

## Part IV – Items of General Interest

### Transitional Guidance with Respect to Stock Repurchase Excise Tax

#### Announcement 2023-18

This announcement confirms that no taxpayer is required to report the new excise tax imposed by section 4501 of the Internal Revenue Code (Code) on repurchases of corporate stock during a covered corporation's taxable year (stock repurchase excise tax) on any returns filed with the Internal Revenue Service (IRS), or to make any payments of such tax, before the time specified in forthcoming regulations.

The stock repurchase excise tax applies to repurchases made after December 31, 2022. On January 17, 2023, the Department of the Treasury (Treasury Department) and the IRS published Notice 2023-2, 2023-3 I.R.B. 374, to provide initial guidance regarding the application of the stock repurchase excise tax. The notice announced that the Treasury Department and the IRS intend to issue forthcoming regulations addressing the application of the stock repurchase excise tax. The notice describes certain rules for determining the amount of stock repurchase excise tax owed that the Treasury Department and the IRS intend to include in the forthcoming regulations and provides that taxpayers may rely on these rules until the publication of the forthcoming

regulations.

Additionally, the notice describes anticipated procedures for reporting and paying any liability for the stock repurchase excise tax that the Treasury Department and the IRS intend to include in the forthcoming regulations. Specifically, the notice states that the forthcoming regulations are expected to provide that (i) the stock repurchase excise tax will be reported once per taxable year on the Form 720, *Quarterly Federal Excise Tax Return*, that is due for the first full quarter after the close of the taxpayer's taxable year, (ii) the deadline for payment of the stock repurchase excise tax will be the same as the filing deadline, and (iii) no extensions will be permitted for reporting or paying the stock repurchase excise tax.

For those taxpayers with a taxable year ending after December 31, 2022, but prior to publication of the forthcoming regulations, such regulations are expected to provide that any liability for the stock repurchase excise tax for such taxable year will be reported on the Form 720 that is due for the first full quarter after the date of publication of the forthcoming regulations, and that the deadline for payment of the stock repurchase excise tax is the same as the filing deadline. There will be no addition to tax under section 6651(a) of the Code (or any other provision of the Code) for failure to file a return reporting the stock repurchase excise tax, or for failure to pay the stock repurchase excise tax, before the time specified in the forthcoming regulations.

The Treasury Department and the IRS expect the forthcoming regulations will require covered corporations to keep complete and detailed records to establish accurately any amount of stock repurchases (including repurchases made after December 31, 2022, but before the forthcoming regulations are published) and to retain

these records as long as their contents may become material.

**DRAFTING INFORMATION**

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