

A REVIEW OF SHARE REPURCHASES: SEC PROPOSALS AND NEW EXCISE TAX: A COMMENT ON OXNER

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ABSTRACT

This article is a review of Oxner (2022), which discusses the proposals presented by the Securities and Exchange Commission (SEC) about share repurchases and insider trading, in addition to the comments made by the Commissioners and other participants. In addition, Oxner (2022) analyzes the possible consequences of the excise tax as well as the necessity for companies to legally reduce it. This article also makes suggestions for future research directions based on Oxner's (2022) work.

INTRODUCTION

In the latter half of 2021 and the beginning of 2022, respectively, the Securities and Exchange Commission (SEC) presented two proposals regarding regulations for share repurchases and insider trading. After that, Oxner (2022) provides a comprehensive discussion of the two proposals as well as the reactions that the Commissioners and comment letters delivered to the proposals. The author includes added insight into the meaning behind the interpretation of the one percent excise tax that applies to the share repurchases that will be made by covered companies, as well as the exemption from this tax. Following a comprehensive analysis of both the SEC proposals and the approved excise tax, the

author reaches the conclusion that, given that the new requirements included in the proposals as well as the existing excise tax could reduce buyback activities, the SEC proposals should be considered alongside the excise tax when determining the regulations toward a company's approach to share repurchases. This is because both of these factors have the potential to discourage buyback activities. In addition, the author provides some discussion about how firms might legally reduce their exposure to the excise tax.

COMMENTARY

Oxner (2022) provides a comprehensive knowledge of the two proposed SEC regulations. The author explains and simplifies the understanding of these two proposals by summarizing and highlighting the most significant material from each proposal and by emphasizing the sections that could be confusing or otherwise overlooked by readers. For instance, the clarification of the distinction between "furnished" and "filed" enhances the understanding of Form SR's purposes. In addition, the author provides the requirements for existing regulations such as 703, and the proposal's expansion makes it straightforward to identify the extra requirements and assess the advantages and disadvantages of these requirements.

In addition, the author presents a detailed analysis of the reactions of the Commissioners and comment letters to these two proposals, providing the reader with the opportunity to evaluate the viewpoints of the government and other people.

In the final section of the article, the author explains the meaning of the excise tax imposed on the share repurchase actions of covered firms. Since the excise tax could reduce the number of share repurchases, the SEC's new regulation regarding share repurchases should be more cautious. In the meantime, since the excise tax is actual legislation, businesses must consider how to legitimately lower its associated expenses. This is an additional crucial question and challenge for companies with buyback plans.

SUGGESTIONS FOR FUTURE RESEARCH

Consistent with the argument made by Oxner (2022), it is certainly worthwhile to investigate how corporations can legally decrease the excise tax when executing share repurchases.

In the meantime, the effect of the excise tax might be considered an event shock to determine whether or not companies would change their capital structure, for instance by increasing the proportion of debt.

In addition, companies typically consider share repurchases when their firms' stock prices are undervalued, but the existence of the excise tax may make it less desirable for these companies to engage in buyback activities. However, insiders with superior information about their affiliated companies are not subject to any excise tax, and they are able to profit from the opportunities. Consequently, it would be inspiring to explore whether the existence of the excise tax can be favorable to insiders because it may reduce buyback activities operations at the corporate level.

REFERENCES

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