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FUSCO FINANCIAL ASSOCIATES

Market Commentary

To Our Valued Clients,

It was busy in Washington last week as House Democrats unveiled further plans on how they plan to pay for the \$3.5 trillion economic package. The spending plan is slated to span 10 years and will primarily address healthcare, education, climate change, and provide further investments into the labor market. While there has been broad support for the use of funds, the source and size of the funds have been anything but assenting. The House Ways and Means Committee presented their draft of tax increases to Congressional Leaders last Monday. The core items included in the proposal presented no real surprises as we have been hearing about them for months; rate increases for top-tier individual filers, top capital gains rate, and an increase in the corporate tax rate for businesses with net income above \$5 million, to name a few. A separate proposal, however, was put forth on Monday that was news to many.

Senators Sherrod Brown and Ron Wyden put forth new legislation that would place a 2% excise tax on corporations that repurchase their shares on the open market. Stock buybacks have historically represented only a small part of broad equity market transactions but have increased significantly in recent years. From 1980 to 2010 companies in the S&P 1500 Composite repurchased a total of \$157B in the average year¹. From 2010 through 2020 the average annual total ballooned to \$570B² with the high water mark being set in 2018 at a whopping \$875B³. There are more companies today with share repurchase programs than there are with dividend programs. The stance of Brown and Wyden is that this program will not only provide additional funding to the economic package, but will also incentivize companies to reinvest their earnings into wages, machinery, and research as opposed to funneling them back to the top of the org chart. “Instead of spending billions buying back stocks and handing out CEO bonuses, its past time Wall Street paid its fair share and reinvested more of that capital into the workers and communities who make those profits possible,” said Senator Brown. They estimate that the act would raise over \$100M across the 10-year spending plan⁴.

¹ S&P Global

² S&P Global

³ S&P Global

⁴ Marketwatch

With this ambitious economic package alongside an infrastructure bill on the docket, the headlines will undoubtedly be flush with news out of Washington in the coming weeks. While bipartisan agreement on individual and corporate tax increases has been hard to come by, it will be interesting to see where congressional leaders fall on the Stock Buyback Accountability Act. Thanks for reading, and as always, if you have any questions, or if we can help in any way, please don't hesitate to give our office a call.

With My Best Regards,

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