To impose a tax on certain trading transactions to invest in our families and communities, improve our infrastructure and our environment, strengthen our financial security, expand opportunity and reduce market volatility.

IN THE SENATE OF THE UNITED STATES

Mr. Sanders (for himself and Mrs. Gillibrand) introduced the following bill; which was read twice and referred to the Committee on

A BILL

To impose a tax on certain trading transactions to invest in our families and communities, improve our infrastructure and our environment, strengthen our financial security, expand opportunity and reduce market volatility.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. SHORT TITLE.

This Act may be cited as the “Inclusive Prosperity Act of 2019”.

SEC. 2. FINDINGS.

Congress finds the following:
(1) The global financial crisis cost Americans $19 trillion in lost wealth.

(2) The global financial crisis was caused by financial firms taking great financial risks without disclosing those risks to their investors or their regulators, and by regulatory failures to adequately police the financial services markets for crime, unfair or deceptive practices, fraud, lack of transparency, and mismanagement.

(3) Deceptive, illegal, and speculative financial practices have harmed public confidence in the integrity and fairness of many United States financial institutions, and threaten the basic strengths of the United States economic system.

(4) American citizens provided the money to stabilize the financial sector, making $700 billion available to 800 financial institutions, automakers, and insurance companies.

(5) The global financial crisis, along with the wars, unabated and unaddressed climate change, unsustainable tax cuts, and a continuing unemployment crisis, if unaddressed, will deprive a generation of a meaningful role in the larger economy.

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

(7) Extreme weather events rooted in climate change, including flood, drought, fire, super storms like Sandy, as well as “slow-onset” events like sea level rise, are wreaking havoc in the United States and across the globe resulting in climate change impacts that jeopardize the lives and livelihoods of Americans, causing large-scale food and energy insecurity in developing countries, and extolling untold economic costs.

(8) According to economists, a small tax on transfer of ownership of every financial trade could generate hundreds of billions annually in revenue, which when invested could help create millions of good-paying jobs in both the public and private sectors every year, as well as provide urgently needed funding for programs to combat climate change and address global health and development issues.

(9) A transactions tax will help limit high frequency trading which may be as high as 70 percent of the market and results in declining market stability through extreme price volatility, distorted market prices, and structural vulnerability to speculation
far in excess of the liquidity needs of commercial
hedgers.

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

(11) The United States had a transfer tax from
1914 to 1966: The Revenue Act of 1914 (Act of
Oct. 22, 1914 (ch. 331, 38 Stat. 745)) levied a 0.02
percent tax on all sales or transfers of stock which
was doubled in 1932 to help overcome the budgetary
challenges during the Great Depression.

(12) Forty nations have or have had some form
of a financial transactions tax; it is endorsed by
more than 1,000 economists; and 10 European
countries are moving forward on implementing a co-
ordinated financial transactions tax after European
Union finance ministers signaled approval in Janu-
ary 2013.

(13) Revenue generated by this tax could be
available to—

(A) create a more dynamic economy and
enhance economic opportunity by providing free
college education and lessening student debt;

(B) strengthen financial security and ex-
pand opportunity for low- and moderate-income
families, including strengthening the social safe-
ty net and expanding resources for child care, Social Security, and savings incentives;

(C) expand resources for State and Federal investments that protect our health and environment, investing in water and wastewater infrastructure, rebuild our crumbling physical infrastructure, and create good paying jobs by—

(i) expanding and improving Medicare and Medicaid;

(ii) investing in job training, public sector jobs, and green jobs;

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

(iv) investing in transportation including public mass transit and an infrastructure bank that promotes environmentally responsible domestic manufacturing and construction industries; and

(v) protecting our environment and building a clean energy economy, including efforts to combat climate change and build resilience to its effects in the United States and in developing countries; and
(D) fund international sustainable prosperity programs such as HIV treatment, research and prevention programs, other international health and humanitarian assistance, and climate change adaptation and mitigation efforts by developing countries.

SEC. 3. TRANSACTION TAX.

(a) IN GENERAL.—Chapter 36 of the Internal Revenue Code of 1986 is amended by inserting after subchapter B the following new subchapter:

“Subchapter C—Tax on Trading Transactions

Sec. 4475. Tax on trading transactions.

SEC. 4475. TAX ON TRADING TRANSACTIONS.

“(a) IMPOSITION OF TAX.—There is hereby imposed a tax on the transfer of ownership in each covered transaction with respect to any security.

