Overpaid CEO Tax Ordinance

The people of the City of Los Angeles ordain as follows:

Section 1. Title

This measure shall be known and may be cited as the Overpaid CEO Tax Ordinance.

Section 2. Purpose

1. Extreme income inequality is one of the most pressing issues impacting the health and welfare of Los Angeles residents.

2. Many working Angelinos—including essential workers like firefighters, teachers, cooks, nurses, and hotel housekeepers—are struggling to pay for housing, food, childcare, and other necessities. As wages have failed to keep pace with soaring costs, workers and their families frequently find themselves in severe economic distress. Many can only afford to live in locales far from their workplaces, diminishing their quality of life and ability to care for children. Many of these same workers live in locales, known as food deserts, that are underserved by grocers, leaving them without access to affordable, fresh, healthy food, and further diminishing their quality of life and health outcomes for themselves and their families.

3. Extreme income inequality has also contributed to the homelessness crisis, with large shares of the newly unhoused citing economic hardship as the cause. In 2025, the Los Angeles Homeless Services Authority counted 43,699 unhoused people in the City of Los Angeles, including large numbers of seniors.

4. At the same time, the compensation of those on the very top of the economic pyramid has skyrocketed. Between 1978 and 2024, executive compensation rose 1,094%, but during the same period average worker compensation rose only 26%, according to the Economic Policy Institute. Following significant increases in recent years, many large firms in major industries now pay their top executives tens of millions of dollars per year.

5. When employers underpay their workers, workers may be forced to rely on the public sector as a provider of social support services. Therefore, the City has an interest in ensuring that companies contributing to income inequality in the City pay their fair share to the public fisc.

6. The City also has an interest in collecting revenue to address the related housing affordability crisis, including through the production of housing for working families, as well as other civic needs such as the repair of our streets and sidewalks, after-school care for our schoolchildren, and access to healthy food. It is reasonable to expect companies that pay their top executives many times more than their median employees to contribute more in taxes to pay for public goods.

7. By imposing a tax for large companies with extreme CEO-to-worker pay ratios, this Ordinance is intended to collect revenue for critical needs from large businesses that adopt pay practices that exacerbate extreme income inequality.

Section 3. Overpaid CEO Tax

Sections 21.200 through 21.202 of Article 1 of Chapter II of the Los Angeles Municipal Code are added to read as follows:

SEC. 21.200. OVERPAID CEO TAX

(a) For purposes of this Section 21.200, the following additional definitions apply:

1. **"Overpaid CEO Tax"** means the additional portion of the business tax imposed by paragraph (b) of this Section 21.200.

2. **"City"** means the City of Los Angeles.

3. **"Compensation"** means wages, salaries, commissions, bonuses, property issued or transferred in exchange for the performance of services (including but not limited to stock options and awards), compensation for services to owners of pass-through entities, security costs, and any other form of remuneration paid or provided to employees for services.

4. **"Community Land Trust"** shall have the same meaning as in Section 22.618.2 of Article 9 of Chapter 24 of Division 22 of the Los Angeles Administrative Code.

5. **"Covered Employer"** means any person employing at least 1,000 employees nationwide including employees of any subsidiaries, business units, or entities it owns or controls, and including employees of any parent company that owns or controls the Covered Employer.

6. **"Executive Pay Ratio"** means the ratio of (a) the Applicable Compensation paid to a Covered Employer's Highest-Paid Managerial Employee for a tax year to (b) the median Compensation paid to the Covered Employer's full-time or part-time employees based in the City for that tax year, determined on a full-time equivalency and annualized basis. For purposes of this definition:

   i. For the first five tax years after this section first becomes effective, the Applicable Compensation refers to the annualized compensation of a Covered Employer's Highest-Paid Managerial Employee for a given tax year.

   ii. For the sixth and subsequent tax years, the Applicable Annual Compensation is calculated as a five-year rolling average of the annualized Compensation that was paid or provided to the Covered Employer's Highest-Paid Managerial Employee in each of the five most recent tax years, including the current tax year. The identity of the Highest Paid Managerial Employee may differ from year to year. If a

