

## **1. Heading**

- Bill Number: (H.B. No. ###, S.B. No. ###)
- Author/Sponsor: John T. Fay
- Session: 119th Congress, 2025-2026

## **2. The Title**

“An Act relating to the discouraging of excessive stock buybacks by publicly traded companies”

## **3. Enacting Clause**

"BE IT ENACTED BY THE SENATE AND HOUSE OF REPRESENTATIVES OF THE UNITED STATES OF AMERICA IN CONGRESS ASSEMBLED:"

## **4. Body of the Bill (Sections)**

### **Section 1: Short Title**

This Act may be cited as “The Stock Buyback Accountability Act”

### **Section 2: Purpose/Findings:**

Statement of Purpose: This legislation is necessary in order to limit the economically harmful practice of stock buybacks, the limiting of which will promote and ensure the use of corporate profits for long term investments, growth, and general prosperity instead.

### **Section 3: Definitions:**

Stock: A purchasable share of a fraction of ownership of a company.

Stock buyback: Occurs when a company purchases its own shares of stock from the open market or its shareholders.

Company: In this context, any publicly traded commercial business that is a legal entity separate from its owners shareholders that can own property, enter contracts, engage in litigation, and pay taxes in the United States.

Research and development: the investigative and innovative activities undertaken by a company in order to create new or improve existing products, services, or technology.

#### **Section 4:**

New Regulation:

Companies may not and will not use an amount of funds more than 20% of their net annual earnings over the course of three years for the purpose of stock buybacks. This is to include both acquired debt and use of earnings.

Tax Incentive for Worker and Innovation Allocation:

Companies that allocate more than 50% of their net earnings not used for buybacks to research, development, employee wages, training, and benefits will receive an incremental tax benefit as follows:

- a. 50–60% reinvested: 10% tax credit on the amount above 50%
- b. 60–70% reinvested: 20% tax credit on the amount above 50%
- c. Above 70% reinvested: 30% tax credit on the amount above 50%

Disclosure Requirement: Companies must publicly report to the IRS and the SEC each quarter:

- a. Total earnings
- b. Total amount spent on buybacks
- c. Total amount allocated to research & development and employee investment in order for tax credit eligibility

Recession Exception Clause:

This regulation will automatically suspend if:

1. The United States is to experience two consecutive quarters of negative real GDP as reported by the U.S. Bureau of Economic Analysis.
2. A formal recession is declared by the National Bureau of Economic Analysis.

These regulations then resume after 12 months unless there is extension by Congress.

**Section 5: Enforcement/Administration:**

The United States Securities and Exchange Commission (SEC) will be responsible for implementing this law, if enacted.

**Section 6: Penalties (if applicable): Defines consequences for violating the new law.**

Any company that does a stock buyback exceeding 20% of its annual earnings over the last three years incurs a progressive excise tax, starting at 10% and rising to 50% for more

extreme violations. Additionally, any company that fails to properly disclose its quarterly expenditures will not be eligible for a tax credit.

## **5. Analysis of Your Research**

Many economists and researchers have found that stock buybacks are too focused on the short term and that they lead to income inequality. Corporate executives' pay is often correlated with current stock value and trends. Sources such as the American Enterprise Institute have analyzed this focus on stock buybacks to be a symptom of a trend they call "short-termism". The AEI has found that focusing corporate funds on stock buybacks can lead them to focus on short-term stock value increases to increase their own pay and bonuses. Research has shown that around 33% of CEO pay can be attributed to stock buybacks. Shareholders are usually in favor of buybacks due to their own financial gain, but many fail to see the potential future negative effects. This can harm both the company and the economy as a whole in the long term if businesses continue to operate this way.

Though corporate profits have been on the rise, much of these gains are put into stock buybacks over time. According to research, companies in the S&P 500 have spent trillions on stock buybacks in the past few decades. This amount is currently trending upwards. This spending is sometimes equivalent to or exceeding traditional long-term investments made by the company. Diverting funds to buybacks instead of research & development, workforce training and hiring, and wage raises over the years. Companies need to focus on growth in more than just the foreseeable one-year future. A focus on capping buybacks in three year increments is a

reasonable solution as it causes companies to look at long term investments without punishing them for volatile periods.

Historically, spending money on research, investments, and workforce development and retention has always resulted in stable growth and productivity for businesses. Buybacks may help the company and the CEO's apparent value in the short term, but experts have observed that ignoring investments will in time hurt the company and its workers. Meanwhile, almost all of the wealth is sitting at the top of the company with its executives and shareholders, contributing to income inequality.

## **6. A description of its bipartisan appeal**

The best way to approach achieving bipartisan support is to frame the issue as one of increasing economic stability. Republicans have always prioritized less oversight of corporations in order to increase economic prosperity. This is why they have typically been against attempts to ban stock buybacks. Except, when the company was being bailed out with federal money. Especially during COVID in 2020 and following years, this was seen by many Republicans, including President Donald Trump, as irresponsible and a destabilizing short term use of those funds. This is an issue they were in agreement with Democrats on and shows an understanding of the potential harmful long term effects of buybacks.

Also, stock buybacks have the potential to negatively affect both free capitalism and small time investors. If a company focuses its efforts and funds into short term stock value increases and ignores the sustainment and improvement of itself, it runs the risk of becoming

much less valuable in the long run. Small time shareholders could get minor increases in payouts today, but lose their shirt in the long run.

On top of that, when U.S. companies neglect innovation in favor of short term stock buybacks, they become less competitive both with each other and international companies. For instance, the United States' strongest competitor China's companies tend to spend massive amounts of money on research and innovation. Research has found that they also spend comparatively less on buybacks than U.S. companies do. This is a threat to American economic prosperity.

Therefore, the proper way forward with gaining bipartisan traction is focusing on creating a strong economy that fosters true corporate competitiveness. Money that is being spent on buybacks can be spent on both innovation and wage increases. Proposed in the right way, this bill might bring Republicans to see that benefit. Conservatives strongly support increasing growth and market stability, and stock buybacks are a threat to that.

## **7. Procedural/Administrative Provisions:**

Severability Clause: If any part of this law is struck down due to unconstitutionality, the rest of the contents of the law shall remain in effect.

Effective Date: This Act takes effect on January 31st, 2026

## **8. Summary/Digest:**

This bill will create regulations to lower the amount of money that American companies are allowed to spend on buybacks and will force reinvestment into more sustainable and

beneficial avenues. Namely, innovation and employee compensation and benefits. Any violations of these rules will result in hefty fines.

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