“(b) RATE OF TAX.—The tax imposed under subsection (a) with respect to any covered transaction shall be the applicable percentage of the specified base amount with respect to such covered transaction. The applicable percentage shall be—

“(1) 0.5 percent in the case of a security described in subparagraph (A) or (B) of subsection (e)(1),
“(2) 0.10 percent in the case of a security described in subparagraph (C) of subsection (e)(1), and
“(3) 0.005 percent in the case of a security described in subparagraph (D), (E), or (F) of subsection (e)(1).
“(c) SPECIFIED BASE AMOUNT.—For purposes of this section, the term ‘specified base amount’ means—
“(1) except as provided in paragraph (2), the fair market value of the security (determined as of the time of the covered transaction), and
“(2) in the case of any payment described in subsection (h), the amount of such payment.
“(d) COVERED TRANSACTION.—For purposes of this section, the term ‘covered transaction’ means—
“(1) except as provided in paragraph (2), any purchase if—
“(A) such purchase occurs or is cleared on a facility located in the United States, or
“(B) the purchaser or seller is a United States person, and
“(2) any transaction with respect to a security described in subparagraph (D), (E), or (F) of subsection (e)(1), if—
“(A) such security is traded or cleared on a facility located in the United States, or

“(B) any party with rights under such security is a United States person.

“(e) SECURITY AND OTHER DEFINITIONS.—For purposes of this section—

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

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

“(B) any partnership or beneficial ownership interest in a partnership or trust,

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

“(D) any evidence of an interest in, or a derivative financial instrument with respect to, any security or securities described in subparagraph (A), (B), or (C),

“(E) any derivative financial instrument with respect to any currency or commodity including notional principal contracts, and

“(F) any other derivative financial instrument any payment with respect to which is calculated by reference to any specified index.
“(2) Derivative financial instrument.—
The term ‘derivative financial instrument’ includes any option, forward contract, futures contract, notional principal contract, or any similar financial instrument.

“(3) Specified index.—The term ‘specified index’ means any 1 or more of any combination of—

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

“(B) a variable rate, price, or amount, which is based on any current objectively determinable information which is not within the control of any of the parties to the contract or instrument and is not unique to any of the parties’ circumstances.

“(4) Treatment of exchanges.—

“(A) In general.—An exchange shall be treated as the sale of the property transferred and a purchase of the property received by each party to the exchange.

“(B) Certain deemed exchanges.—In the case of a distribution treated as an exchange for stock under section 302 or 331, the corporation making such distribution shall be treated as having purchased such stock for purposes of this section.
“(f) EXCEPTIONS.—

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

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

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

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

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

“(3) EXCEPTION FOR SECURITIES LENDING ARRANGEMENTS.—No tax shall be imposed under subsection (a) on any covered transaction with respect to which gain or loss is not recognized by reason of section 1058.

“(g) BY WHOM PAID.—

“(1) IN GENERAL.—The tax imposed by this section shall be paid by—
“(A) in the case of a transaction which occurs or is cleared on a facility located in the United States, such facility, and
“(B) in the case of a purchase not described in subparagraph (A) which is executed by a broker (as defined in section 6045(e)(1)), the broker.
“(2) Special rules for direct, etc., transactions.—In the case of any transaction to which paragraph (1) does not apply, the tax imposed by this section shall be paid by—
“(A) in the case of a transaction described in subsection (d)(1)—
“(i) the purchaser if the purchaser is a United States person, and
“(ii) the seller if the purchaser is not a United States person, and
“(B) in the case of a transaction described in subsection (d)(2)—
“(i) the payor if the payor is a United States person, and
“(ii) the payee if the payor is not a United States person.
“(h) Certain payments treated as separate transactions.—Except as otherwise provided by the
Secretary, any payment with respect to a security described in subparagraph (D), (E), or (F) of subsection (e)(1) shall be treated as a separate transaction for purposes of this section, including—

“(1) any net initial payment, net final or terminating payment, or net periodical payment with respect to a notional principal contract (or similar financial instrument),

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

“(3) any premium paid with respect to any option (or similar financial instrument).

“(i) Administration.—The Secretary shall carry out this section in consultation with the Securities and Exchange Commission and the Commodity Futures Trading Commission.

“(j) Guidance; Regulations.—The Secretary shall—

“(1) provide guidance regarding such information reporting concerning covered transactions as the Secretary deems appropriate, including reporting by the payor of the tax in cases where the payor is not the purchaser, and

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

“(k) Whistleblowers.—See section 7623 for provisions relating to whistleblowers.”.

