

115TH CONGRESS  
1ST SESSION

# H. R. 2306

To amend the Internal Revenue Code of 1986 to impose a tax on certain trading transactions.

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## IN THE HOUSE OF REPRESENTATIVES

MAY 3, 2017

Mr. DEFazio (for himself, Mr. BLUMENAUER, Mr. CARTWRIGHT, Mr. CONYERS, Mr. CICILLINE, Mr. GARAMENDI, Mr. GRIJALVA, Mr. KHANNA, Mr. LOWENTHAL, Mrs. NAPOLITANO, Ms. NORTON, Mr. POCAN, Mr. SARBANES, Ms. SCHAKOWSKY, Mr. SCOTT of Virginia, Ms. SHEA-PORTER, Ms. SLAUGHTER, Mr. MCGOVERN, and Mr. RASKIN) introduced the following bill; which was referred to the Committee on Ways and Means

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## A BILL

To amend the Internal Revenue Code of 1986 to impose a tax on certain trading transactions.

1 *Be it enacted by the Senate and House of Representa-*  
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Putting Main Street  
5 FIRST Act” or as the “Putting Main Street FIRST: Fin-  
6 ishing Irresponsible Reckless Speculative Trading Act”.

1 **SEC. 2. TRANSACTION TAX.**

2 (a) IN GENERAL.—Chapter 36 of the Internal Rev-  
3 enue Code of 1986 is amended by inserting after sub-  
4 chapter B the following new subchapter:

5 **“Subchapter C—Tax on Trading Transactions**

“Sec. 4475. Tax on trading transactions.

6 **“SEC. 4475. TAX ON TRADING TRANSACTIONS.**

7 “(a) IMPOSITION OF TAX.—There is hereby imposed  
8 a tax on each covered transaction with respect to any secu-  
9 rity.

10 “(b) RATE OF TAX.—The tax imposed under sub-  
11 section (a) with respect to any covered transaction shall  
12 be 0.03 percent of the specified base amount with respect  
13 to such covered transaction.

14 “(c) SPECIFIED BASE AMOUNT.—For purposes of  
15 this section, the term ‘specified base amount’ means—

16 “(1) except as provided in paragraph (2), the  
17 fair market value of a security (determined as of the  
18 time of the covered transaction), and

19 “(2) in the case of any payment with respect to  
20 a derivative, the amount of such payment.

21 “(d) COVERED TRANSACTION.—For purposes of this  
22 section—

23 “(1) IN GENERAL.—The term ‘covered trans-  
24 action’ means—

1           “(A) except as provided in subparagraph  
2 (B), any purchase if—

3           “(i) such purchase occurs on, or is  
4 subject to the rules of, a qualified board or  
5 exchange located in the United States, or

6           “(ii) the purchaser or seller is a  
7 United States person, and

8           “(B) any transaction with respect to a de-  
9 rivative if—

10           “(i) such derivative is traded on, or is  
11 subject to the rules of, a qualified board or  
12 exchange located in the United States, or

13           “(ii) any party with rights under such  
14 derivative is a United States person.

15           “(2) EXCEPTIONS FROM TAX.—

16           “(A) EXCEPTION FOR INITIAL ISSUES.—  
17 No tax shall be imposed under subsection (a)  
18 on any covered transaction with respect to the  
19 initial issuance of any security described in sub-  
20 paragraph (A), (B), or (C) of subsection (e)(1).

21           “(B) EXCEPTION FOR CERTAIN TRADED  
22 SHORT-TERM INDEBTEDNESS.—A note, bond,  
23 debenture, or other evidence of indebtedness  
24 which—

1                   “(i) is traded on, or is subject to the  
2                   rules of, a qualified board or exchange lo-  
3                   cated in the United States, and

4                   “(ii) has a fixed maturity of not more  
5                   than 100 days,

6                   shall not be treated as described in subsection  
7                   (e)(1)(C).

8                   “(e) DEFINITIONS.—For purposes of this section—

9                   “(1) SECURITY.—The term ‘security’ means—

10                   “(A) any share of stock in a corporation,

11                   “(B) any partnership or beneficial owner-  
12                   ship interest in a partnership or trust,

13                   “(C) any note, bond, debenture, or other  
14                   evidence of indebtedness, and

15                   “(D) any derivative.

16                   “(2) DERIVATIVE.—

17                   “(A) IN GENERAL.—The term ‘derivative’  
18                   means any contract (including any option, for-  
19                   ward contract, futures contract, short position,  
20                   swap, or similar contract) the value of which, or  
21                   any payment or other transfer with respect to  
22                   which, is (directly or indirectly) determined by  
23                   reference to one or more of the following:

1           “(i) Any security described in sub-  
2 paragraph (A), (B), or (C) of paragraph  
3 (1).

