

1 H.208

2 SHORT FORM

3 Introduced by Representative Sharpe of Bristol

4 Referred to Committee on

5 Date:

6 Subject: Taxation; business surcharge; highly compensated employees

7 Statement of purpose: This bill proposes to create a business surcharge for any  
8 business with highly compensated employees earning three or more times the  
9 average pay of all the business's other employees.

10 The basis for this proposal is that where business success is coupled with an  
11 increasing disparity between the highly compensated on the one hand and  
12 lower-paid workers on the other, the rewards of success are limited to a few,  
13 and the social safety net must provide greater support to those who cannot fully  
14 pay for medical costs, higher education, and other items that the highly  
15 compensated may take for granted.

16 The tax surcharge would apply to every business, based on the following:  
17 If the ratio of highly compensated employees is three times the average of all  
18 other employees, the business income is subject to a surcharge equal to ten  
19 percent of the total compensation to its highly compensated employees; if the  
20 ratio is four times, the surcharge is 20 percent; if the ratio is five times, the  
21 surcharge is 30 percent; and if greater than five times, the surcharge is 40

1       percent. The surcharge would be imposed on the corporation or pro rata on the  
2       owners of any other business entity. The definition of “highly compensated  
3       employee” would be the same as the federal definition used for 401(k) plans.  
4       “Income” would be defined as that reported on the federal form W-2 income or  
5       federal self-employment income for the self-employed; and the proposal would  
6       include rules to annualize compensation of individuals who work less than full  
7       time or less than a full year.

8             An act relating to highly compensated employees business surcharge

9       It is hereby enacted by the General Assembly of the State of Vermont:

10                             (TEXT OMITTED IN SHORT-FORM BILLS)