

112TH CONGRESS  
2D SESSION

# H. R. 6411

To impose a tax on certain trading transactions to strengthen our financial security, expand opportunity, and stop shrinking the middle class.

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## IN THE HOUSE OF REPRESENTATIVES

SEPTEMBER 14, 2012

Mr. ELLISON (for himself, Mr. CONYERS, Mr. STARK, Mr. FILNER, Ms. WOOLSEY, Mr. MCGOVERN, and Ms. LEE of California) introduced the following bill; which was referred to the Committee on Ways and Means

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## A BILL

To impose a tax on certain trading transactions to strengthen our financial security, expand opportunity, and stop shrinking the middle class.

1 *Be it enacted by the Senate and House of Representa-*  
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Inclusive Prosperity  
5 Act”.

6 **SEC. 2. FINDINGS.**

7 Congress finds the following:

8 (1) The global financial crisis cost Americans  
9 \$19 trillion in lost wealth.

1           (2) The global financial crisis was caused by fi-  
2           nancial firms taking great financial risks without  
3           disclosing those risks to their investors or their regu-  
4           lators, and by regulatory failures to adequately po-  
5           lice the financial services markets for crime, unfair  
6           or deceptive practices, fraud, lack of transparency,  
7           and mismanagement.

8           (3) Deceptive, illegal, and speculative financial  
9           practices have harmed public confidence in the integ-  
10          rity and fairness of many United States financial in-  
11          stitutions, and threaten the basic strengths of the  
12          United States economic system.

13          (4) American citizens provided the money to  
14          stabilize the financial sector, making \$600 billion  
15          available to 800 financial institutions, automakers,  
16          and insurance companies.

17          (5) The global financial crisis, along with the  
18          wars, unsustainable tax cuts, and a continuing un-  
19          employment crisis and looming loss of unemploy-  
20          ment benefits, if unaddressed, will deprive a genera-  
21          tion of a meaningful role in the larger economy.

22          (6) Nurses, teachers, public safety officers, and  
23          other public sector workers have faced drastic fund-  
24          ing cuts, harming our long-term public safety and  
25          prospects for economic growth.

1           (7) According to economists, a small tax on  
2 transfer of ownership of every financial trade could  
3 generate hundreds of billions annually in revenue,  
4 which when invested could help create sufficient jobs  
5 in both the public and private sectors to replace the  
6 8 million jobs lost in the recent recession and add  
7 even more jobs on an ongoing basis.

8           (8) A transfer tax will help limit reckless short-  
9 term speculation that threatens financial stability.

10          (9) A securities transfer tax would have a neg-  
11 ligible impact on the average investor.

12          (10) The United States had a transfer tax from  
13 1914 to 1966: The Revenue Act of 1914 (Act of  
14 Oct. 22, 1914 (ch. 331, 38 Stat. 745)) levied a 0.2  
15 percent tax on all sales or transfers of stock which  
16 was doubled in 1932 to help overcome the budgetary  
17 challenges during the Great Depression.

18          (11) Forty nations have a financial transactions  
19 tax and more than 1,000 economists have endorsed  
20 it.

21          (12) Revenue generated by this tax will be  
22 available to—

23                (A) strengthen financial security and ex-  
24 pand opportunity for low- and moderate-income  
25 families, including strengthening the social safe-

1 ty net and expanding resources for child care,  
2 Social Security, and savings incentives;

3 (B) expand resources for State and Fed-  
4 eral investments that protect our health, rebuild  
5 our crumbling physical infrastructure, and cre-  
6 ate good paying jobs by—

7 (i) expanding and improving Medicare  
8 and Medicaid;

9 (ii) investing in education, student  
10 debt relief, job training, public sector jobs,  
11 and green jobs;

12 (iii) providing housing assistance to  
13 low-income households;

14 (iv) investing in transportation includ-  
15 ing transit and an infrastructure bank that  
16 promotes environmentally responsible do-  
17 mestic manufacturing and construction in-  
18 dustries; and

19 (v) protecting our environment and  
20 building a clean energy economy, including  
21 efforts to combat climate change; and

22 (C) fund international sustainable pros-  
23 perity programs such as health care invest-  
24 ments, AIDS treatment, research and preven-  
25 tion programs, and international assistance.

