November 9, 2011

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Lawmakers Write Deficit Reduction Committee on Revenue Benefits of Wall Street Tax

WASHINGTON, D.C. – Lawmakers supporting The Wall Street Trading and Speculators Tax today encouraged the deficit reduction committee to adopt their proposal. In a letter to the panel, lawmakers led by Senator Tom Harkin (D-IA) and Congressman Peter DeFazio (D-OR), outlined the revenue generating impact of their bill. Analysis conducted by the Joint Committee on Taxation found that the Wall Street Trading and Speculators Tax Act introduced last week will raise $352 billion over the time period of January 2013 through 2021. The Joint Tax Committee also estimated that the Act raises $218.6 billion in the last 5 years, on average over $43 billion per year.

"As you work to craft a comprehensive deficit reduction plan, we believe you should incorporate reasonable spending cuts and ask the wealthiest Americans and most profitable corporations to pay their fair share. However, we understand through media reports and talking to our colleagues that revenue options remain the largest challenge in your negotiations to obtain significant deficit reduction. We believe we have a viable revenue option that deserves serious consideration," wrote the lawmakers. "Given the extraordinary profitability of Wall Street banks while the rest of the economy is suffering, there is no question that Wall Street can easily bear this modest tax. In fact, while Wall Street lobbyists will express great concern with our proposal, they will not tell you that the European Union is considering a similar proposal, but with a tax rate that is more than three times higher."

The Wall Street Trading and Speculators Tax places a small tax of three basis points (3 pennies on $100 in value) on most non-consumer financial trading including stocks, bonds and other debts, except for their initial issuance. For example, if a company receives a loan from a financial company, that transaction would not be taxed. But, if the financial institution traded the debt, the trade would be subject to the tax. The tax would also cover all derivative contracts, options, forward contracts, swaps and other complex instruments at their actual cost. The measure excludes debt that has an original term of less than 100 days.

The full text of the letter follows.

A PDF version can be found here .

November 8, 2011

The Honorable Patty Murray
Co-Chair, Joint Select Committee on Deficit Reduction
448 Russell Senate Office Building
Washington, D.C. 20510

The Honorable Jeb Hensarling
Co-Chair, Joint Select Committee on Deficit Reduction
129 Cannon House Office Building
Washington, D.C. 20515

Dear Chairwoman Murray and Chairman Hensarling:

As you work to craft a comprehensive deficit reduction plan, we believe you should incorporate reasonable spending cuts and ask the wealthiest Americans and most profitable corporations to pay their fair share. However, we understand through media reports and talking to our colleagues that revenue options remain the largest challenge in your negotiations to obtain significant deficit reduction. We believe we have a viable revenue option that deserves serious consideration.

S. 1787 / H.R. 3313, the Wall Street Trading and Speculators Tax Act, is forecasted by the Joint Committee on Taxation to raise $353 billion over ten years, and $218 billion in years 6-10. Given the very high volume of financial trading, this tax will ultimately raise over $40 billion a year, badly needed for government services and for reducing deficits.

The legislation levies a small tax of three basis points (3 pennies on $100 in value) on most non-consumer financial trading, including stocks, bonds, and other debts, except for their initial issuance. For example, if a company receives a loan from a financial company, that transaction would not be taxed. But, if the financial institution traded the debt, the trade would be subject to the tax.

The tax would also cover all derivative contracts, options, puts, forward contracts, swaps and other complex instruments at their actual cost. The measure excludes debt that has an original term of less than 100 days. The legislation does not harm long-term investing like retirement funds, but instead targets financial trading and complex transactions undertaken by financial and investment firms.

Given the extraordinary profitability of Wall Street banks while the rest of the economy is suffering, there is no question that Wall Street can easily bear this modest tax. In fact, while Wall Street lobbyists will express great concern with our proposal, they will not tell you that the European Union is considering a similar proposal, but with a tax rate that is more than three times higher.

Sincerely,

Tom Harkin
Bernie Sanders
Sherrod Brown
Peter DeFazio
Bruce Braley
Earl Blumenauer
John Conyers
Bobby Scott
Hank Johnson
Betty Sutton
Bob Filner
Louise Slaughter

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