

[Securities Regulation Daily Wrap Up, INVESTMENT COMPANIES—ICI objects to NY move to repeal stock-transfer tax rebate, \(Aug. 13, 2020\)](#)

Securities Regulation Daily Wrap Up

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By [Amy Leisinger, J.D.](#)

While the change would support the state's economy, this move would harm already stressed investors.

The Investment Company Institute voiced its opposition to New York legislation that would repeal the rebate of stock-transfer sales tax from 100 percent. According to the organization, the change would increase the cost of saving for retirement for both state residents and other individuals because the proposed tax reduction would increase the cost of funds' portfolio transactions.

"Because fund investors are the sole owners of a fund, the investors' return is reduced on a dollar-for-dollar basis by all costs incurred by the fund. A reduced rebate of the tax, consequently, would increase a fund's costs and reduce the return to the middle-class shareholders," ICI [stated](#).

Rebate repeal. As introduced, [New York Senate Bill 6203A](#) would amend the state finance law and repeal the rebate for the stock-transfer tax paid and the funds of the stock transfer tax fund and the dedicated infrastructure investment fund.

Objections. ICI notes that registered funds are publicly offered investment pools and attractive vehicles for the average investor. Legislators claim that the repeal of the full rebate would be economically borne by the wealthy, but the organization contends that it would ultimately harm the middle class. The tax would fall on moderate-income investors in funds and decrease returns on investment.

"Given the increased responsibility that individuals have for ensuring their own retirement security, the legislature should be creating incentives to encourage rather than discourage saving," ICI explains.

Legislation should not impose a tax that would hinder market function and hurt long-term investors, according to ICI, and there is no empirical evidence of benefits of similar taxes in other jurisdictions. Further, ICI states, studies indicate that these types of taxes raise less revenue than predicted, and there would likely be "tremendous effort to avoid the tax."

ICI strongly recommends against the proposal to bring back the stock-transfer tax and suggests that any potential reduction of the rebate not be extended to registered funds.

"Any such reduction in the rebate to funds would be borne by their investors," ICI concludes.

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