

**MEMO# 32156**

January 16, 2020

## **ICI Creates Video on "The Trouble with Financial Transaction Taxes"**

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TO: ICI Members  
Investment Company Directors  
ICI Global Members  
Management Company Tax Subcommittee  
Pension Committee  
Public Communications Committee  
Tax Advisory Committee  
Tax Committee SUBJECTS: 529 Plans  
Derivatives  
Distribution  
Fees and Expenses  
Operations  
Pension  
Tax  
Trading and Markets RE: ICI Creates Video on "The Trouble with Financial Transaction Taxes"

With the intense interest in Congress and among presidential candidates in taxing financial transactions, ICI Public Communications has created and posted an online video to provide ICI's research findings and perspective on financial transaction taxes (FTTs).

The video, "The Trouble with Financial Transaction Taxes," lays out the impact that these levies would have on millions of Americans of all incomes who own mutual funds and exchange-traded funds. ICI analysis shows that such taxes would be levied on an investor's holding of a fund at least four times:

- When the investor purchases fund shares;
- When the fund purchases securities, either to deploy new cash or to rebalance its portfolio;
- When the fund sells securities, either to meet redemptions or to rebalance; and
- When the investor sells fund shares.

Using data for actual purchases, sales, and trading activity of long-term mutual funds

during 2018, ICI calculates that an FTT set at 10 basis points (0.1 percent) of transaction value would have cost fund investors \$27.4 billion in one year. An FTT would also raise the costs of executing trades, and the increase in higher trading costs could be several times the direct cost of the tax.

While proponents claim that FTTs are designed to tax “Wall Street,” ICI concludes that the FTT would fall most heavily on Main Street—the 100 million Americans who own mutual funds.

The video can be viewed on ICI’s website at [www.ici.org/ftt\\_explainer](http://www.ici.org/ftt_explainer). Members are welcome to link to the video on their websites or in social media.

The FTT video is one of several “explainer” videos ICI has created to advance investor education or support advocacy on issues.

Please contact Mike McNamee, chief public communications officer, [mike.mcnamee@ici.org](mailto:mike.mcnamee@ici.org), 202-326-5864, with any questions.

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