(b) **Penalty for Failure To Include Covered Transaction Information With Return.**—Part I of subchapter B of chapter 68 of the Internal Revenue Code of 1986 is amended by inserting after section 6707A the following new section:

**“SEC. 6707B. PENALTY FOR FAILURE TO INCLUDE COVERED TRANSACTION INFORMATION WITH RETURN.”**

“(a) **Imposition of Penalty.**—Any person who fails to include on any return or statement any information with respect to a covered transaction which is required pursuant to section 4475(j)(1) to be included with such return or statement shall pay a penalty in the amount determined under subsection (b).

“(b) **Amount of Penalty.**—Except as otherwise provided in this subsection, the amount of the penalty under subsection (a) with respect to any covered transaction shall be determined by the Secretary.

“(c) **Covered Transaction.**—For purposes of this section, the term ‘covered transaction’ has the meaning given such term by section 4475(d).
“(d) Authority To Rescind Penalty.—

“(1) In General.—The Commissioner of Internal Revenue may rescind all or any portion of any penalty imposed by this section with respect to any violation if rescinding the penalty would promote compliance with the requirements of this title and effective tax administration.

“(2) No Judicial Appeal.—Notwithstanding any other provision of law, any determination under this subsection may not be reviewed in any judicial proceeding.

“(3) Records.—If a penalty is rescinded under paragraph (1), the Commissioner shall place in the file in the Office of the Commissioner the opinion of the Commissioner with respect to the determination, including—

“(A) a statement of the facts and circumstances relating to the violation,

“(B) the reasons for the rescission, and

“(C) the amount of the penalty rescinded.

“(e) Coordination With Other Penalties.—The penalty imposed by this section shall be in addition to any other penalty imposed by this title.”.

(c) Clerical Amendments.—
(1) The table of sections for part I of sub-
chapter B of chapter 68 of such Code is amended
by inserting after item relating to section 6707A the
following new item:

"Sec. 6707B. Penalty for failure to include covered transaction information
with return.".

(2) The table of subchapters for chapter 36 of
the Internal Revenue Code of 1986 is amended by
inserting after the item relating to subchapter B the
following new item:

"SUBCHAPTER C. TAX ON TRADING TRANSACTIONS".

(d) EFFECTIVE DATE.—The amendments made by
this section shall apply to transactions after December 31,
2019.

SEC. 4. OFFSETTING CREDIT FOR FINANCIAL TRA-

ACTION TAX.

(a) IN GENERAL.—Subpart A of part IV of sub-
chapter A of chapter 1 of the Internal Revenue Code of
1986 is amended by inserting after section 25D the fol-
lowing new section:

"SEC. 25E. FINANCIAL TRANSACTION TAX PAYMENTS.

"(a) ALLOWANCE OF CREDIT.—In the case of an eli-
gible individual, there shall be allowed as a credit against
the tax imposed by this chapter for the taxable year an
amount equal to the tax paid during the taxable year
under section 4475."
“(b) Limitation Based on Modified Adjusted Gross Income.—

“(1) In general.—Subsection (a) shall not apply to a taxpayer for the taxable year if the modified adjusted gross income of the taxpayer for the taxable year exceeds $50,000 ($75,000 in the case of a joint return and one-half of such amount in the case of a married individual filing a separate return).

“(2) Modified adjusted gross income.—For purposes of paragraph (1), the term ‘modified adjusted gross income’ means adjusted gross income—

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

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

“(3) Inflation adjustment.—

“(A) In general.—In the case of any taxable year beginning after 2020, each dollar amount referred to in paragraph (1) shall be increased by an amount equal to—

“(i) such dollar amount, multiplied by

“(B) ROUNDING.—If any amount as adjusted under subparagraph (A) is not a multiple of $50, such amount shall be rounded to the nearest multiple of $50.

“(c) ELIGIBLE INDIVIDUAL.—

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

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

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

“(2) CERTAIN INDIVIDUALS NOT ELIGIBLE.—

For purposes of paragraph (1), an individual described in any of the following provisions of this title for the preceding taxable year shall not be treated as an eligible individual for the taxable year:
“(A) An individual who is a student (as defined in section 152(f)(2)) for the taxable year or the immediately preceding taxable year.

“(B) An individual who is a taxpayer described in subsection (c), (d), or (e) of section 6402 for the immediately preceding taxable year.”.

(b) CLERICAL AMENDMENT.—The table of sections for subpart A of part IV of subchapter A of chapter 1 of such Code is amended by inserting after the item relating to section 25D the following new item:

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

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2019.