

114TH CONGRESS
1ST SESSION

S. 1371

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 SENATE OF THE UNITED STATES

MAY 19, 2015

Mr. SANDERS (for himself and Mr. SCHATZ) introduced the following bill;
which was read twice and referred to the Committee on Finance

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 “Inclusive Prosperity
5 Act of 2015”.

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 0.02
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) create a more dynamic economy and
22 enhance economic opportunity by providing free
23 college education and lessening student debt;

24 (B) strengthen financial security and ex-
25 pand opportunity for low- and moderate-income

1 families, including strengthening the social safe-
2 ty net and expanding resources for child care,
3 Social Security, and savings incentives;

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

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

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

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

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

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

1 (D) fund international sustainable pros-
 2 perity programs such as health care invest-
 3 ments, AIDS treatment, research and preven-
 4 tion programs, climate change adaptation and
 5 mitigation efforts by developing countries, and
 6 international assistance.

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 subsection (e)(1),
3 and

4 “(3) 0.005 percent in the case of a security de-
5 scribed in subparagraph (D), (E), or (F) of sub-
6 section (e)(1).

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

9 “(1) except as provided in paragraph (2), the
10 fair market value of the security (determined as of
11 the time of the covered transaction), and

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

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

16 “(1) except as provided in paragraph (2), any
17 purchase if—

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

20 “(B) the purchaser or seller is a United
21 States person, and

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

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

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

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

7 “(1) IN GENERAL.—The term ‘security’
8 means—

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

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

12 “(C) any note, bond, debenture, or other
13 evidence of indebtedness, other than a State or
14 local bond the interest of which is excluded
15 from gross income under section 103(a),

16 “(D) any evidence of an interest in, or a
17 derivative financial instrument with respect to,
18 any security or securities described in subpara-
19 graph (A), (B), or (C),

20 “(E) any derivative financial instrument
21 with respect to any currency or commodity in-
22 cluding notional principal contracts, and

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

1 “(2) DERIVATIVE FINANCIAL INSTRUMENT.—

2 The term ‘derivative financial instrument’ includes
3 any option, forward contract, futures contract, no-
4 tional principal contract, or any similar financial in-
5 strument.

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

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

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

15 “(4) TREATMENT OF EXCHANGES.—

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

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

1 “(f) EXCEPTIONS.—

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

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

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

12 “(B) has a fixed maturity of not more
13 than 60 days,

14 shall not be treated as described in subsection
15 (e)(1)(C).

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

21 “(g) BY WHOM PAID.—

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

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

4 “(B) in the case of a purchase not de-
5 scribed in subparagraph (A) which is executed
6 by a broker (as defined in section 6045(c)(1)),
7 the broker.

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

12 “(A) in the case of a transaction described
13 in subsection (d)(1)—

14 “(i) the purchaser if the purchaser is
15 a United States person, and

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

18 “(B) in the case of a transaction described
19 in subsection (d)(2)—

20 “(i) the payor if the payor is a United
21 States person, and

22 “(ii) the payee if the payor is not a
23 United States person.

24 “(h) CERTAIN PAYMENTS TREATED AS SEPARATE
25 TRANSACTIONS.—Except as otherwise provided by the

1 Secretary, any payment with respect to a security de-
2 scribed in subparagraph (D), (E), or (F) of subsection
3 (e)(1) shall be treated as a separate transaction for pur-
4 poses of this section, including—

5 “(1) any net initial payment, net final or termi-
6 nating payment, or net periodical payment with re-
7 spect to a notional principal contract (or similar fi-
8 nancial instrument),

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

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

13 “(i) ADMINISTRATION.—The Secretary shall carry
14 out this section in consultation with the Securities and Ex-
15 change Commission and the Commodity Futures Trading
16 Commission.

17 “(j) GUIDANCE; REGULATIONS.—The Secretary
18 shall—

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

24 “(2) prescribe such regulations as are necessary
25 or appropriate to prevent avoidance of the purposes

1 of this section, including the use of non-United
2 States persons in such transactions.

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

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

10 **“SEC. 6707B. PENALTY FOR FAILURE TO INCLUDE COV-
11 ERED TRANSACTION INFORMATION WITH RE-
12 TURN.**

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

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

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

1 “(d) AUTHORITY TO RESCIND PENALTY.—

2 “(1) IN GENERAL.—The Commissioner of In-
3 ternal Revenue may rescind all or any portion of any
4 penalty imposed by this section with respect to any
5 violation if rescinding the penalty would promote
6 compliance with the requirements of this title and
7 effective tax administration.

8 “(2) NO JUDICIAL APPEAL.—Notwithstanding
9 any other provision of law, any determination under
10 this subsection may not be reviewed in any judicial
11 proceeding.

12 “(3) RECORDS.—If a penalty is rescinded under
13 paragraph (1), the Commissioner shall place in the
14 file in the Office of the Commissioner the opinion of
15 the Commissioner with respect to the determination,
16 including—

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

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

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

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

24 (c) CLERICAL AMENDMENTS.—

1 equal to the tax paid during the taxable year under section
2 4475.

3 “(b) LIMITATION BASED ON MODIFIED ADJUSTED
4 GROSS INCOME.—

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

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

16 “(A) determined without regard to sections
17 86, 893, 911, 931, and 933, and

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

21 “(3) INFLATION ADJUSTMENT.—

22 “(A) IN GENERAL.—In the case of any
23 taxable year beginning after 2016, each dollar
24 amount referred to in paragraph (1) shall be in-
25 creased by an amount equal to—

1 “(i) such dollar amount, multiplied by

2 “(ii) the cost-of-living adjustment de-
3 termined under section (1)(f)(3) of the In-
4 ternal Revenue Code of 1986 for the cal-
5 endar year in which the taxable year be-
6 gins, by substituting ‘2015’ for ‘1992’.

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

11 “(c) ELIGIBLE INDIVIDUAL.—

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

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

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

20 “(2) CERTAIN INDIVIDUALS NOT ELIGIBLE.—

21 For purposes of paragraph (1), an individual de-
22 scribed in any of the following provisions of this title
23 for the preceding taxable year shall not be treated
24 as an eligible individual for the taxable year:

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

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

8 “(C) A married individual who files a sepa-
9 rate return for the taxable 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, 2015.

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