Transaction Taxes

5. Transaction Taxes [1]

To help raise revenue for the general fund, this plan creates three new transaction taxes, and they are:

1) 1% tax based on the purchase price of a property, residential and commercial, paid by the buyer at the time of the transaction.
2) 1% tax based on the purchase price of a business, paid by the buyer at the time of the transaction.
3) The Wall Street Trading and Speculators Tax Act (S.1781), which is a 0.03% tax placed on the transfer of stocks, bonds, derivatives, and other debt securities.[2]

The first two transaction taxes are small enough to ensure that the government receives revenue immediately upon the sale of a property or business, however, they are not large enough to affect the decision as to whether to purchase a property or business in the first place. And, since the tax can be bundled into the mortgage, which is paid for over time, will hardly be noticed.

An added bonus is the effect these taxes will have on the real estate market. Since they are just big enough to dampen the basis for the "quick flip," they will slow down the real estate speculators who artificially drive up property prices in the hope of making quick profits. **These two taxes will bring in $20 billion annually** (See Appendix F).

The third transaction tax is the proposed Wall Street Trading and Speculators Tax Act (S.1781). Here are the highlights:

- It will generate **$352 billion over 10 years.**
- It will reduce certain speculative activities like high-speed computer trading, while not impacting the decision to engage in productive economic activity.
- It does not cover common, everyday transactions undertaken by consumers.
- It's impact on GDP would be minimal. Until 1966, the United States taxed all stock transactions and transfers. During the Great Depression, Congress doubled the transaction tax rate to finance economic recovery initiatives.
- Because the size of the tax is so small (3 pennies on $100), typical investors who use financial markets to obtain loans, invest, save for retirement, and manage risk, will be minimally impacted.

A complete in-depth analysis and summary of this tax has been provided from the office of Senator Tom Harkin, sponsor of the bill, and can be found in Appendix E.

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[1] For a review of financial transaction taxes found throughout the world, see the following website: http://www.healthpovertyaction.org/wp-content/uploads/downloads/2012/07/FTTreport-Raising-revenue.pdf

[2] http://www.healthpovertyaction.org/wp-content/uploads/downloads/2012/07/FTTreport-Raising-revenue.pdf -Pg 19

From 1914 to 1966, the US had a federal tax on stock sales of 0.1 per cent at issuance and 0.04 per cent on transfers. So, the creation of this tax is not without precedent.