

117TH CONGRESS
1ST SESSION

H. R. 2735

To impose a tax on certain trading transactions to invest in our families and communities, improve our infrastructure and our environment, strengthen our financial security, expand opportunity and reduce market volatility.

IN THE HOUSE OF REPRESENTATIVES

APRIL 21, 2021

Ms. LEE of California (for herself, Ms. NORTON, Ms. PINGREE, Mr. GARCÍA of Illinois, Mr. COHEN, Ms. CHU, Mr. JONES, Ms. OMAR, Ms. JAYAPAL, Mr. GRJALVA, and Mr. GARAMENDI) introduced the following bill; which was referred to the Committee on Ways and Means

A BILL

To impose a tax on certain trading transactions to invest in our families and communities, improve our infrastructure and our environment, strengthen our financial security, expand opportunity and reduce market volatility.

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 “Tax on Wall Street
5 Speculation Act”.

6 **SEC. 2. FINDINGS.**

7 Congress finds the following:

1 (1) The global financial crisis cost Americans
2 \$19 trillion in lost wealth.

3 (2) The global financial crisis was caused by fi-
4 nancial firms taking great financial risks without
5 disclosing those risks to their investors or their regu-
6 lators, and by regulatory failures to adequately po-
7 lice the financial services markets for crime, unfair
8 or deceptive practices, fraud, lack of transparency,
9 and mismanagement.

10 (3) Deceptive, illegal, and speculative financial
11 practices have harmed public confidence in the integ-
12 rity and fairness of many United States financial in-
13 stitutions, and threaten the basic strengths of the
14 United States economic system.

15 (4) American citizens provided the money to
16 stabilize the financial sector, making \$700 billion
17 available to 800 financial institutions, automakers,
18 and insurance companies.

19 (5) The global financial crisis, along with the
20 wars, unabated and unaddressed climate change,
21 unsustainable tax cuts, and a continuing unemploy-
22 ment crisis, if unaddressed, will deprive a generation
23 of a meaningful role in the larger economy.

24 (6) Nurses, teachers, public safety officers, and
25 other public sector workers have faced drastic fund-

1 ing cuts, harming our long-term public safety and
2 prospects for economic growth.

3 (7) Extreme weather events rooted in climate
4 change, including flood, drought, fire, super storms
5 like Sandy, as well as “slow-onset” events like sea
6 level rise, are wreaking havoc in the United States
7 and across the globe resulting in climate change im-
8 pacts that jeopardize the lives and livelihoods of
9 Americans, causing large-scale food and energy inse-
10 curity in developing countries, and extolling untold
11 economic costs.

12 (8) According to economists, a small tax on
13 transfer of ownership of every financial trade could
14 generate hundreds of billions annually in revenue,
15 which when invested could help create millions of
16 good-paying jobs in both the public and private sec-
17 tors every year, as well as provide urgently needed
18 funding for programs to combat climate change and
19 address global health and development issues.

20 (9) A transactions tax will help limit high fre-
21 quency trading which may be as high as 70 percent
22 of the market and results in declining market sta-
23 bility through extreme price volatility, distorted mar-
24 ket prices, and structural vulnerability to speculation

1 far in excess of the liquidity needs of commercial
2 hedgers.

3 (10) A securities transfer tax would have a neg-
4 ligible impact on the average investor.

5 (11) The United States had a transfer tax from
6 1914 to 1966: The Revenue Act of 1914 (Act of
7 Oct. 22, 1914 (ch. 331, 38 Stat. 745)) levied a 0.02
8 percent tax on all sales or transfers of stock which
9 was doubled in 1932 to help overcome the budgetary
10 challenges during the Great Depression.

11 (12) Forty nations have or have had some form
12 of a financial transactions tax; it is endorsed by
13 more than 1,000 economists; and 10 European
14 countries are moving forward on implementing a co-
15 ordinated financial transactions tax after European
16 Union finance ministers signaled approval in Janu-
17 ary 2013.

