

MEMO# 27073

March 4, 2013

U.S. Lawmakers Introduce Financial Transaction Tax Proposal in Congress

[27073]

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TO: TAX MEMBERS No. 15-13

INTERNATIONAL MEMBERS No. 18-13

ICI GLOBAL TAX COMMITTEE No. 6-13 RE: U.S. LAWMAKERS INTRODUCE FINANCIAL TRANSACTION TAX PROPOSAL IN CONGRESS

Harkin and DeFazio Introduce FTT Bill

Rep. Pete DeFazio (D-Oregon) and Sen. Tom Harkin (D-Iowa) have introduced legislation to impose a financial transaction tax (FTT) beginning January 1, 2014.

A 3 basis point tax would be imposed on almost all financial trading, including all trading in stocks, bonds, and derivative contracts. Original issuance of debt, trading in debt with an original term of less than 100 days, and securities lending would be exempt.

The tax would generally be paid by a U.S. exchange with respect to transactions executed or cleared on such exchange or by a broker if conducted on a non-U.S. exchange. Special rules are provided to determine if the purchaser/payor or seller/payee pays the tax in a direct transaction.

To mitigate the burden of the FTT, taxpayers would be entitled to a credit against their federal income tax liability equal to 3 basis points of their annual contributions to tax-favored accounts.

A similar bill introduced by Rep. DeFazio and Sen. Harkin in the last Congress was estimated by the Joint Tax Committee to raise \$352 billion over 10 years.

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