 million just before the coronavirus pandemic hit. The typical employee at most S&P 500 companies would have to work two lifetimes to earn what their CEO earned in one year, according to the survey's data.

Wall Street vs. workers

Brown's original bill failed to get out of committee but Democrats now control the Senate and Brown is chairman of the [Committee on Banking, Housing and Urban Affairs](#). He is focused on making U.S. workers the center of the post-pandemic economic recovery.

"You can't look at decades of growing productivity, with workers getting a smaller and smaller share of the profits they create, and think the economy looks fair," he said at a recent hearing called Wall Street vs. Workers: How the Financial System Hurts Workers and Widens the Racial Wealth Gap.

Sen. Pat Toomey (R-Pa.) is the banking committee's ranking member and he disagrees with Brown. "In America, for all the problems we have, life is better today than it has ever been for the vast majority of people. It's misleading to focus exclusively on wage gains of workers. What matters is living standard,"

Toomey points out that the standard of living for middle class and working Americans has improved over recent decades. "A Cato Institute study found that the amount of time an unskilled worker has to work in order to purchase a basket of everyday items declined by 72% from 1979 to 2019," he said.

Brown said dealing with wealth inequality and fighting for the dignity of work will go a long way towards strengthening U.S. democracy.

"To strengthen democracy, you need an economic system, you need capitalism with rules, so that workers have a fighting chance," he said.