Covered Employer has been in existence for less than five years, the average is calculated based on the number of years the Covered Employer has been in existence.

iii. An employee is based in the City for a tax year if the employee's total working hours in the City for the Covered Employer during the tax year exceeds the employee's total working hours in any other local jurisdiction for the Covered Employer during the tax year.

iv. Compensation paid to a part-time employee for the tax year shall be converted to a "full-time equivalency" by multiplying the part-time employee's Compensation for the tax year by 40 and dividing the result by the average number of hours the part-time employee worked per week during the tax year for the Covered Employer.

v. Compensation paid to an employee for only a portion of the tax year shall be "annualized" by multiplying the employee's Compensation (or, as stated, for a part-time employee, full-time equivalent Compensation) for the tax year by 52, and dividing the result by the number of weeks that the employee was employed by that Covered Employer during the tax year.

vi. The median Compensation shall be calculated using the employee population, statistical sampling, and/or other reasonable methods.

7. **"Food desert"** means any area where residents have limited access to affordable and healthy food from a quality grocery store, as identified by the DAA.

8. **"Grocery store"** means a retail store that is over 15,000 square feet in size and that sells primarily household foodstuffs for offsite consumption, including the sale of fresh produce, meats, poultry, fish, deli products, dairy products, canned foods, dry foods, beverages, baked foods and/or prepared foods.

9. **"Healthy Food"** means fresh or frozen foods that do not contain added sugars, fats, or high levels of salt, including but not limited to, fresh fruits and vegetables, whole grains, beans, peas, lentils, and other legumes, nuts and seeds, and fresh proteins such as fish, tofu, and lower fat dairy products.

10. **"Highest-Paid Managerial Employee"** means the individual employee or officer of a Covered Employer, or of any subsidiary, business unit, or entity owned or controlled by the Covered Employer, or of any parent entity that owns or controls the Covered Employer, with managerial responsibility in a business function, who received the most Compensation for a tax year.

11. **"Limited Equity Housing Cooperative"** shall have the same meaning as in Section 817 of the California Civil Code.

12. **“Quality grocery store”** means a grocery store that demonstrates high road employment standards and practices, including the provision of comparatively good wages and benefits relative to the grocery sector and the adoption of mechanisms to include worker voice and agency in the workplace.

13. “**Security costs**” mean the costs or expenses incurred to protect or mitigate risk to the personal security of a managerial employee.

14. **“Seniors”** means persons who are 65 (sixty-five) years or older.

(b) Where the Executive Pay Ratio of any Covered Employer for a tax year exceeds 50:1, the Covered Employer must pay, as a component of the business tax owed by that Covered Employer for that tax year, an additional Overpaid CEO Tax, as follows:

1. If the Covered Employer has an Executive Pay Ratio for that tax year greater than 50:1, but less than or equal to 100:1, the Overpaid CEO Tax shall equal 1 (one) times the business tax otherwise owed by the Covered Employer pursuant to this Article 1;

2. If the Covered Employer has an Executive Pay Ratio for that tax year greater than 100:1, but less than or equal to 200:1, the Overpaid CEO Tax shall equal 2 (two) times the business tax otherwise owed by the Covered Employer pursuant to this Article 1;

3. If the Covered Employer has an Executive Pay Ratio for that tax year greater than 200:1, but less than or equal to 300:1, the Overpaid CEO Tax shall equal 4 (four) times the business tax otherwise owed by the Covered Employer pursuant to this Article 1;

4. If the Covered Employer has an Executive Pay Ratio for that tax year greater than 300:1, but less than or equal to 400:1, the Overpaid CEO Tax shall equal 6 (six) times the business tax otherwise owed by the Covered Employer pursuant to this Article 1;

5. If the Covered Employer has an Executive Pay Ratio for that tax year greater than 400:1, but less than or equal to 500:1, the Overpaid CEO Tax shall equal 8 (eight) times the business tax otherwise owed by the Covered Employer pursuant to this Article 1;

6. If the Covered Employer has an Executive Pay Ratio for that tax year greater than 500:1, the Overpaid CEO Tax shall equal 10 (ten) times the business tax otherwise owed by the Covered Employer pursuant to this Article 1.