4           “(ii) Any commodity which is actively  
5 traded (within the meaning of section  
6 1092(d)(1)).

7           “(iii) Any currency.

8           “(iv) Any rate, price, amount, index,  
9 formula, or algorithm.

10           “(v) Any other item as the Secretary  
11 may prescribe.

12           Such term shall not include any item described  
13 in clauses (i) through (v).

14           “(B) EXCEPTIONS FROM TREATMENT AS  
15 DERIVATIVES.—

16           “(i) SECURITIES LENDING, SALE-RE-  
17 PURCHASE, AND SIMILAR FINANCING  
18 TRANSACTIONS.—To the extent provided  
19 by the Secretary, the term ‘derivative’ shall  
20 not include the right to the return of the  
21 same or substantially identical securities  
22 transferred in a securities lending trans-  
23 action, sale-repurchase transaction, or  
24 similar financing transaction.

1                   “(ii) INSURANCE CONTRACTS, ANNU-  
2                   ITIES, AND ENDOWMENTS.—The term ‘de-  
3                   rivative’ shall not include any insurance,  
4                   annuity, or endowment contract issued by  
5                   an insurance company to which subchapter  
6                   L applies (or issued by any foreign cor-  
7                   poration to which such subchapter would  
8                   apply if such foreign corporation were a  
9                   domestic corporation).

10                   “(3) QUALIFIED BOARD OR EXCHANGE.—The  
11                   term ‘qualified board or exchange’ has the meaning  
12                   given such term by section 1256(g)(7).

13                   “(f) BY WHOM PAID.—

14                   “(1) IN GENERAL.—The tax imposed by this  
15                   section shall be paid by—

16                   “(A) in the case of a transaction which oc-  
17                   curs on, or is subject to the rules of, a qualified  
18                   board or exchange located in the United States,  
19                   such qualified board or exchange, and

20                   “(B) in the case of a purchase not de-  
21                   scribed in subparagraph (A) which is executed  
22                   by a broker (as defined in section 6045(c)(1))  
23                   which is a United States person, such broker.

24                   “(2) SPECIAL RULES FOR DIRECT, ETC.,  
25                   TRANSACTIONS.—In the case of any transaction to

1 which paragraph (1) does not apply, the tax imposed  
2 by this section shall be paid by—

3 “(A) in the case of a transaction described  
4 in subsection (d)(1)(A)—

5 “(i) the purchaser if the purchaser is  
6 a United States person, and

7 “(ii) the seller if the purchaser is not  
8 a United States person, and

9 “(B) in the case of a transaction described  
10 in subsection (d)(1)(B)—

11 “(i) the payor if the payor is a United  
12 States person, and

13 “(ii) the payee if the payor is not a  
14 United States person.

15 “(g) TREATMENT OF EXCHANGES AND PAYMENTS  
16 WITH RESPECT TO DERIVATIVES.—For purposes of this  
17 section—

18 “(1) TREATMENT OF EXCHANGES.—

19 “(A) IN GENERAL.—An exchange shall be  
20 treated as the sale of the property transferred  
21 and a purchase of the property received by each  
22 party to the exchange.

23 “(B) CERTAIN DEEMED EXCHANGES.—In  
24 the case of a distribution treated as an ex-  
25 change for stock under section 302 or 331, the

1 corporation making such distribution shall be  
2 treated as having purchased such stock for pur-  
3 poses of this section.

4 “(2) PAYMENTS WITH RESPECT TO DERIVA-  
5 TIVES TREATED AS SEPARATE TRANSACTIONS.—Ex-  
6 cept as otherwise provided by the Secretary, any  
7 payment with respect any derivative shall be treated  
8 as a separate transaction for purposes of this sec-  
9 tion.

10 “(h) APPLICATION TO TRANSACTIONS BY CON-  
11 TROLLED FOREIGN CORPORATIONS.—

12 “(1) IN GENERAL.—For purposes of this sec-  
13 tion, a controlled foreign corporation shall be treated  
14 as a United States person.

15 “(2) SPECIAL RULES FOR PAYMENT OF TAX ON  
16 DIRECT, ETC., TRANSACTIONS.—In the case of any  
17 transaction which is a covered transaction solely by  
18 reason of paragraph (1) and which is not described  
19 in subsection (f)(1)—

20 “(A) PAYMENT BY UNITED STATES SHARE-  
21 HOLDERS.—Any tax which would (but for this  
22 paragraph) be payable under subsection (f)(2)  
23 by the controlled foreign corporation shall, in  
24 lieu thereof, be paid by the United States



1           shareholders of such controlled foreign corpora-  
2           tion as provided in subparagraph (B).

