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February 20, 2021

New York State Senate Finance Committee  
New York State Assembly Ways & Means Committee

*Via email to: [wamchair@nyassembly.gov](mailto:wamchair@nyassembly.gov) and [financechair@nysenate.gov](mailto:financechair@nysenate.gov)*

**Re: Feb. 23, 2021 Joint Legislative Public Hearing on 2021 Executive Budget Proposal:  
Topic Taxes**

Dear Chair Krueger, Chair Weinstein, and Honorable Committee Members,

Thank you very much for the opportunity to offer this testimony. Public Citizen is a national non-profit advocacy organization with more than 500,000 members and supporters across the country, including tens of thousands of New Yorkers. On behalf of our New York members and supporters, I urge your support for repealing the rebate on New York's existing Stock Transfer Tax (STT).

Repealing the rebate granted for the existing STT (as outlined in Senator Sanders' and Assemblymember Steck's legislation, S.1406/A.3353) would have multiple benefits including raising much-needed revenues for the state, tamping down speculation in the stock market, and helping address racial and economic inequality.

On the books since the early 1900s yet 100% rebated since 1981, New York's Stock Transfer Tax has powerful revenue raising potential for a state in desperate need of funding to help provide relief to the state's residents, especially those areas hardest-hit by the COVID-19 pandemic. While the tax is very low (at most a nickel for sales of stock worth more than \$20) it's estimated that repealing the rebate of the STT would bring in around \$13 billion per year that could be used to shore up the state's budget gaps, a situation that has worsened during the current economic downturn. And, moving forward, the STT would allow increased investments in infrastructure (including safe water, transit, clean energy, etc.) as well as in priorities like housing and education that will significantly improve the lives of all New Yorkers.

In addition to bringing in billions of dollars per year, ensuring stocks transfers are taxed helps prevent excess speculation in the market. High-frequency trading—computer algorithms executing trades at speeds much faster than the blink of an eye—now constitute around half of trading volumes<sup>1</sup> and have been shown to increase costs for investors. As explained in Michael Lewis’s book, *Flash Boys*, high-frequency algorithms are able to use speed to beat other traders to the punch, especially slow-moving, very large “whales” like pension and retirement funds.<sup>2</sup> It’s estimated that on a global basis high-frequency trading arbitrage costs investors \$5 billion annually.<sup>3</sup> Moreover, high-frequency trading also has been shown to exacerbate volatility in the markets. For example, the Flash Crash of May 2010 shows how quickly markets can fluctuate, when high-frequency trading was blamed for worsening a trillion-dollar crash that happened in a matter of minutes.<sup>4</sup> There is ample evidence that more recent market upheavals have been worsened by high-speed computer trading as well.<sup>5</sup> Ending the rebate of the New York STT would make high-frequency trading unprofitable, thus removing this hidden penalty and source of risk for everyday investors.

Yet another benefit of ending the rebate for the existing Stock Transfer Tax would be progressive wealth redistribution. Because stocks are primarily owned by the wealthy—the top 10% of earners own more than 80% of all equities<sup>6</sup>—unlike taxes like sales taxes, which can be very regressive, financial transaction taxes are paid by those who are most able to afford it. The skewed nature of stock ownership is even more pronounced when looking at racial breakdowns of wealth. “In terms of overall value, Black and Latinx households own only 1% and 0.4% in corporate equity, respectively.”<sup>7</sup> As our nation grapples with confronting generations of policies that systemically kept Black and Brown families from achieving wealth at the rates of white families, any step toward balancing these inequities must be closely examined.

Momentum toward reinstating a federal financial transaction tax has continued to gain steam and progress toward a European financial transaction tax appears to be making significant headway as well. While many other nations already have these taxes in place and are quite healthy (including the United Kingdom and Hong Kong) New York is in a position to act as a vanguard and ensure the financial industry in the United States is paying its fair share of taxes.

Unlike other tax proposals these committees are likely to hear about during this hearing, ending the rebate on an existing tax is a very simple proposition. Public Citizen has long called for financial transaction taxes that would bridle high frequency trading that increases costs for

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<sup>1</sup> Scott Patterson and Alexander Osipovich, *High-Frequency Traders Feast on Volatile Market*, WALL STREET JOURNAL (March 27, 2020) <https://on.wsj.com/39XQac9>.

<sup>2</sup> Michael Lewis, *Michael Lewis Reflects on His Book Flash Boys, A Year After It Shook Wall Street to Its Core*, VANITY FAIR (March 12, 2015) <https://bit.ly/2M3YWxg>.

<sup>3</sup> MATTEO AQUILINA, ERIC BUDISH AND PETER O’NEILL, FINANCIAL CONDUCT AUTHORITY, QUANTIFYING THE HIGH-FREQUENCY TRADING “ARMS RACE”: A SIMPLE NEW METHODOLOGY AND ESTIMATES (Jan. 2020) <https://bit.ly/3bXO7Y9>.

<sup>4</sup> ANDREI A. KIRILENKO, ET. AL., THE FLASH CRASH: THE IMPACT OF HIGH FREQUENCY TRADING ON AN ELECTRONIC MARKET, JOURNAL OF FINANCE (Jan. 6, 2017) <https://bit.ly/2XZAxLE>.

<sup>5</sup> Robin Wigglesworth, Volatility: How “Algos” Changed the Rhythm of the Market, Financial Times (Jan. 9, 2019) <https://on.ft.com/3aubPdp>.

<sup>6</sup> Lenore Palladino, *The Case for the Financial Transaction Tax in 2021*, THE APPEAL (Feb. 10, 2021) <https://bit.ly/3dru7Oi>.

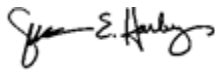
<sup>7</sup> *Id.*

average investors and progressively raise revenues to support government services that improve the lives of everyone such as expanded spending on infrastructure, education, and housing. As you work to craft the state's budget, we urge your committees to endorse ending the rebate on the existing Stock Transfer Tax to meet these important goals.

Thank you again for the opportunity to provide this testimony on behalf of Public Citizen's New York members and supporters. As an addendum to this letter, I am attaching a group endorsement letter that Public Citizen signed in May 2020.

If you have questions, I can be reached at [sharley@citizen.org](mailto:sharley@citizen.org).

Sincerely,

A handwritten signature in black ink, appearing to read "Susan E. Harley". The signature is fluid and cursive, with the first name "Susan" being more prominent.

Susan E. Harley, J.D.  
Managing Director, Congress Watch  
Public Citizen