117th CONGRESS  
1st Session  

S._______

To amend the Internal Revenue Code of 1986 to impose an excise tax on stock buybacks of publicly-held corporations.

__________________________

IN THE SENATE OF THE UNITED STATES

Mr. BROWN introduced the following bill; which was read twice and referred to the Committee on ______________________

__________________________

A BILL

To amend the Internal Revenue Code of 1986 to impose an excise tax on stock buybacks of publicly-held corporations.

1 Be it enacted by the Senate and House of Representa-
2 tives of the United States of America in Congress assembled,
3
4 SECTION 1. SHORT TITLE.
5 This Act may be cited as the “____________ Act of
6 _____.
7
8 SEC. 2. EXCISE TAX ON REPURCHASE OF EMPLOYER SECU-
9 RITIES.
10 (a) IN GENERAL.—Subtitle D of the Internal Rev-
11 enue Code of 1986 is amended by inserting after chapter
12 36 the following new chapter:
“CHAPTER 37—REPURCHASE OF CORPORATE SECURITIES

“Sec. 4501. Repurchase of employer securities.

“SEC. 4501. REPURCHASE OF CORPORATE SECURITIES.

“(a) General Rule.—There is hereby imposed on each covered corporation a tax equal to 2 percent of the value of any securities of the corporation repurchased by such corporation during the taxable year.

“(b) Covered Corporation.—For purposes of this section—

“(1) In general.—The term ‘covered corporation’ means any domestic publicly held corporation (within the meaning of section 162(m)(2)), including any surrogate foreign corporation (as determined under section 7874(a)(2)(B)).

“(2) Application to US subsidiaries.—In the case of any covered corporation which is a subsidiary of a foreign publicly held corporation, subsection (a) shall apply to so much of the value of any securities repurchased by such corporation during the taxable year as bears the same ratio to the total value of all such securities repurchased during such taxable year as the United States gross receipts of such corporation bears to the global gross receipts of the parent corporation and all its subsidiaries.
“(c) Repurchase.—For purposes of this section—

“(1) IN GENERAL.—The term ‘repurchase’ means a redemption within the meaning of section 317(b) (and any similar transaction with regard to foreign corporation stock as determined by the Secretary).

“(2) ADJUSTMENT.—The amount of any repurchase of securities taken into account under subsection (a) shall be reduced by—

“(A) the value of any securities newly issued by the covered corporation during the taxable year, and

“(B) the value of any securities issued to employees of such corporation during the taxable year, including in response to the exercise of an option to purchase securities.

“(d) EXCEPTIONS.—Subsection (a) shall not apply to the extent—

“(1) a repurchase is part of a non-recognition transaction and is not subject to recognition,

“(2) the securities repurchased are, or an amount equal to the value of such securities is, contributed to an employer-sponsored retirement plan, employee stock ownership plan, or similar plan, or
“(3) the value of the securities so repurchased does not exceed $1,000,000.

“(e) DENIAL OF DEDUCTION.—No deduction shall be allowed under any provision of this title with regard to the tax imposed by this section.

“(f) REGULATIONS.—The Secretary shall prescribe such regulations as are necessary to administer and to prevent the avoidance of the purposes of this section, including regulations—

“(1) to prevent the abuse of the exception provided by subsection (d)(1),

“(2) to determine the application of this section to purchases which are intended to be equivalent to a repurchase of securities, and

“(3) to address special classes of shares and preferred stock.”.

(b) CLERICAL AMENDMENT.—The table of chapters for subtitle D of the Internal Revenue Code of 1986 is amended by inserting after the item relating to chapter 36 the following new item:

“Chapter 37—Repurchase of Corporate Securities”.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to repurchases of securities (within the meaning of section 4501(c) of the Internal Revenue Code of 1986, as added by this section) after December 31, 2021.