1 **SEC. 3. TRANSACTION TAX.**

2 (a) IN GENERAL.—Chapter 36 of the Internal Rev-  
3 enue Code of 1986 is amended by inserting after sub-  
4 chapter B the following new subchapter:

5 **“Subchapter C—Tax on Trading Transactions**

“Sec. 4475. Tax on trading transactions.

6 **“SEC. 4475. TAX ON TRADING TRANSACTIONS.**

7 “(a) IMPOSITION OF TAX.—There is hereby imposed  
8 a tax on the transfer of ownership in each covered trans-  
9 action with respect to any security.

10 “(b) RATE OF TAX.—The tax imposed under sub-  
11 section (a) with respect to any covered transaction shall  
12 be the applicable percentage of the specified base amount  
13 with respect to such covered transaction. The applicable  
14 percentage shall be—

15 “(1) 0.5 percent in the case of a security de-  
16 scribed in subparagraph (A) or (B) of subsection  
17 (e)(1),

18 “(2) 0.10 percent in the case of a security de-  
19 scribed in subparagraph (C) of subsection (e)(1),  
20 and

21 “(3) 0.005 percent in the case of a security de-  
22 scribed in subparagraph (D), (E), or (F) of sub-  
23 section (e)(1).

24 “(c) SPECIFIED BASE AMOUNT.—For purposes of  
25 this section, the term ‘specified base amount’ means—

1           “(1) except as provided in paragraph (2), the  
2 fair market value of the security (determined as of  
3 the time of the covered transaction), and

4           “(2) in the case of any payment described in  
5 subsection (h), the amount of such payment.

6           “(d) COVERED TRANSACTION.—For purposes of this  
7 section, the term ‘covered transaction’ means—

8           “(1) except as provided in paragraph (2), any  
9 purchase if—

10           “(A) such purchase occurs or is cleared on  
11 a facility located in the United States, or

12           “(B) the purchaser or seller is a United  
13 States person, and

14           “(2) any transaction with respect to a security  
15 described in subparagraph (D), (E), or (F) of sub-  
16 section (e)(1), if—

17           “(A) such security is traded or cleared on  
18 a facility located in the United States, or

19           “(B) any party with rights under such se-  
20 curity is a United States person.

21           “(e) SECURITY AND OTHER DEFINITIONS.—For pur-  
22 poses of this section—

23           “(1) IN GENERAL.—The term ‘security’  
24 means—

25           “(A) any share of stock in a corporation,

1           “(B) any partnership or beneficial owner-  
2           ship interest in a partnership or trust,

3           “(C) any note, bond, debenture, or other  
4           evidence of indebtedness, other than a State or  
5           local bond the interest of which is excluded  
6           from gross income under section 103(a),

7           “(D) any evidence of an interest in, or a  
8           derivative financial instrument with respect to,  
9           any security or securities described in subpara-  
10          graph (A), (B), or (C),

11          “(E) any derivative financial instrument  
12          with respect to any currency or commodity in-  
13          cluding notional principal contracts, and

14          “(F) any other derivative financial instru-  
15          ment any payment with respect to which is cal-  
16          culated by reference to any specified index.

17          “(2) DERIVATIVE FINANCIAL INSTRUMENT.—  
18          The term ‘derivative financial instrument’ includes  
19          any option, forward contract, futures contract, no-  
20          tional principal contract, or any similar financial in-  
21          strument.

22          “(3) SPECIFIED INDEX.—The term ‘specified  
23          index’ means any 1 or more of any combination of—

24                 “(A) a fixed rate, price, or amount, or

1           “(B) a variable rate, price, or amount,  
2           which is based on any current objectively deter-  
3           minable information which is not within the  
4           control of any of the parties to the contract or  
5           instrument and is not unique to any of the par-  
6           ties’ circumstances.

7           “(4) TREATMENT OF EXCHANGES.—

8           “(A) IN GENERAL.—An exchange shall be  
9           treated as the sale of the property transferred  
10          and a purchase of the property received by each  
11          party to the exchange.