(c) Construction and Scope.

1. The Overpaid CEO Tax shall be considered a portion of the business tax owed under this Article 1 by any Covered Employer with an Executive Pay Ratio exceeding 50:1, on top of whatever business tax the Covered Employer otherwise owes pursuant to other sections of this Article 1. Other than by changing the calculation of business tax owed by any Covered Employer with an Executive Pay Ratio exceeding 50:1, the imposition of the Overpaid CEO Tax shall not alter any provision of this Article 1 relating to the business tax owed by such a Covered Employer, including but not limited to provisions governing the scope, exemptions, procedures, enforcement, and penalties associated with the business tax.

2. For only so long as and to the extent that the City is prohibited from imposing the Overpaid CEO Tax under this Section, any person upon whom the City is prohibited under the Constitution or laws of the State of California or the Constitution or laws of the United States from imposing the Surtax under this Section shall be exempt from the provisions of this Section.

3. This Section 21.200 is intended to authorize application of the Overpaid CEO Tax in the broadest manner consistent with its provisions and with the California Constitution, the United States Constitution, and any other applicable provision of federal or state law.

4. Notwithstanding any other provision of this Section 21.200, no person whose business tax liability is calculated under Section 21.109 shall be required to pay any portion of the Overpaid CEO Tax that would cause the person's tax owed under this article to exceed the maximum tax set by Section 21.109(c).

5. Other than imposing the Overpaid CEO Tax on Covered Employers with Executive Pay Ratios exceeding 50:1 pursuant to paragraph (b) of this Section, nothing in this Section shall be construed to alter any person's business tax liability under Article 1 of Chapter II of the Los Angeles Municipal Code.

6. To the extent that any person is exempt from the business tax under this Article 1, that person is exempt to the same extent from the Overpaid CEO Tax.

SEC. 21.201. OVERPAID CEO TAX – EXPENDITURE OF PROCEEDS FOR COMMUNITY AND FAMILY STABILIZATION.

(a) Four separate funds which shall be special funds, the "Working Families Housing Fund," the "Street and Sidewalk Repair Programs Fund," the "After-School Programs Fund," and the "Fresh Food Access Fund" are hereby created. These funds, together with all interest accruing thereon, shall be devoted exclusively to the following purposes:

   1. The Working Families Housing Fund shall be used exclusively for programs to build, maintain, and enable access to housing, including units suitable for

larger households, as described herein.

i. Ninety-five percent (95%) of Working Families Housing Fund revenue per year shall be administered and allocated by the City of Los Angeles Housing Department ("LAHD") for the development of permanent housing projects of 40 or more units that are affordable for households with income of 50% to 100% of Area Median Income ("AMI"), or to pay the principal and interest on debt incurred for such purpose.

    a. In determining the range of qualifying income levels relative to AMI, LAHD shall utilize the Income Schedule issued by LAHD for Major Projects, including ULA, HHH, and the Affordable Housing Linkage Fee.

    b. LAHD shall generate program guidelines. LAHD shall also establish subsidy limits and a scoring system on an annual basis. Such guidelines, subsidy limits, and scoring system shall adhere to the following:

        (i) Eligible housing types may include, but are not limited to, traditional rental and ownership-based housing, as well as Community Land Trusts and Limited-Equity Housing Cooperatives, but shall not include interim or shelter-based housing.

        (ii) All units in a funded project shall be affordable to, and occupied by, households with income of 50% to 100% of AMI, as defined herein, at the time of their initial occupancy, except that according to criteria established by LAHD, and only for the purpose of ensuring the viability of the project and increasing the financial stability of units for households with income of 50% to 100% of AMI in the project, up to 20% of units may be targeted to other households, such as those with income below 50% or above 100% of AMI, including through utilization of any form of the eligible housing types set forth in subparagraph (a)(1)(i)(a)(i) of this Section.

