



TaxNewsFlash

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Notice 2023-2: Interim guidance on new 1% excise tax on repurchases of corporate stock

The IRS today released an advance version of [Notice 2023-2](#) [PDF 312 KB] (52 pages), providing taxpayers with interim guidance on the new 1% excise tax on repurchases of corporate stock under section 4501, created by Pub. L. No. 117-169 (commonly called the “Inflation Reduction Act of 2022” (IRA)), which takes effect January 1, 2023.

Notice 2023-2 provides that until the issuance of forthcoming proposed regulations, taxpayers may rely on the operating rules for purposes of the stock repurchase excise tax described in section 3 of the notice, including rules setting forth an exclusive list of transactions that are repurchases and rules for determining the fair market value of stock repurchased in such transactions.

Section 4 of the notice provides that the Treasury Department and IRS anticipate that the forthcoming proposed regulations will provide that the stock repurchase excise tax must be reported on Form 720 (Quarterly Federal Excise Tax Return). To facilitate the computation of the excise tax, the IRS also intends to issue an additional form that taxpayers will be required to attach to the Form 720. Although Form 720 is filed quarterly, the Treasury Department and IRS expect the forthcoming proposed regulations to provide that the excise tax will be reported once per taxable year on the Form 720 that is due for the first full quarter after the close of the taxpayer’s taxable year. For example, a taxpayer with a taxable year ending on December 31, 2023, would report its stock repurchase excise tax on Form 720 for the first quarter of 2024, due on April 30, 2024. The Treasury Department and the IRS expect the forthcoming proposed regulations to provide that the deadline for payment of the excise tax is the same as the filing deadline, and that no extensions are permitted for reporting or paying the excise tax owed.

Section 5 of the notice provides that the Treasury Department and IRS anticipate that the forthcoming proposed regulations will provide that rules consistent with the rules described in section 3 of the notice generally apply to repurchases of stock of a covered corporation made after December 31, 2022, and to issuances of stock made during a taxable year ending after December 31, 2022. In addition, the Treasury Department and IRS anticipate that the forthcoming proposed regulations will provide that rules consistent with the rules described in section 3.05(2)(a)(ii) of the notice apply to repurchases and acquisitions of stock made after December 31, 2022, that are funded on or after December 27, 2022. Until the date of issuance of the forthcoming proposed regulations, a taxpayer may rely on the rules set forth in section 3 of the notice.

Section 6 of the notice requests comments on issues addressed in this notice as well as specific issues not so addressed.

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