

113TH CONGRESS
1ST SESSION

H. R. 880

To amend the Internal Revenue Code of 1986 to impose a tax on certain trading transactions.

IN THE HOUSE OF REPRESENTATIVES

FEBRUARY 28, 2013

Mr. DEFAZIO (for himself, Ms. SLAUGHTER, Ms. NORTON, Mr. SCOTT of Virginia, Mr. CAPUANO, Ms. PINGREE of Maine, Mr. MCGOVERN, Mr. CONYERS, Mr. HUFFMAN, Mr. GRIJALVA, Mr. WELCH, Ms. SCHAKOWSKY, Mrs. NAPOLITANO, Ms. EDWARDS, Mr. SARBANES, Mr. MICHAUD, Ms. BROWN of Florida, Mr. ELLISON, Ms. CHU, Ms. DELAURO, and Mr. BLUMENAUER) introduced the following bill; which was referred to the Committee on Ways and Means

A BILL

To amend the Internal Revenue Code of 1986 to impose a tax on certain trading transactions.

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 “Wall Street Trading
5 and Speculators Tax Act”.

1 **SEC. 2. 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 each covered transaction with respect to any secu-
9 rity.

10 “(b) RATE OF TAX.—The tax imposed under sub-
11 section (a) with respect to any covered transaction shall
12 be 0.03 percent of the specified base amount with respect
13 to such covered transaction.

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

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

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

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

23 “(1) except as provided in paragraph (2), any
24 purchase if—

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

3 “(B) the purchaser or seller is a United
4 States person, and

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

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

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

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

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

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

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

19 “(C) any note, bond, debenture, or other
20 evidence of indebtedness,

21 “(D) any evidence of an interest in, or a
22 derivative financial instrument with respect to,
23 any security or securities described in subpara-
24 graph (A), (B), or (C),

1 “(E) any derivative financial instrument
2 with respect to any currency or commodity, and

3 “(F) any notional principal contract.

4 “(2) DERIVATIVE FINANCIAL INSTRUMENT.—

5 The term ‘derivative financial instrument’ includes
6 any option, forward contract, futures contract, or
7 any similar financial instrument.

8 “(3) NOTIONAL PRINCIPAL CONTRACT.—Except

9 as otherwise provided by the Secretary, the term ‘no-
10 tional principal contract’ means any financial instru-
11 ment which requires two or more payments at speci-
12 fied intervals calculated by reference to a specified
13 index upon one or more notional principal amounts.
14 An amount shall not fail to be treated as a payment
15 described in the preceding sentence merely because
16 such amount is fixed on one date and paid or other-
17 wise taken into account on a different date.

18 “(4) SPECIFIED INDEX.—The term ‘specified
19 index’ means any 1 or more of any combination of—

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

21 “(B) a variable rate, price, or amount,

22 “(C) any index based on any objectively
23 determinable information (including the occur-
24 rence or nonoccurrence of any event) which is
25 not within the control of any of the parties to

1 the instrument and is not unique to any of the
2 parties' circumstances, and

3 “(D) any other index as the Secretary may
4 prescribe.

5 “(5) TREATMENT OF EXCHANGES.—

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

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

16 “(f) EXCEPTIONS.—

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

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

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

3 “(B) has a fixed maturity of not more
4 than 100 days,
5 shall not be treated as described in subsection
6 (e)(1)(C).

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

12 “(g) BY WHOM PAID.—

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

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

18 “(B) in the case of a purchase not de-
19 scribed in subparagraph (A) which is executed
20 by a broker (as defined in section 6045(c)(1))
21 which is a United States person, such broker.

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

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

3 “(i) the purchaser if the purchaser is
4 a United States person, and

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

7 “(B) in the case of a transaction described
8 in subsection (d)(2)—

9 “(i) the payor if the payor is a United
10 States person, and

11 “(ii) the payee if the payor is not a
12 United States person.

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

19 “(1) any net initial payment, net final or termi-
20 nating payment, or net periodical payment with re-
21 spect to a notional principal contract (or similar fi-
22 nancial instrument),

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

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

3 “(i) APPLICATION TO TRANSACTIONS BY CON-
4 TROLLED FOREIGN CORPORATIONS.—

5 “(1) IN GENERAL.—For purposes of this sec-
6 tion, a controlled foreign corporation shall be treated
7 as a United States person.

8 “(2) SPECIAL RULES FOR PAYMENT OF TAX ON
9 DIRECT, ETC., TRANSACTIONS.—In the case of any
10 transaction which is a covered transaction solely by
11 reason of paragraph (1) and which is not described
12 in subsection (g)(1)—

13 “(A) PAYMENT BY UNITED STATES SHARE-
14 HOLDERS.—Any tax which would (but for this
15 paragraph) be payable under subsection (g)(2)
16 by the controlled foreign corporation shall, in
17 lieu thereof, be paid by the United States
18 shareholders of such controlled foreign corpora-
19 tion as provided in subparagraph (B).

