



SUMMARY OF THE STOCK TRANSFER TAX LEGISLATION

S.6203-A (SANDERS) Same as A.7791-B (Steck)



The legislation by Senator James Sanders Jr. and Assemblyman Phil Steck would fully repeal the 100% rebate for the Stock Transfer Tax and keep the funds for the State. The Stock Transfer Tax is estimated to raise up to \$16 billion annually if fully collected.ⁱ

New York State and municipalities are facing massive budget cuts and job losses if they do not receive federal aid and/or raise revenue. The COVID-19 pandemic and the economic collapse means people depend more than ever on government services for their well-being.

The stock transfer tax is a sales tax on the transfer of shares of stock.

History:

From 1905 to 1981, New York State imposed a tax on the sale of securities (stocks). The State began rebating the tax in 1979 and since 1981 the tax is now 100% rebated back to Wall Street (stockbrokers).ⁱⁱ New York State rebated back over \$100 billion over the past ten years. The tax raised on a \$1,000 trade would amount to only \$2.50. The revenues are generated by the volume and frequency of trades. The tax ranges from 1.25 cents to 5 cents per transaction depending on the value of the share.ⁱⁱⁱ

This is an unseen tax for most collectors and would not be felt if it were collected. Very few people have investments that trade with high frequency. Wall Street speculators will be those who would pay the vast bulk of the tax.^{iv}

Precedents:

There are already stock markets that have a stock transfer tax that is collected, including the countries of the United Kingdom, Switzerland, and Taiwan. Hong Kong has a 0.1% tax on financial transactions with no significant impact on its economy.^v

The stock transfer tax is a revenue generator that operates as an indirect tax, rather than a direct tax like property or income. Stocks are also predominantly owned by the wealthiest of Americans. The top 10% of American households, as defined by total wealth, now own 84% of all stocks in 2016. Furthermore, while virtually all (94%) of the very rich reported having significant stock holdings-as defined as \$10,000 or more in shares-only 27% of the middle class did.^{vi} The Stock Transfer Tax is supported by many economists, including 2001 Nobel Prize-winning economist Joseph Stiglitz.^{vii}

• MYTH: WALL STREET WILL LEAVE THE STATE IF THE TAX IS COLLECTED

• **FACT:** The NYSE never relocated while the STT was collected in New York from 1905-1981 and already the NYSE has lower transactions fees than other markets.

• MYTH: THE STOCK TRANSFER TAX WILL FINANCIALLY HARM THE STATE PENSION FUNDS IF FULLY REBATED^{viii}

• **FACT:** The vast majority of trades are high frequency trades and are not the type of trading that happens in pension investments.

• MYTH: THE NEW YORK STOCK EXCHANGE CAN EVADE THE TAX BY ELECTRONICALLY SWITCHING TO “THE CLOUD”^{ix}

• **FACT:** A Supreme Court decision in 2018 allowed for state sales tax to be collected on internet sales in other states. This applies to both tangible products and in-tangible products, such as streaming services.

Footnotes

i https://www.nypirg.org/pubs/202005/Release_Stock_Transfer_Tax_May_2020.pdf

ii http://fiscalpolicy.org/wp-content/uploads/2020/05/Crisis-Economics-Policy-Paper_20200527-1.pdf

iii <https://www.tax.ny.gov/bus/stock/stktridx.htm>

iv https://www.nypirg.org/pubs/202005/Release_Stock_Transfer_Tax_May_2020.pdf

v https://www.nypirg.org/pubs/202005/Release_Stock_Transfer_Tax_May_2020.pdf

vi according to a paper by NYU economist Edward N. Wolff

vii <https://www.newsday.com/news/region-state/stock-transfer-tax-state-legislature-1.48837375>

viii https://www.nypirg.org/pubs/202005/Release_Stock_Transfer_Tax_May_2020.pdf

ix <https://www.corporatecrimereporter.com/news/200/phil-steck-on-the-new-york-stock-transfer-tax-and-moving-the-computers-to-new-jersey/>; <https://www.nytimes.com/2018/06/21/us/politics/supreme-court-sales-taxes-internet-merchants.html>