18 (13) Revenue generated by this tax could be
19 available to—

20 (A) create a more dynamic economy and
21 enhance economic opportunity by providing free
22 college education and lessening student debt;

23 (B) strengthen financial security and ex-
24 pand opportunity for low- and moderate-income
25 families, including strengthening the social safe-

1 ty net and expanding resources for child care,
2 Social Security, and savings incentives;

3 (C) expand resources for State and Fed-
4 eral investments that protect our health and en-
5 vironment, investing in water and wastewater
6 infrastructure, rebuild our crumbling physical
7 infrastructure, and create good paying jobs
8 by—

9 (i) expanding and improving Medicare
10 and Medicaid;

11 (ii) investing in job training, public
12 sector jobs, and green jobs;

13 (iii) providing housing assistance to
14 low-income households;

15 (iv) investing in transportation includ-
16 ing public mass transit and an infrastruc-
17 ture bank that promotes environmentally
18 responsible domestic manufacturing and
19 construction industries; and

20 (v) protecting our environment and
21 building a clean energy economy, including
22 efforts to combat climate change and build
23 resilience to its effects in the United States
24 and in developing countries; and

1 (D) fund international sustainable pros-
2 perity programs such as HIV treatment, re-
3 search and prevention programs, other inter-
4 national health and humanitarian assistance,
5 and climate change adaptation and mitigation
6 efforts by developing countries.

7 **SEC. 3. TRANSACTION TAX.**

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

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

“Sec. 4475. Tax on trading transactions.

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

13 “(a) IMPOSITION OF TAX.—There is hereby imposed
14 a tax on the transfer of ownership in each covered trans-
15 action with respect to any security.

16 “(b) RATE OF TAX.—The tax imposed under sub-
17 section (a) with respect to any covered transaction shall
18 be the applicable percentage of the specified base amount
19 with respect to such covered transaction. The applicable
20 percentage shall be—

21 “(1) 0.5 percent in the case of a security de-
22 scribed in subparagraph (A) or (B) of subsection
23 (e)(1),

1 “(2) 0.10 percent in the case of a security de-
2 scribed in subparagraph (C) of such subsection, and

3 “(3) 0.005 percent in the case of a security de-
4 scribed in subparagraph (D) of such subsection.

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

7 “(1) except as provided in paragraph (2)—

8 “(A) in the case of any security described
9 in subparagraph (A), (B), or (C) of subsection
10 (e)(1), the fair market value of the security (de-
11 termined as of the time of the covered trans-
12 action), and

13 “(B) in the case of any security described
14 in subparagraph (D) of such subsection, the
15 fair market value of the underlying investment
16 with respect to such security (determined as of
17 the time of the covered transaction), and

18 “(2) in the case of any payment described in
19 subsection (h), the amount of such payment.

20 “(d) COVERED TRANSACTION.—For purposes of this
21 section, the term ‘covered transaction’ means—

22 “(1) except as provided in paragraph (2), any
23 purchase if—

24 “(A) such purchase occurs or is cleared on
25 a facility located in the United States, or

1 “(B) the purchaser or seller is a United
2 States person, and

3 “(2) any transaction with respect to a security
4 described in subparagraph (D) of subsection (e)(1),
5 if—

6 “(A) such security is traded or cleared on
7 a facility located in the United States, or

8 “(B) any party with rights under such se-
9 curity is a United States person.

10 “(e) SECURITY AND OTHER DEFINITIONS.—For pur-
11 poses of this section—

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

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

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

16 “(C) any note, bond, debenture, or other
17 evidence of indebtedness, other than a State or
18 local bond the interest of which is excluded
19 from gross income under section 103(a), and

20 “(D) any derivative.

21 “(2) DERIVATIVE.—The term ‘derivative’
22 means any contract (including any option, forward
23 contract, futures contract, short position, swap, or
24 similar contract) the value of which, or any payment
25 or other transfer with respect to which, is (directly

1 or indirectly) determined by reference to one or
2 more of the following:

3 “(A) Any share of stock in a corporation.

