Strong Economy for All Coalition | Fiscal Policy Institute
National Employment Law Project

FACT SHEET | FEBRUARY 2020

A NYS Stock Buyback Transfer Tax

How Do Stock Buybacks Destroy Jobs?

- One of the biggest reasons for the rise in inequality and loss of middle-class jobs in this country in recent decades is that corporations **no longer reinvest their profits into their businesses**. Instead, they are using their profits to buy back their own stock and artificially push up its price, benefiting company executives who hold stock-based compensation. The growth of buybacks can be traced to 1982, when the SEC changed its rules, effectively legalizing such transactions.

The Federal Tax Cut is Fueling a Corporate Buyback Splurge

- Since the passage of Trump's Tax Cuts and Jobs Act (TCJA), corporate America has announced over a trillion dollars in stock buybacks —while worker bonuses are down 22% since the tax bill's passage. Buyback announcements spiked up 64% in 2018, and remain at historically high levels.

- An astounding 68% of corporate net income has gone to stock buybacks since Trump's corporate tax cuts went into effect in 2018. Trump's TCJA has artificially inflated stock prices and stock-based executive compensation. It has not generated investment in new hiring, improved worker compensation, or raised wages for most workers.

- Stock buybacks have driven large-scale job cuts at some of New York's biggest employers: General Motors paid out over $25 billion in stock buybacks while it was closing plants and cutting thousands of jobs. AT&T is carrying out $30 billion in stock buybacks while cutting over 37,000 jobs.

A New York State Solution

- New York State can rein in corporate buybacks via the stock transfer tax, which is already on the books. The tax, akin to a sales tax for stocks, has been in effect since 1915 but currently, the money (about 13.8 billion dollars) is tallied, assessed, collected and then rebated at 100% back to brokerage firms. The tax was fully collected until 1981.

- By instituting **a targeted tax on stock buybacks** (at the rate of 0.5 percent of the value of open market share repurchases), New York State would curb this harmful practice and **could raise upwards of $3.2 billion dollars a year.**

- At just a half of one percent, this small tax on buybacks would represent only a tiny fraction of the massive federal tax cut windfall given to corporations. It would mean that New York State could raise money to support job creation for New Yorkers and recoup some of revenues lost to the reckless federal tax cut.

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