        (iii) Funding decisions shall be guided by the objective of achieving a mix of housing affordability within the range of 50% to 100% of AMI. LAHD shall work to ensure that at least 40% of units subsidized through the program are targeted for occupancy by households with less than 70% of AMI and at least 40% of subsidized units are targeted for occupancy by households with

70% to 100% of AMI. In the event that these targets are not met, annual adjustments to funding allocations and subsidy limits shall be made, to the extent feasible, to move toward compliance in subsequent periods. LAHD shall report annually to the City Council on allocation outcomes.

(iv) Projects shall be located throughout the City to give residents opportunities and choices, including housing in reasonable proximity to their jobs.

(v) To the extent permitted by law, a preference shall be granted to applications that propose family-friendly design elements, including multiple-bedroom units, and tenant selection policies that prioritize renting larger units to larger households.

(vi) Allocations may be used in conjunction with other federal, state, and local affordable housing funding sources.

(vii) Proposed projects shall be subject to LAHD underwriting, plan and cost reviews to ensure there are adequate capital and replacement reserves for long-term sustainability.

(viii) Unit production goals shall be established each year and subsidy limits shall be calculated to support those goals.

(ix) Subsidy limits shall be established each year on a per bedroom, per unit size, basis; and awards per project shall be based on the subsidy limit multiplied by the number of covenanted units.

(x) Each property and/or each housing unit subject to an affordability restriction set forth herein shall be made subject to a recorded covenant acceptable to LAHD and recorded with the Los Angeles County Recorder. The term of the affordability restrictions contained in the covenant shall be in perpetuity, or such other maximum length of time as may be permitted by applicable law, except that an affordability covenant with a fixed term of no less than 55 years shall be acceptable only if necessary to meet requirements of other funding sources.

ii. Five percent (5%) of the annual revenue from the Working Families Housing Fund shall be administered and allocated by the Community Investment and Families Department ("CIFD"), or by another department designated by the City if CIFD is restructured, dissolved, or otherwise deemed no longer appropriate. These funds shall be used to provide financial assistance to homeless seniors to assist them in securing housing in either formal or informal housing markets and to meet other essential survival needs.

iii. In the administration and expenditure of the Working Family Housing Programs Fund, LAHD may coordinate with ULA Programs, as described in Section 22.618.3 of Article 9 of Chapter 24 of Division 22 of the Los Angeles Administrative Code, and the ULA Citizen Oversight Committee, as described in Section 22.618.6 of that Article.

2. The Street and Sidewalk Repairs Programs Fund shall be administered by the Bureau of Street Services for programs to build, maintain, repair, or make necessary infrastructure improvements, including but not limited to improving public streets, protecting tree canopy, and repairing sidewalks, with priority given to both of the following: (1) infrastructure to accommodate new housing in neighborhoods surrounding projects funded under Sec. 21.201(a)1 of this Article and (2) funding sidewalk repair projects where the provision of additional funds preserves street trees or other tree canopy through tree preservation strategies including, but not limited to, meandering of the sidewalks, installation of permeable pavers or rubber sidewalk tiles, construction of ramps or suspended slab sidewalks over roots, narrowing of sidewalks, and root pruning. No infrastructure program funded by the Street and Sidewalk Repairs Program Fund shall remove trees without reasonable efforts to preserve trees through tree preservation strategies.

3. The After-School Programs Fund shall be allocated by the City to support high-quality after-school enrichment programs serving elementary school students. Its purpose is to expand safe, educational, and recreational opportunities for school children during non-school hours. The City may allocate funds for one or both of the following uses:

i. To support after-school programs operated by the City of Los Angeles Department of Recreation and Parks.

ii. To support after-school programs at public elementary school campuses in the City of Los Angeles operated by qualified nonprofit organizations through contracts with such organizations. To receive funding, a provider must:

a. Be a nonprofit organization with at least five years of experience operating after-school programs in partnership with public schools in the City of Los Angeles;

b. Demonstrate the capacity to serve at least 5,000 elementary school students annually or to operate programs at a minimum of 50 public elementary school sites in the City of Los Angeles; and

c. Provide evidence of program effectiveness through independent evaluations or comparable assessments showing positive outcomes for participating students.