20 “(B) PRO RATA SHARES.—Each such
21 United States shareholder shall pay the same
22 proportion of such tax as—

23 “(i) the stock which such United
24 States shareholder owns (within the mean-

1 ing of section 958(a)) in such controlled
2 foreign corporation, bears to

3 “(ii) the stock so owned by all United
4 States shareholders in such controlled for-
5 eign corporation.

6 “(C) DEFINITIONS.—For purposes of this
7 subsection, the terms ‘United States share-
8 holder’ and ‘controlled foreign corporation’ have
9 the meanings given such terms in sections
10 951(b) and 957(a), respectively.

11 “(j) ADMINISTRATION.—The Secretary shall carry
12 out this section in consultation with the Securities and Ex-
13 change Commission and the Commodity Futures Trading
14 Commission.

15 “(k) GUIDANCE; REGULATIONS.—The Secretary
16 shall—

17 “(1) provide guidance regarding such informa-
18 tion reporting concerning covered transactions as the
19 Secretary deems appropriate, and

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

24 (b) CREDIT WITH RESPECT TO CERTAIN TAX-FA-
25 VORED ACCOUNTS TO OFFSET TRANSACTION TAX.—

1 (1) IN GENERAL.—Subpart C of part IV of sub-
2 chapter A of chapter 1 of such Code is amended by
3 inserting after section 36B the following new sec-
4 tion:

5 **“SEC. 36C. OFFSET FOR TRANSACTION TAX WITH RESPECT**
6 **TO CERTAIN TAX-FAVORED ACCOUNTS.**

7 “(a) IN GENERAL.—There shall be allowed as a cred-
8 it against the tax imposed by this subtitle for the taxable
9 year an amount equal to 0.03 percent of the qualified tax-
10 favored account contributions of the taxpayer for the tax-
11 able year.

12 “(b) QUALIFIED TAX-FAVORED ACCOUNT CON-
13 TRIBUTIONS.—For purposes of this section, the term
14 ‘qualified tax-favored account contributions’ means, with
15 respect to any taxable year, the sum of—

16 “(1) with respect to qualified retirement plans
17 (as defined in section 4974(c)) of the taxpayer, the
18 amount contributed to such plans for such taxable
19 year to the extent that such contributions are allow-
20 able as a deduction or are excludable from gross in-
21 come (or, in the case of a Roth IRA (as defined in
22 section 408A(b)), the amount contributed),

23 “(2) with respect to Archer MSAs of the tax-
24 payer, the amount allowed as a deduction under sec-
25 tion 220 for such taxable year,

1 “(3) with respect to health savings accounts of
2 the taxpayer, the amount allowed as a deduction
3 under section 223 for such taxable year, plus

4 “(4) with respect to qualified tuition programs
5 (as defined in section 529) and Coverdell education
6 savings accounts (as defined in section 530) with re-
7 spect to which the taxpayer is the designated bene-
8 ficiary (or, in the case of a designated beneficiary
9 with respect to whom another taxpayer is allowed a
10 deduction under section 151, such other taxpayer in
11 lieu of such designated beneficiary), the amount con-
12 tributed for such taxable year.”.

13 (2) CONFORMING AMENDMENTS.—

14 (A) Section 1324(b)(2) of title 31, United
15 States Code, is amended by inserting “, 36C”
16 after “36B”.

17 (B) The table of sections for subpart C of
18 part IV of subchapter A of chapter 1 of the In-
19 ternal Revenue Code of 1986 is amended by in-
20 serting before the item relating to section 37
21 the following new item:

“Sec. 36C. Offset for transaction tax on contributions to certain tax-favored ac-
counts.”.

22 (c) INFORMATION REPORTING WITH RESPECT TO
23 CONTROLLED FOREIGN CORPORATIONS.—Subparagraph
24 (B) of section 6038(a)(1) is amended by inserting “and

1 transactions which are covered transactions for purposes
2 of section 4475 by reason of the application of section
3 4475(i)(1) to such corporation” before the semicolon at
4 the end.

5 (d) CLERICAL AMENDMENT.—The table of sub-
6 chapters for chapter 36 of the Internal Revenue Code of
7 1986 is amended by inserting after the item relating to
8 subchapter B the following new item:

“Subchapter C. Tax on trading transactions.”.

9 (e) EFFECTIVE DATE.—The amendments made by
10 this section shall apply to transactions after December 31,
11 2013.

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