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SPAC ASSOCIATION OPPOSES EXCISE TAX PROPOSALS ON STOCK BUYBACKS AS PART OF BUILD BACK BETTER

WASHINGTON, D.C. – On November 19th, the House passed the Build Back Better (BBB) tax and spending proposal which includes an excise tax spent by a publicly traded company on buying back its own stock. Under the House-passed BBB plan, this tax would impose a 1% surcharge on companies that perform stock buybacks starting in 2022. This legislation has broad applicability and will have implications for the entire SPAC industry.

Specifically, the legislation defines a covered corporation as, "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))." The expansive definition of stock repurchases will consequently trample SPAC shareholder rights if effected into law.

While the legislation seems focused on share repurchases at the Company's election, it may adversely impact shareholders seeking to redeem their capital from SPAC Trust accounts, at their election, pursuant to their rights enshrined in the IPO prospectus. Additionally, this legislation may unevenly impact US-listed SPACs domiciled in the US versus those based in overseas jurisdictions.

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For further inquiries, please reach out to info@spacassociation.org and visit our website at spacassociation.org.

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