

Five Key Points on the New 1% Buyback Tax

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Who: The tax applies to corporations with stock traded

in an established securities market, if the total stock traded (including adjustments) has market value of \$1 million or more. It does not apply to investment companies or real estate investment trusts. Foreign companies have special rules.

What: It levies a tax equal to 1% of the fair market value of any corporate stock repurchased by the corporation during the taxable year. Value will be adjusted downward for any new stock issued during the year, or any stock repurchased for an employee retirement plan or employee stock ownership plan.

When: The tax is effective for tax years starting after December 31, 2022.

Where: The tax was set forth in the Inflation Reduction Act of 2022 (H.R. 5376), Title I, Part 2, Section 10201: Excise Tax on Corporate Repurchase of Stock.

Why: The purpose is to decrease the federal deficit by increasing tax revenue, with deficit reduction estimated to exceed \$1 billion from 2022-2031 when combined with the other tax portions of Title I, per the Congressional Budget Office, August 6, 2022.