To amend the Internal Revenue Code of 1986 to impose a tax on certain securities transactions to fund job creation and deficit reduction.

IN THE HOUSE OF REPRESENTATIVES

DECEMBER 3, 2009

Mr. DeFazio (for himself, Mr. Arcuri, Mr. Perlmutter, Mr. Braley of Iowa, Ms. Sutton, Mr. Filner, Mr. Perriello, Mr. Welch, Mr. Hare, Mr. Kagen, Mr. Ryan of Ohio, Mr. Hastings of Florida, Ms. Schakowsky, Mr. Davis of Tennessee, Ms. Hirono, Mr. Rahall, Mr. Stark, Mr. Cummings, Mr. Johnson of Georgia, Mr. Grijalva, Ms. Edwards of Maryland, Ms. Shea-Porter, Ms. Kaptur, Mr. Hinchey, Ms. Slaughter, and Mr. Sarbanes) introduced the following bill; which was referred to the Committee on Ways and Means, and in addition to the Committees on Rules and the Budget, for a period to be subsequently determined by the Speaker, in each case for consideration of such provisions as fall within the jurisdiction of the committee concerned

A BILL

To amend the Internal Revenue Code of 1986 to impose a tax on certain securities transactions to fund job creation and deficit reduction.

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 “Let Wall Street Pay for the Restoration of Main Street Act of 2009”.
SEC. 2. FINDINGS.

Congress finds the following:

(1) Our Nation continues to be hamstrung by a recession that led to the current jobless recovery and record deficits.

(2) The unemployment rate is now 10.2 percent and most economists expect it to climb higher.

(3) The Federal deficit has reached $1,400,000,000,000 for 2009.

(4) The jobless recovery suggests that the Federal Government must continue to prime the economy, but the record deficit is a real obstacle.

(5) Following their $700,000,000,000 bailout, Wall Street is now enjoying a resurgence in profits and bonuses.

(6) A robust economy needs more than Wall Street profits. Main Street America is strengthened by good paying jobs for all Americans, not just Wall Street bankers.

(7) To restore Main Street America, a small securities transaction tax on Wall Street should be invested in job creation for Main Street America.

(8) A securities transaction tax on Wall Street has a negligible impact on the average investor and pension funds.
(9) This transfer tax would be assessed on the sale and purchase of financial instruments such as stocks, options, and futures. A quarter percent (0.25 percent) tax on financial transactions could raise approximately $150,000,000,000 a year.

(10) 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 0.2 percent tax on all sales or transfers of stock. In 1932, Congress more than doubled the tax to help financial recovery and job creation during the Great Depression.

(11) Half the revenue generated by this transaction tax will be used to directly reduce the deficit.

(12) Half of the revenue generated by this transaction tax will deposited in a Job Creation Reserve to fund the creation of good paying jobs and put Americans back to work rebuilding our Nation.

SEC. 3. JOB CREATION RESERVE FOR INVESTMENTS IN MIDDLE CLASS JOBS.

(a) In General.—For budgetary purposes, half the additional Federal receipts by reason of the enactment of this Act shall be held in a separate account to be known as the “Job Creation Reserve”. The Job Creation Reserve shall be available to offset the additional costs from the
Surface Transportation Authorization Act of 2009 and subsequent legislation to fund job creation in the United States provided that the subsequent legislation—

(1) promotes jobs that pay at least the median wage of the United States;

(2) promotes manufacturing and other jobs we are losing to unfair overseas competition; and

(3) prohibits any recipient of the Troubled Asset Relief Program from directly benefitting from any funds in this reserve.

(b) Procedure for Adjustments.—

(1) Budget committee chairman.—After the reporting of a bill or joint resolution, or the offering of an amendment thereto or the submission of a conference report thereon, providing funding for the purposes set forth in subsection (a) in excess of the amounts provided for those purposes for fiscal year 2010, the chairman of the Committee on the Budget of the applicable House of Congress shall make the adjustments set forth in paragraph (2) for the amount of new budget authority and outlays in that measure and the outlays flowing from that budget authority.
(2) **Matters to be Adjusted.**—The adjustments referred to in paragraph (1) are to be made to—

(A) the discretionary spending limits, if any, set forth in the appropriate concurrent resolution on the budget;

(B) the allocations made pursuant to the appropriate concurrent resolution on the budget pursuant to section 302(a) of the Congressional Budget Act of 1974; and

(C) the budget aggregates contained in the appropriate concurrent resolution on the budget as required by section 301(a) of the Congressional Budget Act of 1974.

(3) **Amounts of Adjustments.**—The adjustments referred to in paragraphs (1) and (2) shall not exceed half the receipts estimated by the Congressional Budget Office that are attributable to this Act for the fiscal year in which the adjustments are made.

**SEC. 4. DEFICIT REDUCTION.**

It is the Sense of Congress that half the additional Federal receipts by reason of the enactment of this Act shall not be expended and therefore reduce the Federal deficit. The Committee on the Budget shall clearly report
this deficit reduction in the committee report for the budget resolution.

