



NEW YORK STATE SENATOR

James Sanders Jr.

## Senator Sanders and Assemblymember Steck fight back against baseless criticism of Stock Transfer Tax

JAMES SANDERS JR. February 11, 2021

In a letter to the Governor (attached), Senator James Sanders Jr. (D-Queens) and Assemblymember Phil Steck urge him to reject the criticism of the Stock Transfer Tax (STT) leveled by the securities industry group SIFMA. Steck said: "This is nothing more than the voices of the Ronald Reagan no-tax-is-a-good-tax crowd (which shouted even louder in the disastrous Trump years). These institutions pushed back against the Stock Transfer Tax when it was first adopted in 1905. They were proven wrong then, and they will be proven wrong now."

Senator Sanders said, ""For the vast majority of investors, this is an unseen tax – it wouldn't be felt even if it was collected. Most people who have investments are not buying and selling stocks with great frequency. Wall Street speculators, on the other hand, seek to jump in and out of investments at a rapid pace, and those would be the people who would pay the vast bulk of the tax."

The Response letter makes the following points:

The Stock Transfer Tax is not a tax on Wall Street. It is a sales tax of 5 cents per \$100 on the sale of stock. It is paid not by purchasers of stock, most of whom do not live in New York State or even in the United States.

It is a tax that is already on the books (Tax Law Article 12) but is not collected.

The specter of Wall Street leaving New York is unfounded. It would cost billions to move to avoid a tax the firms do not pay. This makes no economic sense.

Tax experts have rejected the ham-handed claim that Wall Street will move the computers to avoid the tax. The Wayfair decision of SCOTUS allows New York to tax any transactions facilitated in New York. The computers could be in Bora Bora. It does not matter.

Wall Street has enjoyed unprecedented success in the last 40 years, rising to dizzying heights in recent years. Yet employment in the securities industry in New York has declined by 26%. It is a myth that Wall Street success drives employment. Further, economists have proven that there is no correlation between transaction costs (like STT) and employment in the securities industry.

Countries like the United Kingdom, Switzerland, Taiwan, and Singapore all have financial transaction taxes on the books. Hong Kong, a city considered to have the freest economy in the world, has a 0.1% tax on financial transactions with no significant impact on its economy. France adopted the tax over the same objections as those made by SIFMA. It was so successful that that they increased the tax from .2% to .3%.

New York can keep its tax extremely low and still raise tremendous revenue since NY has 50% of all trading in the world. Economists like Nobel Prize-winner Joseph Stiglitz and mainstream think tanks like The Brookings Institution state the tax is just too low to have any negative effect on market performance.

The International Monetary Fund rejected the example of Sweden, cited by SIFMA, as evidence that financial transaction taxes do not work.

STT has no effect on pensions. Pension benefits are set by law or by contract in defined benefit plans like public employee pensions and by contract in union pensions. For example, the giant New York State Teachers Retirement System pays over \$300 million in fees per year to Wall Street firms. STT is less than 5% of that cost and can easily be absorbed within the plan without affecting benefits. It might reduce Wall Street fees, which is what they are complaining about, not anything relating to the benefits of pensioners.

Ditto with respect to savings plans like 401k plans. Huge Wall Street fees dwarf the STT cost of 5 cents per \$100 purchased (which correlates to \$10 on a \$20,000 purchase).

Pension plans are not high frequency traders. Today, 80% of trading is done by algorithmic computer models, which is not trading for investment. Pension plans, by contrast, hold assets for long term growth and thus pay very little in tax.

Citation to federal proposals is harmful to New York, which already exports 20% of its tax revenue to other states. A tax at the federal level would exacerbate that problem.

As noted, 80% of trading is not for investment purposes but is simply algorithmic gambling. 50% of all stock trading is done by the top 1% of income earners. The legislators agreed: "It is ironic that we are willing to tax gambling by the poor and middle class many times over (casinos, racinos, lottery, sports betting), but not gambling by the wealthy."

To read the SIFMA letter, please click on this link: <https://www.sifma.org/wp-content/uploads/2021/02/NY-STT-Joint-Organization-Letter-Gov.-Cuomo-Feb.-4.pdf>