12          “(B) CERTAIN DEEMED EXCHANGES.—In  
13          the case of a distribution treated as an ex-  
14          change for stock under section 302 or 331, the  
15          corporation making such distribution shall be  
16          treated as having purchased such stock for pur-  
17          poses of this section.

18          “(f) EXCEPTIONS.—

19          “(1) EXCEPTION FOR INITIAL ISSUES.—No tax  
20          shall be imposed under subsection (a) on any cov-  
21          ered transaction with respect to the initial issuance  
22          of any security described in subparagraph (A), (B),  
23          or (C) of subsection (e)(1).

1           “(2) EXCEPTION FOR CERTAIN TRADED SHORT-  
2           TERM INDEBTEDNESS.—A note, bond, debenture, or  
3           other evidence of indebtedness which—

4                   “(A) is traded on a trading facility located  
5                   in the United States, and

6                   “(B) has a fixed maturity of not more  
7                   than 60 days,

8           shall not be treated as described in subsection  
9           (e)(1)(C).

10           “(3) EXCEPTION FOR SECURITIES LENDING AR-  
11           RANGEMENTS.—No tax shall be imposed under sub-  
12           section (a) on any covered transaction with respect  
13           to which gain or loss is not recognized by reason of  
14           section 1058.

15           “(g) BY WHOM PAID.—

16                   “(1) IN GENERAL.—The tax imposed by this  
17                   section shall be paid by—

18                   “(A) in the case of a transaction which oc-  
19                   curs or is cleared on a facility located in the  
20                   United States, such facility, and

21                   “(B) in the case of a purchase not de-  
22                   scribed in subparagraph (A) which is executed  
23                   by a broker (as defined in section 6045(c)(1)),  
24                   the broker.

1           “(2) SPECIAL RULES FOR DIRECT, ETC.,  
2           TRANSACTIONS.—In the case of any transaction to  
3           which paragraph (1) does not apply, the tax imposed  
4           by this section shall be paid by—

5                   “(A) in the case of a transaction described  
6                   in subsection (d)(1)—

7                           “(i) the purchaser if the purchaser is  
8                           a United States person, and

9                           “(ii) the seller if the purchaser is not  
10                          a United States person, and

11                   “(B) in the case of a transaction described  
12                   in subsection (d)(2)—

13                           “(i) the payor if the payor is a United  
14                           States person, and

15                           “(ii) the payee if the payor is not a  
16                          United States person.

17           “(h) CERTAIN PAYMENTS TREATED AS SEPARATE  
18           TRANSACTIONS.—Except as otherwise provided by the  
19           Secretary, any payment with respect to a security de-  
20           scribed in subparagraph (D), (E), or (F) of subsection  
21           (e)(1) shall be treated as a separate transaction for pur-  
22           poses of this section, including—

23                   “(1) any net initial payment, net final or termi-  
24                   nating payment, or net periodical payment with re-

1 spect to a notional principal contract (or similar fi-  
2 nancial instrument),

3 “(2) any payment with respect to any forward  
4 contract (or similar financial instrument), and

5 “(3) any premium paid with respect to any op-  
6 tion (or similar financial instrument).

7 “(i) ADMINISTRATION.—The Secretary shall carry  
8 out this section in consultation with the Securities and Ex-  
9 change Commission and the Commodity Futures Trading  
10 Commission.

11 “(j) GUIDANCE; REGULATIONS.—The Secretary  
12 shall—

13 “(1) provide guidance regarding such informa-  
14 tion reporting concerning covered transactions as the  
15 Secretary deems appropriate, including reporting by  
16 the payor of the tax in cases where the payor is not  
17 the purchaser, and

18 “(2) prescribe such regulations as are necessary  
19 or appropriate to prevent avoidance of the purposes  
20 of this section, including the use of non-United  
21 States persons in such transactions.”.

22 (b) CLERICAL AMENDMENT.—The table of sub-  
23 chapters for chapter 36 of the Internal Revenue Code of  
24 1986 is amended by inserting after the item relating to  
25 subchapter B the following new item:

“SUBCHAPTER C. TAX ON TRADING TRANSACTIONS”.

