

[Securities Regulation Daily Wrap Up, TOP STORY—Hill Democrats offer bill to address economic inequality through tax on financial transactions, \(Mar. 6, 2019\)](#)

Securities Regulation Daily Wrap Up

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Wall Street Tax Act would tax sale of stocks, bonds and derivatives, and exempt short-term debt and IPOs.

Eleven U.S. representatives and four U.S. senators are co-sponsors of new legislation that would tax financial transactions in order to curb high frequency trading and begin to address economic equality in the U.S. [The Wall Street Tax Act](#), according to primary sponsors Rep. Peter DeFazio (D-Ore) and Sen. Brian Schatz (D-Hawaii), could generate \$777 billion in new revenue over ten years.

Bill's provisions. The [bill](#) calls for a tax on the sale of stocks, bonds, and derivatives at 0.1 percent, or 10 basis points, so a stock trade of \$1,000 would incur a tax of one dollar. The tax would apply to the fair market value of equities and bonds, and the payment flows under derivatives contracts. The proposal includes an exemption for initial public offerings and short-term debt, which is defined as debt having a maturity of fewer than 100 days.

The bill is similar to ones that DeFazio [introduced](#) in the last two Congresses, with the amount of the tax lowered from 0.3 percent to 0.1 percent in the current version. DeFazio said that high-frequency traders front-run the market and drive up prices for individuals, pension funds and other value investors. In his view, the new legislation will curb unnecessary speculation and generate much-needed revenue to help the federal government fund national priorities.

Reducing risk. DeFazio and Schatz said in a [news release](#) that by increasing transaction costs slightly, the bill will help redirect investment that has poured into transactions without economic value into more productive areas of the economy. In their view, the bill also will also reduce the risk of financial crashes and limit the risks that high-speed arbitrage pose to the financial system.

They noted that the wealthiest 10 percent of Americans own about 85 percent of stock market wealth. The bipartisan Tax Policy Center estimates that the proposed tax would only apply to the highest earners in the country, with almost half of those affected belonging to the wealthiest one percent.

The Wall Street Tax Act is supported by a number of organizations, including Americans for Financial Reform and the Take on Wall Street campaign. A representative of Take on Wall Street [applauded](#) the proposed legislation, saying that if working families have to pay sales tax on nearly every purchase, Wall Street traders should have to pay sales taxes when buying millions of dollars in stocks.

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