

## Summary of Paper: [CEO Tax Effects on Acquisition Structure and Value](#)

### **What is this Study About?**

This study investigates how the personal capital gains tax liabilities of company CEOs affect the structure and value of those companies' mergers and acquisition decisions. This highlights potential agency conflicts between personal gains and shareholder interests.

### **What are the major findings of the study?**

The CEOs' tax considerations largely drive the previously observed relationships between shareholder-level capital gains tax rates and acquisition outcomes—like the likelihood of a nontaxable acquisition and the size of acquisition premiums. However, direct payments to CEOs as well as monitoring by outside blockholders and activist investors mitigate the impact of CEO tax considerations on acquisition outcomes. The findings imply that while CEOs take their own taxes into account in corporate decision-making, there is little evidence that they take outside shareholder-level taxes into account.

### **Why is the study important?**

By identifying CEOs' personal tax liabilities as a significant factor in acquisition decisions, the researchers highlight a nuanced aspect of corporate governance and the potential for conflicts of interest in major corporate actions. This calls for increased awareness of executives' personal tax incentives by boards and shareholders to ensure corporate decisions are in shareholders' best interests.