

WEBB-BOXER “TAXPAYER FAIRNESS ACT,” S.2994

SUMMARY

The **Taxpayer Fairness Act, S.2994**, introduced by Senators Jim Webb (D-VA) and Barbara Boxer (D-CA) on February 4, 2010, will impose a one-time 50 percent tax on excessive bonuses paid by Wall Street banks and other firms that benefited from billions of taxpayer dollars in 2009. The revenues generated would be used for deficit reduction.

KEY PROVISIONS

- This legislation imposes a **one-time 50 percent tax on bonuses above \$400,000 paid to executives of financial institutions that received \$5 billion or more of taxpayer support** under the Troubled Assets Relief Program (TARP) or the Housing and Economic Recovery Act 2008, including the two largest housing agencies (Fannie Mae and Freddie Mac).
- Base salary and sales commissions are not defined as bonuses and thus not affected. **Stock options and grants of stock are included as bonuses.**
- This **proposal affects only bonuses given in 2010 for performance in 2009, and no other year.** 2009 was an extraordinary year when the success and, in many cases, the survival of these companies depended on federal assistance.
- **Revenues raised would be returned to the Treasury to be used for deficit reduction.**

APPLICABLE INSTITUTIONS

The top seven recipients of TARP funds paid out over \$31 billion in employee bonuses for performance in 2008, with 4,675 employees receiving bonuses of \$1 million or greater. Bonuses for 2009 performance will be even larger: compensation at these seven firms has increased by \$14 billion this year.

The Taxpayer Fairness Act would apply to executives at the following financial institutions that received \$5 billion or more of taxpayer support:

• AIG	\$45.3 billion	• Goldman Sachs	\$10 billion
• Bank of America	\$45 billion	• JP Morgan	\$25 billion
• Citigroup	\$45 billion	• Morgan Stanley	\$10 billion
• Fannie Mae	\$59.9 billion	• PNC Financial	\$7.6 billion
• Freddie Mac	\$50.7 billion	• Wells Fargo	\$25 billion
• General Motors	\$50.7 billion	• US Bancorp	\$6.6 billion
• GMAC	\$16.3 billion		