SEC. 5. RECOUPEMENT OF WALL STREET BAILOUT.

(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 Securities Transactions

Sec. 4475. Tax on securities transactions.

“SEC. 4475. TAX ON SECURITIES TRANSACTIONS.

“(a) Imposition of tax.—

“(1) Stocks.—There is hereby imposed a tax on each covered transaction in a stock contract of 0.25 percent of the value of the instruments involved in such transaction.

“(2) Futures.—There is hereby imposed a tax on each covered transaction in a futures contract of 0.02 percent of the value of the instruments involved in such transaction.

“(3) Swaps.—There is hereby imposed a tax on each covered transaction in a swaps contract of 0.02 percent of the value of the instruments involved in such transaction.

“(4) Credit default swaps.—There is hereby imposed a tax on each covered transaction in a
credit default swaps contract of 0.02 percent of the
text of the instruments involved in such trans-
action.

“(5) OPTIONS.—There is hereby imposed a tax
on each covered transaction in an options contract
with respect to a transaction described in paragraph
(1), (2), (3), or (4) of—

“(A) the rate imposed with respect to such
underlying transaction under paragraph (1),
(2), (3), or (4) (as the case may be), multiplied
by

“(B) the premium paid on such option.

“(b) EXCEPTION FOR RETIREMENT ACCOUNTS,
etc.—No tax shall be imposed under subsection (a) with
respect to any stock contract, futures contract, swaps con-
tract, credit default swap, or options contract which is
held in any plan, account, or arrangement described in
section 220, 223, 401(a), 403(a), 408, 408A, 529,
or 530.

“(c) EXCEPTION FOR INTERESTS IN MUTUAL
FUNDS.—No tax shall be imposed under subsection (a)
with respect to the purchase or sale of any interest in a
regulated investment company (as defined in section 851)
or of any derivative of such an interest.

“(d) 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 on a trading facility located in the United States, such trading facility, or

“(B) in any other case, the purchaser with respect to the transaction.

“(2) WITHHOLDING IF BUYER IS NOT A UNITED STATES PERSON.—See section 1447 for withholding by seller if buyer is a foreign person.

“(e) COVERED TRANSACTION.—The term ‘covered transaction’ means any purchase or sale if—

“(1) such purchase or sale occurs on a trading facility located in the United States, or

“(2) the purchaser or seller is a United States person.

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

(b) CREDIT FOR FIRST $100,000 OF STOCK TRANSACTIONS PER YEAR.—Subpart C of part IV of subchapter A of chapter 1 of such Code is amended by inserting after section 36A the following new section:
"SEC. 36B. CREDIT FOR SECURITIES TRANSACTION TAXES.

(a) ALLOWANCE OF CREDIT.—In the case of any purchaser with respect to a covered transaction, there shall be allowed as a credit against the tax imposed by this subtitle for the taxable year an amount equal to the lesser of—

(1) the aggregate amount of tax imposed under section 4475 on covered transactions during the taxable year with respect to which the taxpayer is the purchaser, or

(2) $250 ($500 in the case of a joint return).

(b) AGGREGATION RULE.—For purposes of this section, all persons treated as a single employer under subsection (a) or (b) of section 52, or subsection (m) or (o) of section 414, shall be treated as one taxpayer.

c) DEFINITIONS.—For purposes of this section, any term used in this section which is also used in section 4475 shall have the same meaning as when used in section 4475.’’.

(c) WITHHOLDING.—Subchapter A of chapter 3 of such Code is amended by adding at the end the following new section:

"SEC. 1447. WITHHOLDING ON SECURITIES TRANSACTIONS.

(a) IN GENERAL.—In the case of any outbound securities transaction, the transferor shall deduct and with-
hold a tax equal to the tax imposed under section 4475 with respect to such transaction.

“(b) **OUTBOUND SECURITIES TRANSACTION.**—For purposes of this section, the term ‘outbound securities transaction’ means any covered transaction to which section 4475(a) applies if—

“(1) such transaction does not occur on a trading facility located in the United States, and

“(2) the purchaser with respect to such transaction in not a United States person.”.

(d) **CONFORMING AMENDMENTS.**—

(1) Section 6211(b)(4)(A) of such Code is amended by inserting “36B,” after “36A,”.

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

(3) 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 securities transactions.”.

(4) The table of sections for subchapter A of chapter 3 of such Code is amended by adding at the end the following new item:

“Sec. 1447. Withholding on securities transactions.”.
(5) The table of sections for subpart C of part IV of subchapter A of chapter 1 of such Code is amended by inserting after the item relating to section 36A the following new item:

“Sec. 36B. Credit for securities transaction taxes.”.

(e) EFFECTIVE DATE.—The amendments made by this section shall apply to transactions occurring more than 180 days after the date of the enactment of this Act.