

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 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “_____ Act of
5 _____”.

6 **SEC. 2. EXCISE TAX ON REPURCHASE OF EMPLOYER SECURITIES.**
7

8 (a) IN GENERAL.—Subtitle D of the Internal Rev-
9 enue Code of 1986 is amended by inserting after chapter
10 36 the following new chapter:

1 **“CHAPTER 37—REPURCHASE OF**
2 **CORPORATE SECURITIES**

“Sec. 4501. Repurchase of employer securities.

3 **“SEC. 4501. REPURCHASE OF CORPORATE SECURITIES.**

4 “(a) GENERAL RULE.—There is hereby imposed on
5 each covered corporation a tax equal to 2 percent of the
6 value of any securities of the corporation repurchased by
7 such corporation during the taxable year.

8 “(b) COVERED CORPORATION.—For purposes of this
9 section—

10 “(1) IN GENERAL.—The term ‘covered corpora-
11 tion’ means any domestic publicly held corporation
12 (within the meaning of section 162(m)(2)), including
13 any surrogate foreign corporation (as determined
14 under section 7874(a)(2)(B)).

15 “(2) APPLICATION TO US SUBSIDIARIES.—In
16 the case of any covered corporation which is a sub-
17 sidiary of a foreign publicly held corporation, sub-
18 section (a) shall apply to so much of the value of
19 any securities repurchased by such corporation dur-
20 ing the taxable year as bears the same ratio to the
21 total value of all such securities repurchased during
22 such taxable year as the United States gross receipts
23 of such corporation bears to the global gross receipts
24 of the parent corporation and all its subsidiaries.

1 “(c) REPURCHASE.—For purposes of this section—

2 “(1) IN GENERAL.—The term ‘repurchase’
3 means a redemption within the meaning of section
4 317(b) (and any similar transaction with regard to
5 foreign corporation stock as determined by the Sec-
6 retary).

7 “(2) ADJUSTMENT.—The amount of any repur-
8 chase of securities taken into account under sub-
9 section (a) shall be reduced by—

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

13 “(B) the value of any securities issued to
14 employees of such corporation during the tax-
15 able year, including in response to the exercise
16 of an option to purchase securities.

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

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

21 “(2) the securities repurchased are, or an
22 amount equal to the value of such securities is, con-
23 tributed to an employer-sponsored retirement plan,
24 employee stock ownership plan, or similar plan, or

1 “(3) the value of the securities so repurchased
2 does not exceed \$1,000,000.

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

6 “(f) REGULATIONS.—The Secretary shall prescribe
7 such regulations as are necessary to administer and to
8 prevent the avoidance of the purposes of this section, in-
9 cluding regulations—

10 “(1) to prevent the abuse of the exception pro-
11 vided by subsection (d)(1),

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

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

17 (b) CLERICAL AMENDMENT.—The table of chapters
18 for subtitle D of the Internal Revenue Code of 1986 is
19 amended by inserting after the item relating to chapter
20 36 the following new item:

 “CHAPTER 37—REPURCHASE OF CORPORATE SECURITIES”.

21 (c) EFFECTIVE DATE.—The amendments made by
22 this section shall apply to repurchases of securities (within
23 the meaning of section 4501(e) of the Internal Revenue
24 Code of 1986, as added by this section) after December
25 31, 2021.