1 (c) EFFECTIVE DATE.—The amendments made by  
2 this section shall apply to transactions after December 31,  
3 2012.

4 **SEC. 4. OFFSETTING CREDIT FOR FINANCIAL TRANS-**  
5 **ACTION TAX.**

6 (a) IN GENERAL.—Subpart A of part IV of sub-  
7 chapter A of chapter 1 of the Internal Revenue Code of  
8 1986 (relating to nonrefundable personal credits) is  
9 amended by inserting after section 25D the following new  
10 section:

11 **“SEC. 25E. FINANCIAL TRANSACTION TAX PAYMENTS.**

12 “(a) ALLOWANCE OF CREDIT.—In the case of an in-  
13 dividual, there shall be allowed as a credit against the tax  
14 imposed by this chapter for the taxable year an amount  
15 equal to the tax paid during the taxable year under section  
16 4475.

17 “(b) LIMITATION BASED ON MODIFIED ADJUSTED  
18 GROSS INCOME.—

19 “(1) IN GENERAL.—Subsection (a) shall not  
20 apply to a taxpayer for the taxable year if the modi-  
21 fied adjusted gross income of the taxpayer for the  
22 taxable year exceeds \$50,000 (\$75,000 in the case  
23 of a joint return and one-half of such amount in the  
24 case of a married individual filing a separate re-  
25 turn).

1           “(2) MODIFIED ADJUSTED GROSS INCOME.—  
2           For purposes of paragraph (1), the term ‘modified  
3           adjusted gross income’ means adjusted gross in-  
4           come—

5                   “(A) determined without regard to sections  
6                   86, 893, 911, 931, and 933, and

7                   “(B) increased by the amount of interest  
8                   received or accrued by the taxpayer during the  
9                   taxable year which is exempt from tax.

10           “(3) INFLATION ADJUSTMENT.—

11                   “(A) IN GENERAL.—In the case of any  
12                   taxable year beginning after 2013, each dollar  
13                   amount referred to in paragraph (1) shall be in-  
14                   creased by an amount equal to—

15                           “(i) such dollar amount, multiplied by

16                           “(ii) the cost-of-living adjustment de-  
17                           termined under section (1)(f)(3) of the In-  
18                           ternal Revenue Code of 1986 for the cal-  
19                           endar year in which the taxable year be-  
20                           gins, by substituting ‘2012’ for ‘1992’.

21                   “(B) ROUNDING.—If any amount as ad-  
22                   justed under clause (i) is not a multiple of \$50,  
23                   such amount shall be rounded to the nearest  
24                   multiple of \$50.

25           “(c) ELIGIBLE INDIVIDUAL.—

1           “(1) IN GENERAL.—The term ‘eligible indi-  
2           vidual’ means, with respect to any taxable year, an  
3           individual who—

4                   “(A) has attained the age of 18 as of the  
5                   last day of such taxable year, and

6                   “(B) is a citizen or lawful permanent resi-  
7                   dent (within the meaning of section 7701(b)(6))  
8                   as of the last day of such taxable year.

9           “(2) CERTAIN INDIVIDUALS NOT ELIGIBLE.—  
10           For purposes of paragraph (1), an individual de-  
11           scribed in any of the following provisions of this title  
12           for the preceding taxable year shall not be treated  
13           as an eligible individual for the taxable year:

14                   “(A) An individual who is a student (as  
15                   defined in section 152(f)(2)) for the taxable  
16                   year or the immediately preceding taxable year.

17                   “(B) An individual who is a taxpayer de-  
18                   scribed in subsection (c), (d), or (e) of section  
19                   6402 for the immediately preceding taxable  
20                   year.

21                   “(C) A married individual who files a sepa-  
22                   rate return for the taxable year.”.

23           (b) CLERICAL AMENDMENT.—The table of sections  
24           for subpart A of part IV of subchapter A of chapter 1

1 of such Code is amended by inserting after the item relat-  
2 ing to section 25D the following new item:

“Sec. 25E. Financial transaction tax payments.”.

3 (c) EFFECTIVE DATE.—The amendments made by  
4 this section shall apply to taxable years beginning after  
5 December 31, 2012.

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