4 “(B) Any partnership or beneficial owner-
5 ship interest in a partnership or trust.

6 “(C) Any evidence of indebtedness.

7 “(D) Any real property.

8 “(E) Any commodity which is actively
9 traded (within the meaning of section
10 1092(c)(4)).

11 “(F) Any currency.

12 “(G) Any rate, price, amount, index, for-
13 mula, or algorithm.

14 “(H) Any other item as the Secretary may
15 prescribe.

16 Except as provided in regulations prescribed by the
17 Secretary to prevent the avoidance of the purposes
18 of this section, such term shall not include any item
19 described in subparagraphs (A) through (H).

20 “(3) UNDERLYING INVESTMENT.—The term
21 ‘underlying investment’ means, with respect to any
22 derivative, any item—

23 “(A) which is described in any of the sub-
24 paragraphs (A) through (H) of paragraph (2)

1 (or any item substantially the same as any such
2 item), and

3 “(B) by reference to which the value of the
4 derivative, or any payment or other transfer
5 with respect to the derivative, is determined ei-
6 ther directly or indirectly.

7 “(4) TREATMENT OF EXCHANGES.—

8 “(A) IN GENERAL.—An exchange shall be
9 treated as the sale of the property transferred
10 and a purchase of the property received by each
11 party to the exchange.

12 “(B) CERTAIN DEEMED EXCHANGES.—In
13 the case of a distribution treated as an ex-
14 change for stock under section 302 or 331, the
15 corporation making such distribution shall be
16 treated as having purchased such stock for pur-
17 poses of this section.

18 “(f) EXCEPTIONS.—

19 “(1) EXCEPTION FOR INITIAL ISSUES.—No tax
20 shall be imposed under subsection (a) on any cov-
21 ered transaction with respect to the initial issuance
22 of any security described in subparagraph (A), (B),
23 or (C) of subsection (e)(1).

1 “(2) EXCEPTION FOR CERTAIN TRADED SHORT-
2 TERM INDEBTEDNESS.—A note, bond, debenture, or
3 other evidence of indebtedness which—

4 “(A) is traded on a trading facility located
5 in the United States, and

6 “(B) has a fixed maturity of not more
7 than 60 days,

8 shall not be treated as described in subsection
9 (e)(1)(C).

10 “(3) EXCEPTION FOR SECURITIES LENDING AR-
11 RANGEMENTS.—No tax shall be imposed under sub-
12 section (a) on any covered transaction with respect
13 to which gain or loss is not recognized by reason of
14 section 1058.

15 “(g) BY WHOM PAID.—

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

18 “(A) in the case of a transaction which oc-
19 curs or is cleared on a facility located in the
20 United States, such facility, and

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

1 “(2) SPECIAL RULES FOR DIRECT, ETC.,
2 TRANSACTIONS.—In the case of any transaction to
3 which paragraph (1) does not apply, the tax imposed
4 by this section shall be paid by—

5 “(A) in the case of a transaction described
6 in subsection (d)(1)—

7 “(i) the purchaser if the purchaser is
8 a United States person, and

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

11 “(B) in the case of a transaction described
12 in subsection (d)(2)—

13 “(i) the payor if the payor is a United
14 States person, and

15 “(ii) the payee if the payor is not a
16 United States person.

17 “(h) CERTAIN PAYMENTS TREATED AS SEPARATE
18 TRANSACTIONS.—Except as otherwise provided by the
19 Secretary, any payment with respect to a security de-
20 scribed in subparagraph (D) of subsection (e)(1) shall be
21 treated as a separate transaction for purposes of this sec-
22 tion, including—

23 “(1) any net initial payment, net final or termi-
24 nating payment, or net periodical payment with re-

1 spect to a notional principal contract (or similar fi-
2 nancial instrument),

3 “(2) any payment with respect to any forward
4 contract (or similar financial instrument), and

5 “(3) any premium paid with respect to any op-
6 tion (or similar financial instrument).