4. The Fresh Food Access Fund shall be administered and allocated by the Designated Administrative Agency ("DAA") to incentivize and facilitate the opening, expansion, and renovation of quality grocery stores offering healthy food in food deserts.

   i. For purposes of this subdivision, the Designated Administrative Agency shall be the Office of Wage Standards of the Bureau of Contract Administration or any other agency designated by the City Council to implement the provisions of this subdivision.

   ii. The DAA shall develop regulations for the implementation of the provisions of this subdivision and shall solicit input from the public, the Los Angeles Food Policy Council, and other stakeholders in developing such regulations. Within ninety (90) days of the effective date of this Ordinance, the DAA shall submit the proposed regulations to the City Council for approval.

   iii. The DAA shall be empowered to promulgate guidelines and to issue determinations and interpretations consistent with the provisions of this subdivision.

   iv. Regulations and guidelines adopted pursuant to this subdivision shall adhere to the following:

      a. Funds shall be dispersed in the form of direct financial assistance to quality grocery stores for eligible projects.

      b. Eligible projects include the construction of new grocery stores and the expansion of existing retail operations to offer fresh groceries, provided that at least 15% of the expanded selling space is dedicated to the sale of groceries and fresh food.

      c. Eligible projects must be located in a food desert.

d. In evaluating applications, the DAA shall consider the extent to which the proposed project satisfies all of the following criteria and objectives:

(i) The proposed project contributes to better health outcomes by improving access to fresh and healthy food including a variety of affordable, high-quality fresh produce, or a combination of fresh produce and other healthy grocery items, such as whole grains, dairy, fresh meat and other proteins;

(ii) The proposed project accepts or commits to accept SNAP and WIC to the maximum extent possible;

(iii) The proposed project is financially viable;

(iv) The proposed project is supported by the community.

e. Funds may be used for the following purposes:

(i) Predevelopment costs including market and feasibility studies;

(ii) Land acquisition, land assembly, including demolition and environmental remediation, and site development;

(iii) Infrastructure improvement, including renovation, new construction or adaptive reuse;

(iv) Equipment purchases that improve the availability and quality of store offerings;

(v) Marketing or innovative food access technology that assists the healthy food access efforts of an existing or new grocery store;

(vi) Salaries and benefits to grocery store employees;

(vii) Other purposes which further the objective of increasing access to fresh and healthy foods in food deserts, as determined by the DAA.

v. The DAA shall monitor compliance with the provisions of this subdivision. The DAA may withhold awarded funds and/or recover funds already dispersed if it discovers that a project applicant provided false or intentionally misleading statements in its application or otherwise fails to comply with the requirements of this subdivision.

vi. Within one (1) year of the enactment of this Ordinance, the DAA shall prepare and publish maps identifying all food deserts in the City and shall revise such maps at one (1) year intervals thereafter.

(b) The proceeds (including penalties and interest, if any) from the Overpaid CEO Tax paid by any person as a portion of that person's business tax shall be placed in the Working Families Housing Fund, the Street and Sidewalk Repair Programs Fund, the After-School Programs Fund, and the Fresh Food Access Fund according to the following formula:

1. Seventy percent of the proceeds shall be placed in the Working Families Housing Fund.

2. Twenty percent of the proceeds shall be placed in the Street and Sidewalk Repairs Programs Fund.

3. Five percent of the proceeds shall be placed in the After-School Programs Fund.

4. Five percent of the proceeds shall be placed in the Fresh Food Access Fund. No later than five (5) years from the effective date of this Ordinance, the DAA shall conduct a review of the Access to Healthy Food Programs Fund established herein, including an assessment of its effectiveness in incentivizing and facilitating the opening, expansion, and renovation of quality grocery stores offering healthy food in food deserts. Based on the findings of this review, the City Council shall determine whether the program should be continued, modified, or discontinued. If the City Council determines that the program should be discontinued, all remaining and future appropriations dedicated to the Fresh Food Access Fund shall be redirected to the Working Families Housing Fund.

