

113TH CONGRESS  
1ST SESSION

# H. R. 1579

To impose a tax on certain trading transactions to strengthen our financial security, reduce market volatility, expand opportunity, and stop shrinking the middle class.

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## IN THE HOUSE OF REPRESENTATIVES

APRIL 16, 2013

Mr. ELLISON (for himself, Mr. BLUMENAUER, Ms. CHU, Mr. CONYERS, Ms. EDWARDS, Mr. GRIJALVA, Ms. LEE of California, Mr. MCGOVERN, and Ms. NORTON) introduced the following bill; which was referred to the Committee on Ways and Means

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## A BILL

To impose a tax on certain trading transactions to strengthen our financial security, reduce market volatility, expand opportunity, and stop shrinking the middle class.

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 “Inclusive Prosperity  
5 Act of 2013”.

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 \$600 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 sufficient jobs  
16      in both the public and private sectors to replace the  
17      8 million jobs lost in the recent recession and add  
18      even more jobs on an ongoing basis, as well as pro-  
19      vide urgently needed funding for programs to com-  
20      bat climate change and address global health and  
21      development issues.

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

1 ket prices, and structural vulnerability to speculation  
2 far in excess of the liquidity needs of commercial  
3 hedgers.

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

6 (11) The United States had a transfer tax from  
7 1914 to 1966: The Revenue Act of 1914 (Act of  
8 Oct. 22, 1914 (ch. 331, 38 Stat. 745)) levied a 0.2  
9 percent tax on all sales or transfers of stock which  
10 was doubled in 1932 to help overcome the budgetary  
11 challenges during the Great Depression.

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

19 (13) Revenue generated by this tax will be  
20 available to—

21 (A) strengthen financial security and ex-  
22 pand opportunity for low- and moderate-income  
23 families, including strengthening the social safe-  
24 ty net and expanding resources for child care,  
25 Social Security, and savings incentives; and

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

7 (i) expanding and improving Medicare  
8 and Medicaid;

9 (ii) investing in education, student  
10 debt relief, job training, public sector jobs,  
11 and green jobs;

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

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

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

24 (C) fund international sustainable pros-  
25 perity programs such as health care invest-

1           ments, AIDS treatment, research and preven-  
2           tion programs, climate change adaptation and  
3           mitigation efforts by developing countries, and  
4           international assistance.

5 **SEC. 3. TRANSACTION TAX.**

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

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

“Sec. 4475. Tax on trading transactions.

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

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

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

19                   “(1) 0.5 percent in the case of a security de-  
20                   scribed in subparagraph (A) or (B) of subsection  
21                   (e)(1),

22                   “(2) 0.10 percent in the case of a security de-  
23                   scribed in subparagraph (C) of subsection (e)(1),  
24                   and

1           “(3) 0.005 percent in the case of a security de-  
2           scribed in subparagraph (D), (E), or (F) of sub-  
3           section (e)(1).

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

6           “(1) except as provided in paragraph (2), the  
7           fair market value of the security (determined as of  
8           the time of the covered transaction), and

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

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

13          “(1) except as provided in paragraph (2), any  
14          purchase if—

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

17                  “(B) the purchaser or seller is a United  
18                  States person, and

19          “(2) any transaction with respect to a security  
20          described in subparagraph (D), (E), or (F) of sub-  
21          section (e)(1), if—

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

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

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

3           “(1) IN GENERAL.—The term ‘security’  
4 means—

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

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

8           “(C) any note, bond, debenture, or other  
9 evidence of indebtedness, other than a State or  
10 local bond the interest of which is excluded  
11 from gross income under section 103(a),

12           “(D) any evidence of an interest in, or a  
13 derivative financial instrument with respect to,  
14 any security or securities described in subpara-  
15 graph (A), (B), or (C),

16           “(E) any derivative financial instrument  
17 with respect to any currency or commodity in-  
18 cluding notional principal contracts, and

19           “(F) any other derivative financial instru-  
20 ment any payment with respect to which is cal-  
21 culated by reference to any specified index.

22           “(2) DERIVATIVE FINANCIAL INSTRUMENT.—  
23 The term ‘derivative financial instrument’ includes  
24 any option, forward contract, futures contract, no-

1 tional principal contract, or any similar financial in-  
2 strument.

3 “(3) SPECIFIED INDEX.—The term ‘specified  
4 index’ means any 1 or more of any combination of—

5 “(A) a fixed rate, price, or amount, or

6 “(B) a variable rate, price, or amount,  
7 which is based on any current objectively deter-  
8 minable information which is not within the  
9 control of any of the parties to the contract or  
10 instrument and is not unique to any of the par-  
11 ties’ circumstances.

12 “(4) TREATMENT OF EXCHANGES.—

13 “(A) IN GENERAL.—An exchange shall be  
14 treated as the sale of the property transferred  
15 and a purchase of the property received by each  
16 party to the exchange.

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

23 “(f) EXCEPTIONS.—

24 “(1) EXCEPTION FOR INITIAL ISSUES.—No tax  
25 shall be imposed under subsection (a) on any cov-

1       ered transaction with respect to the initial issuance  
2       of any security described in subparagraph (A), (B),  
3       or (C) of subsection (e)(1).