7 “(i) ADMINISTRATION.—The Secretary shall carry
8 out this section in consultation with the Securities and Ex-
9 change Commission and the Commodity Futures Trading
10 Commission.

11 “(j) GUIDANCE; REGULATIONS.—The Secretary
12 shall—

13 “(1) provide guidance regarding such informa-
14 tion reporting concerning covered transactions as the
15 Secretary deems appropriate, including reporting by
16 the payor of the tax in cases where the payor is not
17 the purchaser, and

18 “(2) prescribe such regulations as are necessary
19 or appropriate to prevent avoidance of the purposes
20 of this section, including the use of non-United
21 States persons in such transactions.

22 “(k) WHISTLEBLOWERS.—See section 7623 for pro-
23 visions relating to whistleblowers.”.

24 (b) PENALTY FOR FAILURE TO INCLUDE COVERED
25 TRANSACTION INFORMATION WITH RETURN.—Part I of

1 subchapter B of chapter 68 of the Internal Revenue Code
2 of 1986 is amended by inserting after section 6707A the
3 following new section:

4 **“SEC. 6707B. PENALTY FOR FAILURE TO INCLUDE COV-**
5 **ERED TRANSACTION INFORMATION WITH RE-**
6 **TURN.**

7 “(a) IMPOSITION OF PENALTY.—Any person who
8 fails to include on any return or statement any informa-
9 tion with respect to a covered transaction which is re-
10 quired pursuant to section 4475(j)(1) to be included with
11 such return or statement shall pay a penalty in the
12 amount determined under subsection (b).

13 “(b) AMOUNT OF PENALTY.—Except as otherwise
14 provided in this subsection, the amount of the penalty
15 under subsection (a) with respect to any covered trans-
16 action shall be determined by the Secretary.

17 “(c) COVERED TRANSACTION.—For purposes of this
18 section, the term ‘covered transaction’ has the meaning
19 given such term by section 4475(d).

20 “(d) AUTHORITY TO RESCIND PENALTY.—

21 “(1) IN GENERAL.—The Commissioner of In-
22 ternal Revenue may rescind all or any portion of any
23 penalty imposed by this section with respect to any
24 violation if rescinding the penalty would promote

1 compliance with the requirements of this title and
2 effective tax administration.

3 “(2) NO JUDICIAL APPEAL.—Notwithstanding
4 any other provision of law, any determination under
5 this subsection may not be reviewed in any judicial
6 proceeding.

7 “(3) RECORDS.—If a penalty is rescinded under
8 paragraph (1), the Commissioner shall place in the
9 file in the Office of the Commissioner the opinion of
10 the Commissioner with respect to the determination,
11 including—

12 “(A) a statement of the facts and cir-
13 cumstances relating to the violation,

14 “(B) the reasons for the rescission, and

15 “(C) the amount of the penalty rescinded.

16 “(e) COORDINATION WITH OTHER PENALTIES.—The
17 penalty imposed by this section shall be in addition to any
18 other penalty imposed by this title.”.

19 (c) CLERICAL AMENDMENTS.—

20 (1) The table of sections for part I of sub-
21 chapter B of chapter 68 of such Code is amended
22 by inserting after item relating to section 6707A the
23 following new item:

“Sec. 6707B. Penalty for failure to include covered transaction information
with return.”.

1 (2) The table of subchapters for chapter 36 of
2 the Internal Revenue Code of 1986 is amended by
3 inserting after the item relating to subchapter B the
4 following new item:

 “SUBCHAPTER C. TAX ON TRADING TRANSACTIONS”.

5 (d) EFFECTIVE DATE.—The amendments made by
6 this section shall apply to transactions after December 31,
7 2021.

