HOUSE BILL 1785

State of Washington 69th Legislature 2025 Regular Session

By Representatives Doglio, Berry, Parshley, Ramel, Reed, Mena, Ryu, Fosse, Thomas, Cortes, Pollet, Macri, Hill, and Scott

Read first time 02/03/25. Referred to Committee on Finance.

AN ACT Relating to imposing a surcharge on publicly traded companies providing excessive executive compensation; adding a new section to chapter 82.04 RCW; adding a new section to chapter 82.16 RCW; creating new sections; and providing an effective date.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

NEW SECTION. **Sec. 1.** The legislature finds that chief executive officers have seen massive pay raises while the wages of workers remain modest. The pay for top executives is often hundreds, even thousands, of times that of the median worker at their companies. One report found that chief executive officer pay has increased 1,085 percent since 1978 while the median worker has seen a rise of only 24 percent in that same time frame. In the Pacific Northwest, the average chief executive officer can make between 200 and 400 times the amount of the chief executive officer's employees. This pay gap contributes to income inequality in the United States and further consolidates the wealth of the top one percent. It is the intent of the legislature to impose a surcharge on corporations with excessive chief executive officer pay and provide funding for state programs that support all Washingtonians.

NEW SECTION. **Sec. 2.** A new section is added to chapter 82.04 RCW to read as follows:

(1) Beginning January 1, 2026, in addition to the taxes imposed under this chapter, a surcharge is imposed on any person with an executive pay ratio of at least 50 to one in the previous calendar year. The surcharge applies to the tax otherwise payable under this chapter after credits under RCW 82.04.440 have been applied. The surcharge is equal to:

(a) 10 percent if the executive pay ratio is at least 50 to one but less than 150 to one; and

(b) 25 percent if the executive pay ratio is 150 to one or more.

(2) The surcharge applies to taxes due for the calendar year following the year in which the executive pay ratio under subsection (1) of this section occurred. If the executive pay ratio of a publicly traded company changes during the course of a calendar year, adjustments to the surcharge resulting from the change apply January 1st of the calendar year following the year in which the change occurred.

(3) If the executive pay ratio as reported to the United States securities and exchange commission, or its successor agency, for the previous calendar year is not disclosed by the taxpayer to the department, the rate of the surcharge imposed is 25 percent for the applicable calendar years.

(4) Companies not publicly traded but listed as a subsidiary in the filings of the parent company with the United States securities and exchange commission are subject to the surcharge if the parent company is subject to the surcharge.

(5) All revenues collected under this section must be deposited into the state general fund.

(6) For the purposes of this section, "executive pay ratio" means the ratio of the annual compensation of the chief executive officer compared to the median annual compensation of all other employees that is required to be disclosed pursuant to section 953 of the Dodd-Frank wall street reform and consumer protection act (P.L. 111-203) and reported to the United States securities and exchange commission, or its successor agency.

NEW SECTION. **Sec. 3.** A new section is added to chapter 82.16 RCW to read as follows:

(1) Beginning January 1, 2026, in addition to the taxes imposed under this chapter, a surcharge is imposed on any person with an executive pay ratio of at least 50 to one in the previous calendar year. The surcharge applies to the tax otherwise payable under this chapter after credits under RCW 82.04.440 have been applied. The surcharge is equal to:

(a) 10 percent if the executive pay ratio is at least 50 to one but less than 150 to one; and

(b) 25 percent if the executive pay ratio is 150 to one or more.

(2) The surcharge applies to taxes due for the calendar year following the year in which the executive pay ratio under subsection (1) of this section occurred. If the executive pay ratio of a publicly traded company changes during the course of a calendar year, adjustments to the surcharge resulting from the change apply January 1st of the calendar year following the year in which the change occurred.

(3) If the executive pay ratio as reported to the United States securities and exchange commission, or its successor agency, for the previous calendar year is not disclosed by the taxpayer to the department, the rate of the surcharge imposed is 25 percent for the applicable calendar years.

(4) Companies not publicly traded but listed as a subsidiary in the filings of the parent company with the United States securities and exchange commission are subject to the surcharge if the parent company is subject to the surcharge.

(5) All revenues collected under this section must be deposited into the state general fund.

(6) For the purposes of this section, "executive pay ratio" means the ratio of the annual compensation of the chief executive officer compared to the median annual compensation of all other employees that is required to be disclosed pursuant to section 953 of the Dodd-Frank wall street reform and consumer protection act (P.L. 111-203) and reported to the United States securities and exchange commission, or its successor agency.

NEW SECTION. **Sec. 4.** By December 1, 2026, and in compliance with RCW 43.01.036, the department of revenue must submit a report to the legislature regarding the feasibility of extending this act to taxpayers not currently required to disclose executive pay ratio under the Dodd-Frank wall street reform and consumer protection act (P.L. 111-203).

NEW SECTION. **Sec. 5.** This act takes effect January 1, 2026.

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