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

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

9           “(B) has a fixed maturity of not more  
10          than 60 days,

11       shall not be treated as described in subsection  
12       (e)(1)(C).

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

18       “(g) BY WHOM PAID.—

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

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

24           “(B) in the case of a purchase not de-  
25       scribed in subparagraph (A) which is executed

1 by a broker (as defined in section 6045(c)(1)),  
2 the broker.

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

7 “(A) in the case of a transaction described  
8 in subsection (d)(1)—

9 “(i) the purchaser if the purchaser is  
10 a United States person, and

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

13 “(B) in the case of a transaction described  
14 in subsection (d)(2)—

15 “(i) the payor if the payor is a United  
16 States person, and

17 “(ii) the payee if the payor is not a  
18 United States person.

19 “(h) CERTAIN PAYMENTS TREATED AS SEPARATE  
20 TRANSACTIONS.—Except as otherwise provided by the  
21 Secretary, any payment with respect to a security de-  
22 scribed in subparagraph (D), (E), or (F) of subsection  
23 (e)(1) shall be treated as a separate transaction for pur-  
24 poses of this section, including—

1           “(1) any net initial payment, net final or termi-  
2 nating payment, or net periodical payment with re-  
3 spect to a notional principal contract (or similar fi-  
4 nancial instrument),

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

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

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

13          “(j) GUIDANCE; REGULATIONS.—The Secretary  
14 shall—

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

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

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

1 (b) PENALTY FOR FAILURE TO INCLUDE COVERED  
2 TRANSACTION INFORMATION WITH RETURN.—Part I of  
3 subchapter B of chapter 68 of the Internal Revenue Code  
4 of 1986 is amended by inserting after section 6707A the  
5 following new section:

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

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

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

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

22 “(d) AUTHORITY TO RESCIND PENALTY.—

23 “(1) IN GENERAL.—The Commissioner of In-  
24 ternal Revenue may rescind all or any portion of any  
25 penalty imposed by this section with respect to any

1 violation if rescinding the penalty would promote  
2 compliance with the requirements of this title and  
3 effective tax administration.

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

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

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

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

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

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

20 (c) CLERICAL AMENDMENTS.—

21 (1) The table of sections for part I of sub-  
22 chapter B of chapter 68 of such Code is amended  
23 by inserting after item relating to section 6707A the  
24 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           2013.

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 (relating to nonrefundable personal credits) is  
13          amended by inserting after section 25D the following new  
14          section:

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

16                 “(a) ALLOWANCE OF CREDIT.—In the case of an in-  
17          dividual, there shall be allowed as a credit against the tax  
18          imposed by this chapter for the taxable year an amount  
19          equal to the tax paid during the taxable year under section  
20          4475.

21                 “(b) LIMITATION BASED ON MODIFIED ADJUSTED  
22          GROSS INCOME.—

23                         “(1) IN GENERAL.—Subsection (a) shall not  
24          apply to a taxpayer for the taxable year if the modi-  
25          fied adjusted gross income of the taxpayer for the

1 taxable year exceeds \$50,000 (\$75,000 in the case  
2 of a joint return and one-half of such amount in the  
3 case of a married individual filing a separate re-  
4 turn).

5 “(2) MODIFIED ADJUSTED GROSS INCOME.—  
6 For purposes of paragraph (1), the term ‘modified  
7 adjusted gross income’ means adjusted gross in-  
8 come—

9 “(A) determined without regard to sections  
10 86, 893, 911, 931, and 933, and

11 “(B) increased by the amount of interest  
12 received or accrued by the taxpayer during the  
13 taxable year which is exempt from tax.

14 “(3) INFLATION ADJUSTMENT.—

15 “(A) IN GENERAL.—In the case of any  
16 taxable year beginning after 2014, each dollar  
17 amount referred to in paragraph (1) shall be in-  
18 creased by an amount equal to—

19 “(i) such dollar amount, multiplied by

20 “(ii) the cost-of-living adjustment de-  
21 termined under section (1)(f)(3) of the In-  
22 ternal Revenue Code of 1986 for the cal-  
23 endar year in which the taxable year be-  
24 gins, by substituting ‘2013’ for ‘1992’.

1           “(B) ROUNDING.—If any amount as ad-  
2           justed under clause (i) is not a multiple of \$50,  
3           such amount shall be rounded to the nearest  
4           multiple of \$50.

5           “(c) ELIGIBLE INDIVIDUAL.—

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

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

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

14          “(2) CERTAIN INDIVIDUALS NOT ELIGIBLE.—  
15          For purposes of paragraph (1), an individual de-  
16          scribed in any of the following provisions of this title  
17          for the preceding taxable year shall not be treated  
18          as an eligible individual for the taxable year:

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

22          “(B) An individual who is a taxpayer de-  
23          scribed in subsection (c), (d), or (e) of section  
24          6402 for the immediately preceding taxable  
25          year.

1                   “(C) A married individual who files a sepa-  
2                   rate return for the taxable year.”.

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

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

7           (c) EFFECTIVE DATE.—The amendments made by  
8 this section shall apply to taxable years beginning after  
9 December 31, 2013.

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