8 **SEC. 4. OFFSETTING CREDIT FOR FINANCIAL TRANS-**
9 **ACTION TAX.**

10 (a) IN GENERAL.—Subpart A of part IV of sub-
11 chapter A of chapter 1 of the Internal Revenue Code of
12 1986 is amended by inserting after section 25D the fol-
13 lowing new section:

14 **“SEC. 25E. FINANCIAL TRANSACTION TAX PAYMENTS.**

15 “(a) ALLOWANCE OF CREDIT.—In the case of an eli-
16 gible individual, there shall be allowed as a credit against
17 the tax imposed by this chapter for the taxable year an
18 amount equal to the tax paid during the taxable year
19 under section 4475 with respect to any covered trans-
20 action in which the taxpayer is a beneficial owner of the
21 security transferred in such covered transaction.

22 “(b) SPECIAL RULE.—If the tax imposed under sec-
23 tion 4475(a) with respect to any covered transaction is
24 paid by any person other than 1 or more beneficial owners
25 of the security transferred in such covered transaction, the

1 determination for how such tax is allocated to such bene-
2 ficial owners shall be made in a reasonable manner not
3 inconsistent with regulations or other guidance prescribed
4 by the Secretary.

5 “(c) LIMITATION BASED ON MODIFIED ADJUSTED
6 GROSS INCOME.—

7 “(1) IN GENERAL.—Subsection (a) shall not
8 apply to a taxpayer for the taxable year if the modi-
9 fied adjusted gross income of the taxpayer for the
10 taxable year exceeds \$50,000 (\$75,000 in the case
11 of a joint return and one-half of such amount in the
12 case of a married individual filing a separate re-
13 turn).

14 “(2) MODIFIED ADJUSTED GROSS INCOME.—
15 For purposes of paragraph (1), the term ‘modified
16 adjusted gross income’ means adjusted gross in-
17 come—

18 “(A) determined without regard to sections
19 86, 893, 911, 931, and 933, and

20 “(B) increased by the amount of interest
21 received or accrued by the taxpayer during the
22 taxable year which is exempt from tax.

23 “(3) INFLATION ADJUSTMENT.—

24 “(A) IN GENERAL.—In the case of any
25 taxable year beginning after 2022, each dollar

1 amount referred to in paragraph (1) shall be in-
2 creased by an amount equal to—

3 “(i) such dollar amount, multiplied by

4 “(ii) the cost-of-living adjustment de-
5 termined under section (1)(f)(3) of the In-
6 ternal Revenue Code of 1986 for the cal-
7 endar year in which the taxable year be-
8 gins, by substituting ‘2021’ for ‘2016’ in
9 subparagraph (A)(ii) thereof.

10 “(B) ROUNDING.—If any amount as ad-
11 justed under subparagraph (A) is not a multiple
12 of \$50, such amount shall be rounded to the
13 nearest multiple of \$50.

14 “(d) ELIGIBLE INDIVIDUAL.—

15 “(1) IN GENERAL.—The term ‘eligible indi-
16 vidual’ means, with respect to any taxable year, an
17 individual who—

18 “(A) has attained the age of 18 as of the
19 last day of such taxable year, and

20 “(B) is a citizen or lawful permanent resi-
21 dent (within the meaning of section 7701(b)(6))
22 as of the last day of such taxable year.

23 “(2) CERTAIN INDIVIDUALS NOT ELIGIBLE.—

24 For purposes of paragraph (1), an individual de-
25 scribed in any of the following provisions of this title

1 for the preceding taxable year shall not be treated
2 as an eligible individual for the taxable year:

3 “(A) An individual who is a student (as
4 defined in section 152(f)(2)) for the taxable
5 year or the immediately preceding taxable year.

6 “(B) An individual who is a taxpayer de-
7 scribed in subsection (c), (d), or (e) of section
8 6402 for the immediately preceding taxable
9 year.”.

10 (b) CLERICAL AMENDMENT.—The table of sections
11 for subpart A of part IV of subchapter A of chapter 1
12 of such Code is amended by inserting after the item relat-
13 ing to section 25D the following new item:

“Sec. 25E. Financial transaction tax payments.”.

14 (c) EFFECTIVE DATE.—The amendments made by
15 this section shall apply to taxable years beginning after
16 December 31, 2021.

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