3           “(B) PRO RATA SHARES.—Each such  
4           United States shareholder shall pay the same  
5           proportion of such tax as—

6                   “(i) the stock which such United  
7                   States shareholder owns (within the mean-  
8                   ing of section 958(a)) in such controlled  
9                   foreign corporation, bears to

10                   “(ii) the stock so owned by all United  
11                   States shareholders in such controlled for-  
12                   eign corporation.

13           “(C) DEFINITIONS.—For purposes of this  
14           subsection, the terms ‘United States share-  
15           holder’ and ‘controlled foreign corporation’ have  
16           the meanings given such terms in sections  
17           951(b) and 957(a), respectively.

18           “(i) ADMINISTRATION.—The Secretary shall carry  
19           out this section in consultation with the Securities and Ex-  
20           change Commission and the Commodity Futures Trading  
21           Commission.

22           “(j) GUIDANCE; REGULATIONS.—The Secretary  
23           shall—

1           “(1) provide guidance regarding such informa-  
2           tion reporting concerning covered transactions as the  
3           Secretary deems appropriate, and

4           “(2) prescribe such regulations as are necessary  
5           or appropriate to prevent avoidance of the purposes  
6           of this section, including the use of non-United  
7           States persons in such transactions.”.

8           (b) CREDIT WITH RESPECT TO CERTAIN TAX-FA-  
9           VORED ACCOUNTS TO OFFSET TRANSACTION TAX.—Sub-  
10          part C of part IV of subchapter A of chapter 1 of such  
11          Code is amended by inserting after section 36B the fol-  
12          lowing new section:

13         **“SEC. 36C. OFFSET FOR TRANSACTION TAX ON CONTRIBU-**  
14                 **CTIONS TO CERTAIN TAX-FAVORED ACCOUNTS.**

15           “(a) IN GENERAL.—There shall be allowed as a cred-  
16           it against the tax imposed by this subtitle for the taxable  
17           year an amount equal to 0.03 percent of the qualified tax-  
18           favored account contributions of the taxpayer for the tax-  
19           able year.

20           “(b) QUALIFIED TAX-FAVORED ACCOUNT CON-  
21           TRIBUTIONS.—For purposes of this section, the term  
22           ‘qualified tax-favored account contributions’ means, with  
23           respect to any taxable year, the sum of—

24           “(1) with respect to qualified retirement plans  
25           (as defined in section 4974(c)) of the taxpayer, the

1 amount contributed to such plans for such taxable  
2 year to the extent that such contributions are allow-  
3 able as a deduction or are excludable from gross in-  
4 come (or, in the case of a Roth IRA (as defined in  
5 section 408A(b)), the amount contributed),

6 “(2) with respect to Archer MSAs of the tax-  
7 payer, the amount allowed as a deduction under sec-  
8 tion 220 for such taxable year,

9 “(3) with respect to health savings accounts of  
10 the taxpayer, the amount allowed as a deduction  
11 under section 223 for such taxable year, plus

12 “(4) with respect to qualified tuition programs  
13 (as defined in section 529), qualified ABLE pro-  
14 grams (as defined in section 529A), and Coverdell  
15 education savings accounts (as defined in section  
16 530), with respect to which the taxpayer is the des-  
17 ignated beneficiary (or, in the case of a designated  
18 beneficiary with respect to whom another taxpayer is  
19 allowed a deduction under section 151, such other  
20 taxpayer in lieu of such designated beneficiary), the  
21 amount contributed for such taxable year.”.

22 (c) INFORMATION REPORTING WITH RESPECT TO  
23 CONTROLLED FOREIGN CORPORATIONS.—Section  
24 6038(a)(1)(B) of such Code is amended by inserting “and  
25 transactions which are covered transactions for purposes

1 of section 4475 by reason of the application of section  
2 4475(h)(1) to such corporation” before the semicolon at  
3 the end.

4 (d) CONFORMING AMENDMENTS.—

5 (1) Section 1324(b)(2) of title 31, United  
6 States Code, is amended by inserting “, 36C” after  
7 “36B”.

8 (2) The table of sections for subpart C of part  
9 IV of subchapter A of chapter 1 of the Internal Rev-  
10 enue Code of 1986 is amended by inserting before  
11 the item relating to section 37 the following new  
12 item:

“Sec. 36C. Offset for transaction tax on contributions to certain tax-favored ac-  
counts.”.

13 (3) The table of subchapters for chapter 36 of  
14 such Code is amended by inserting after the item re-  
15 lating to subchapter B the following new item:

“SUBCHAPTER C. TAX ON TRADING TRANSACTIONS”.

16 (e) EFFECTIVE DATE.—The amendments made by  
17 this section shall apply to transactions after December 31,  
18 2018.

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