

DSA Fact Sheet

HR 1579 “Robin Hood” Tax on Financial Trading

What is “The Inclusive Prosperity Act? Why should we support it?

HR 1579, “The Inclusive Prosperity Act” proposed by Rep. Keith Ellison (D-MN) in 2013, creates a tax on the trading of financial assets (a Financial Transaction Tax, or FTT), often called a “Robin Hood” tax. The bill focuses on how the global financial crisis was created by an out-of-control financial sector that crashed the U.S. and world economies. The real strength of the bill, however, is the allocation of the revenues raised--not for deficit reduction but instead for health care, investment in education, reduction of student debt, environmental protection, job creation and the development of clean energy. In short, the bill is designed to change the discussion from cuts and austerity to strengthening financial security and expanding opportunity to working people. It is not a tax *on* the people but a tax *for* the people.

How would the Robin Hood Tax work? How much money could it raise?

As proposed, the Robin Hood Tax would be a small sales tax charged on all trading in stocks, currencies, and debt instruments (such as bonds) as well as derivatives (futures and options) based on these products. The amount of the tax is tiny. On stocks the proposed rate is 0.5%, or \$1 on every \$200 of stocks traded; 0.10% on trading of debt (bonds, notes, etc.), and 0.005% on derivatives and currency trading. The amount of revenue raised would be substantial, however, estimated by the bill’s sponsor to be around \$350 billion annually. With that revenue we would have the resources to rebuild our economy so that it serves all the people, not just the few.

Who would pay the tax?

Anyone who traded stocks, currencies or debt instruments would pay the tax. Most of the income from this tax would come from institutions and individuals who trade frequently. These are big banks, hedge funds and brokers as well as wealthy individuals who own the largest amount of stock. You would not pay the tax if you deposited money in your bank account or exchanged U.S. dollars for Canadian dollars because you were traveling to Canada. These are not trades.

I have some money in a 401(k), and some of it is invested in stocks. Would I pay the FTT?

Perhaps, but it depends on your annual income. The Act has an exemption from the tax for individuals with income below \$50,000 and married people filing joint tax returns with incomes below \$75,000. Thus, most people in the U.S. would not be subject to the tax. Of course, any payment of tax occurs only when stock, bonds, etc. are bought. In this respect it is very much like a small sales tax that you pay when you buy furniture or groceries. For long term investors holding these assets for retirement or to pay for a child’s college, the tax would have very little impact. In fact, the tax is smaller than the commissions often charged by brokerage firms to execute orders or the fees normally charged by mutual fund managers to handle your investments.

Would an FTT make our markets less competitive by discouraging trading?

Most of the trading that takes place in stock, currency and debt markets is unrelated to any productive activity in the real economy. For example, the total value of all the new issues of stock that companies bring to market to raise capital represents less than one week of trading activity on U.S. stock exchanges. Similarly, the value of currency trades is more than 25 times the actual value of our foreign trade. Even if trading were to decline substantially, our financial markets would remain liquid and attractive to investors from both the U.S. and abroad.

Have other countries experimented with an FTT so that we can see how it would work?

Yes, Britain has had a stamp tax on stock trading for many years. It has provided needed government revenue and has not hampered the growth of the British stock market, which is now the second largest in the world. In addition, Switzerland, Hong Kong, Singapore and other countries have FTTs. In January 2013, 11 members of the European Union voted to implement an FTT. These include Germany, France, Spain, Italy, Belgium and 5 others.

Are there other groups supporting the proposal for a Robin Hood tax?

Yes. Several unions have already endorsed HR 1579 (or its 2012 version), including National Nurses United, the UAW, USW, IAM, UNITE HERE. Friends of the Earth also supports the bill. In addition, the leading Catholic organizations of nuns and priests have endorsed the Act. The Congressional Progressive Caucus has proposed a budget with a smaller FTT, the Defazio-Harkin version.

All this sounds good. Are there any other benefits from an FTT?

Yes. An economy heavily dependent on financial activities serves only the few. Thus an important additional benefit of the Robin Hood tax would be a reduction in the role of Wall Street in our economy. Further, the high incomes that are generated by the socially useless activity of trading for the sake of trading distort the career choices of many of our brightest young people who go into finance rather than becoming doctors, engineers or teachers. Thus, as noted above, the Act proposes to use the revenues as the basis for changing our economy from one dominated by the wants and desires of the few to one driven by the needs of the many.

Where can I find more information?

<http://www.nationalnursesunited.org/blog/entry/hr-1579-the-new-bill-to-rebuild-the-nation-with-a-tax-on-wall-street/>

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