(c) Other than with respect to proceeds directly resulting from the Overpaid CEO Tax, nothing in this Section shall be construed to alter the use or disposition of proceeds from business taxes imposed by this Article 1.

SEC. 21.202. CONSTRUCTION WORK

(a) Any construction or rehabilitation project receiving funding or financing from this measure shall constitute a public work for which prevailing wages shall be paid for purposes of Chapter 1 (commencing with Section 1720) of Part 7 of Division 2 of the California Labor Code.

(b) All construction or rehabilitation on projects of 40 units and greater that receive funding or financing from this measure will be subject to the then-current City of Los Angeles Department of Public Works Project Labor Agreement. For purposes of this subdivision, the number of units means the maximum number of units authorized in any entitlement granted by the land use permitting authority for the development project, regardless of whether construction proceeds in phases or ownership is divided.

(c) For purposes of this subdivision, "project labor agreement" has the same meaning as in paragraph (1) of subdivision (b) of Section 2500 of the California Public Contract Code

Section 4. Amendments

This Ordinance may not be amended or repealed without approval by the voters of the City of Los Angeles, provided that nothing herein shall preclude the City, including the City Council, from taking actions, including amending the Ordinance, that further the purpose of this Ordinance. In addition to any other administrative authorities possessed by City officials applicable to the implementation this Ordinance, the Director of Finance or his or her delegee may make and enforce any necessary rules, regulations, procedures, and guidelines for the purpose of implementing this Ordinance.

Section 5. Effect of State and Federal Authorization

To the extent that the City's authorization to impose or collect any tax imposed under this Article is expanded or limited as a result of changes in state or federal statutes, regulations, or other laws, or judicial interpretation of those laws, no amendment or modification of this Article shall be required to conform the taxes to those changes, and the taxes are hereby imposed in conformity with those changes, and the Director of Finance shall collect them to the full extent of the City's authorization up to the full amount and rate of the taxes imposed under this Article.

Section 6. Severability

If any section, subsection, sentence, clause, phrase, or word of this Article, or any application thereof to any person or circumstance, is held to be invalid, unlawful, or unconstitutional by a decision of a court of competent jurisdiction, such decision shall not affect the validity of the remaining portions or applications of this Article. The voters of the City of Los Angeles hereby declare that they would have passed and adopted all sections, subdivisions, clauses, sentences, phrases and words of this Ordinance without the section, subdivision, clause, sentence, phrase or word declared invalid by a court of competent jurisdiction. If any Fund specified in this measure is held is to be invalid, unlawful, or unconstitutional by a decision of a court of competent jurisdiction, that fund's share of the Overpaid CEO Tax proceeds shall be redistributed equally to the remaining Funds specified in this measure.

Section 7. Savings Clause

No section, clause, part, or provision of this Article shall be construed as requiring the payment of any tax that would be in violation of the Constitution or laws of the United States or of the Constitution or laws of the State of California.

Section 8. Effective and Operative Dates.

This Ordinance shall become effective upon declaration of the official vote count by the City Clerk, and shall become operative on January 1 of the calendar year following the calendar year in which the declaration of the official vote count is made.

Section 9. Conflicting Measures

This measure is intended to be comprehensive. It is the intent of the people of the City of Los Angeles that, in the event this measure and one or more measures relating to business taxes in the City of Los Angeles shall appear on the same ballot, the provisions of the other measure or measures shall be deemed in conflict with this measure. In the event that this measure receives a greater number of affirmative votes, the provisions of this measure shall prevail in their entirety, and all provisions of the other measure or measures shall be null and void.