

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.

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

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

(B) expand resources for State and Federal investments that protect our health and environment, investing in water and wastewater infrastructure, rebuild our crumbling physical infrastructure, and create good paying jobs by—

(i) expanding and improving Medicare and Medicaid;

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

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

(iv) investing in transportation including public mass transit and an infrastructure bank that promotes environmentally responsible domestic manufacturing and construction industries; and

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

(C) fund international sustainable prosperity 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.

○