

H.R. 5910, Holding SPACs Accountable Act of 2021

As ordered reported by the House Committee on Financial Services on November 16, 2021

By Fiscal Year, Millions of Dollars	2022	2022-2027	2022-2032
Direct Spending (Outlays)	0	0	0
Revenues	*	*	*
Increase or Decrease (-) in the Deficit	*	*	*
Spending Subject to Appropriation (Outlays)	*	*	not estimated
Statutory pay-as-you-go procedures apply?	No	Mandate Effects	
Increases on-budget deficits in any of the four consecutive 10-year periods beginning in 2033?	No	Contains intergovernmental mandate?	No
		Contains private-sector mandate?	Yes, Under Threshold
* = between -\$500,000 and \$500,000.			

H.R. 5910 would exclude all special purpose acquisition companies (SPACs) from safe harbor protections. (SPACs are companies without commercial operations that exist solely to raise capital through initial public offerings to later engage in mergers or acquisitions.) Under current law, most public companies are shielded from liability by safe harbor protections when prospective information published by the company—such as projections of revenues, income, and earnings per share—proves to be false or misleading. Currently, only SPACs that issue penny stocks, equity securities that trade for less than \$5 per share, are excluded from those protections.

CBO estimates implementing the bill would cost the Securities and Exchange Commission (SEC) less than \$500,000. Because the SEC is authorized to collect fees each year to offset its annual appropriation, CBO expects that the net effect on discretionary spending over the 2022-2027 period would be negligible, assuming appropriation actions consistent with that authority.

By excluding all SPACs from safe harbor protections, the bill would make additional SPACs potentially liable for false or misleading forward-looking statements. As a result, the SEC could prosecute more SPACs for making false or misleading forward-looking statements. Some of those prosecutions could result in additional civil penalty collections, which are



treated as revenues. However, CBO estimates that any such collections would be insignificant over the 2022-2032 period.

The SEC has published a notice of proposed rulemaking that includes the provision in the bill. CBO's baseline reflects the assumption that there is a 50 percent probability that the rule will be finalized and take effect. Thus, under that assumption, the increased costs and revenues attributable to the bill would still be less than \$500,000.

If the SEC increased fees to offset the costs associated with implementing the bill, H.R. 5910 would increase the cost of an existing mandate on private entities required to pay those fees. CBO estimates that the incremental cost of the mandate would be below the annual threshold established in the Unfunded Mandates Reform Act (UMRA) for private-sector mandates (\$184 million in 2022, adjusted annually for inflation).

The bill contains no intergovernmental mandates as defined in UMRA.

The CBO staff contacts for this estimate are David Hughes (for the SEC), Nathaniel Frenz (for revenues), and Rachel Austin (for mandates). The estimate was reviewed by H. Samuel Papenfuss, Deputy Director of Budget Analysis.