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FACTS & MYTHS ABOUT A FINANCIAL TRANSACTION TAX
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What is a financial transaction tax (FTT)?

The FTT (also known as a *financial speculation tax* , *Wall Street trading tax*, or *Robin Hood tax*) is a tiny fee – at rates of a fraction of a percent – on Wall Street trading of financial instruments such as stocks, bonds, derivatives, futures, options, and credit default swaps.

What are the key facts about the FTT?

- **An FTT would raise at least tens of billions of dollars per year in badly needed revenue.** This is a substantial amount, skimming the fat off of a sector of the economy that can afford to pay it. Some other revenue-raising options being discussed (such as a value-added tax) would fall much more on the middle class.

- **An FTT would reduce dangerous financial market speculation.** Since it would hit high-volume, high-speed trading the hardest, the FTT would serve to discourage short-term speculation in financial markets as well as the proliferation of ever more complex derivatives.

- **An FTT would encourage longer-term productive investment.** By reducing the volume and profitability of short-term trading that serves no productive purpose, the FTT would encourage Wall Street to find new ways to make money from longer-term productive investments.

- **An FTT would put Wall Street to work for Main Street.** Reckless Wall Street gambling cost Americans trillions in bailouts, lost jobs and wealth, and cost states billions in lost revenue. The FTT would help put Wall Street to work rebuilding Main Street with revenue to create potentially hundreds of thousands of jobs and support critical public services and infrastructure.

What are the myths about the FTT?

MYTH: *This has never been tried before.*

> FACT: The FTT is not a new idea. From 1914 to 1966, the U.S. levied a tax on stock issuances (0.1% in 1965) and transfers (0.04%). During the Great Depression, Congress more than doubled the tax to help financial recovery and job creation. **Over 30 countries – including Australia, Hong Kong, Singapore, Switzerland, and the U.K. – currently have some form of the FTT. Of the G20 nations, 16 have an FTT.** There is a 0.5% tax imposed on each trade on the London Stock Exchange. In fact, the U.S. still has a very small FTT, which is used to finance the Securities and Exchange Commission.

MYTH: *Financial transactions are* so mobile that *an FTT in one country is unenforceable and will simply result in trading moving overseas.*

FACT: **The European Union recently voted to implement the FTT in at least 11 member nations, which likely will go into effect in 2014.** With so many European, as well as several Asian, trading floors soon to be or already operating with the tax, there's little chance that trading will move overseas as a result of passing it in the U.S. In addition, **the U.K. has had a tax on stock trades for centuries, throughout periods when the U.K.'s volume of trading has grown robustly.** It raises over 3 billion pounds per year, which would be the equivalent of over $30 billion in an economy the size of the U.S.

MYTH: *The costs will be passed on to average investors.*

FACT: **A fee of a fraction of a percent would make little difference to a person who intends to hold onto stocks as a long-term investment.** For example, an FTT of 1/20 of a percent would cost investors buying $10,000 of stock only $5 when they purchase their shares. Also, research shows that most traders will respond to a tax by reducing the frequency of their trades. This means that by trading less often, they will end up spending roughly the same – or even a lower – total amount on their trades.

MYTH: *The FTT would tax everyday consumers' bank transactions, such as depositing checks.*

FACT: **A financial transaction tax would NOT touch regular bank transactions, but instead place fees only on Wall Street trades.** There is a myth circulating on the internet that confuses FTT bills with Rep. Fattah's *Debt Free America Act*, an entirely different proposal that would apply a 1% fee on retail and wholesale transactions in order to eliminate the national debt and phase out the income tax.

MYTH: *The idea has little support.*

FACT: **The FTT is supported by major business and political leaders**:

- Financiers George Soros and John Bogle (founder of the Vanguard Group) support the idea, as do business magnates Bill Gates, Mark Cuban, and Warren Buffett.
- Former Republican administration officials, such as Sheila Bair, David Stockman and Paul Volcker, have endorsed the concept.
- Overseas leaders, including Germany's Andrea Merkel and the chairman of Britain's Financial Services Authority, support a global FTT. The European Union has proposed an FTT, and the IMF has found it easier to implement than many other types of taxes.
- Prominent economists have supported it, including John Keynes; Nobel prize winners James Tobin, Paul Krugman and Joseph Stiglitz; Jeffrey Sachs; Dean Baker; and Larry Summers.
- After the 1987 Wall Street crash, an FTT was proposed by then-Speaker of the House Jim Wright and endorsed by Bob Dole and the first President Bush.

Is there any polling on the topic?

Recent surveys show that are that taxes on Wall Street are popular with the public:

- In a January 2013 poll conducted by Hart Research for Americans for Tax Fairness, **over 6-in-10 (62%) of respondents approved – and one-third (34%) strongly approved** – a "small tax on all stock/bond/market trades."

- A December 2012 survey by the Mellman Group for Friends of the Earth found that among American voters, **two-thirds favored the FTT**, saying yes to "taxes on Wall Street banks that helped create our economic problems." A majority of poll respondents favored reining in "the casino culture of Wall Street" and "skimming the fat off a sector that can afford to pay."

- In November 2012, a Democracy Corps national post-election survey found **that two-thirds (66%) favor and almost 4-in-10 (38%) strongly favor** instituting "a financial transactions tax and a 'too big to fail' fee on the largest banks and financial institutions to discourage risky investments and guard against more bailouts."

- An International Trade Union Confederation Global Poll conducted in April and May 2012 also determined that among U.S. respondents, **over 6-in-10 (63%) favor "a financial transactions tax** – which is a small levy on large transactions of currencies, bonds and shares ... The idea behind this levy is that this would be a good way for the banking sector to contribute back to society for their part in the financial crisis."

Is there any interest in the FTT in Congress?

There are bills before the current Congress that include some form of the FTT:

- Sen. Tom Harkin and Rep. Peter DeFazio have introduced the ***Wall Street Trading and Speculators Tax Act***, which proposes a 0.03% tax on stock, bond and derivative trades, with a tax credit offset for contributions to qualified tax-favored accounts, such as 401(k)retirement funds, 529 education saving plans and health savings accounts.

- Sen. Sheldon Whitehouse has introduced the ***Job Preservation and Economic Certainty Act of 2013,*** which includes a 0.03% tax on stock, bond and derivative trades, with an offset for contributions to tax-favored accounts, such as 401(k)s, 529s and HSAs.

- Rep. Keith Ellison has introduced the ***Inclusive Prosperity Act***, which proposes tax rates of 0.5% on stock, 0.1% on bond, and 0.005% on derivative trades, with an offset for taxpayers with adjusted gross incomes under $50,000 per individual or $75,000 per family.

- Rep. Conyers proposes FTTs to help fund some bills, including the *Humphrey-Hawkins Full Employment and Training Act* and the *Expanded & Improved Medicare For All Act*.