118TH CONGRESS
1ST SESSION

H. R.

To impose a tax on certain trading transactions to invest in our families and communities, improve our infrastructure and our environment, strengthen our financial security, expand opportunity and reduce market volatility.

IN THE HOUSE OF REPRESENTATIVES

Ms. Lee of California introduced the following bill; which was referred to the Committee on _______________________

A BILL

To impose a tax on certain trading transactions to invest in our families and communities, improve our infrastructure and our environment, strengthen our financial security, expand opportunity and reduce market volatility.

1 Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

2 SECTION 1. SHORT TITLE.

3 This Act may be cited as the “Tax on Wall Street Speculation Act”.

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SEC. 2. TRANSACTION TAX.

(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 Trading Transactions

Sec. 4475. Tax on trading transactions.

“SEC. 4475. TAX ON TRADING TRANSACTIONS.

“(a) IMPOSITION OF TAX.—There is hereby imposed a tax on the transfer of ownership in each covered transaction with respect to any security.

“(b) RATE OF TAX.—The tax imposed under subsection (a) with respect to any covered transaction shall be the applicable percentage of the specified base amount with respect to such covered transaction. The applicable percentage shall be—

“(1) 0.5 percent in the case of a security described in subparagraph (A), (B), or (E) of subsection (e)(1),

“(2) 0.10 percent in the case of a security described in subparagraph (C) of such subsection, and

“(3) 0.005 percent in the case of a security described in subparagraph (D) of such subsection.

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

“(1) except as provided in paragraph (2)—
“(A) in the case of any security described in subparagraph (A), (B), (C), or (E) of subsection (e)(1), the fair market value of the security (determined as of the time of the covered transaction), and

“(B) in the case of any security described in subparagraph (D) of such subsection, the fair market value of the underlying investment with respect to such security (determined as of the time of the covered transaction), and

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

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

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

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

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

“(2) any transaction with respect to a security described in subparagraph (D) of subsection (e)(1), if—

“(A) such security is traded or cleared on a facility located in the United States, or
“(B) any party with rights under such security is a United States person.

“(e) SECURITY AND OTHER DEFINITIONS.—For purposes of this section—

“(1) SECURITY.—The term ‘security’ means—

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

“(B) any partnership or beneficial ownership interest in a partnership or trust,

“(C) any note, bond, debenture, or other evidence of indebtedness, other than a State or local bond the interest of which is excluded from gross income under section 103(a),

“(D) any derivative, or

“(E) any digital asset (as defined in section 6045(g)(3)(D)).

“(2) DERIVATIVE.—The term ‘derivative’ means any contract (including any option, forward contract, futures contract, short position, swap, or similar contract) the value of which, or any payment or other transfer with respect to which, is (directly or indirectly) determined by reference to one or more of the following:

“(A) Any share of stock in a corporation.

“(B) Any partnership or beneficial ownership interest in a partnership or trust.
“(C) Any evidence of indebtedness.

“(D) Any real property.

“(E) Any commodity which is actively traded (within the meaning of section 1092(c)(4)).

“(F) Any currency.

“(G) Any rate, price, amount, index, formula, or algorithm.

“(H) Any other item as the Secretary may prescribe.

Except as provided in regulations prescribed by the Secretary to prevent the avoidance of the purposes of this section, such term shall not include any item described in subparagraphs (A) through (H).

“(3) UNDERLYING INVESTMENT.—The term ‘underlying investment’ means, with respect to any derivative, any item—

“(A) which is described in any of the subparagraphs (A) through (H) of paragraph (2) (or any item substantially the same as any such item), and

“(B) by reference to which the value of the derivative, or any payment or other transfer with respect to the derivative, is determined either directly or indirectly.
“(4) **TREATMENT OF EXCHANGES.**—

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

“(B) **CERTAIN DEEMED EXCHANGES.**—In the case of a distribution treated as an exchange for stock under section 302 or 331, the corporation making such distribution shall be treated as having purchased such stock for purposes of this section.

“(f) **EXCEPTIONS.**—

“(1) **EXCEPTION FOR INITIAL ISSUES.**—No tax shall be imposed under subsection (a) on any covered transaction with respect to the initial issuance of any security described in subparagraph (A), (B), (C), or (E) of subsection (e)(1).

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

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

“(B) has a fixed maturity of not more than 60 days,
shall not be treated as described in subsection (e)(1)(C).

“(3) EXCEPTION FOR SECURITIES LENDING ARRANGEMENTS.—No tax shall be imposed under subsection (a) on any covered transaction with respect to which gain or loss is not recognized by reason of section 1058.

“(g) 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 or is cleared on a facility located in the United States, such facility, and

“(B) in the case of a purchase not described in subparagraph (A) which is executed by a broker (as defined in section 6045(c)(1)), the broker.

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

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

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

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

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

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

“(h) CERTAIN PAYMENTS TREATED AS SEPARATE TRANSACTIONS.—Except as otherwise provided by the Secretary, any payment with respect to a security described in subparagraph (D) of subsection (e)(1) shall be treated as a separate transaction for purposes of this section, including—

“(1) any net initial payment, net final or terminating payment, or net periodical payment with respect to a notional principal contract (or similar financial instrument),

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

“(3) any premium paid with respect to any option (or similar financial instrument).

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

“(j) GUIDANCE; REGULATIONS.—The Secretary shall—

“(1) provide guidance regarding such information reporting concerning covered transactions as the Secretary deems appropriate, including reporting by the payor of the tax in cases where the payor is not the purchaser, and

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

“(k) WHISTLEBLOWERS.—See section 7623 for provisions relating to whistleblowers.”.

(b) PENALTY FOR FAILURE TO INCLUDE COVERED TRANSACTION INFORMATION WITH RETURN.—Part I of subchapter B of chapter 68 of the Internal Revenue Code of 1986 is amended by inserting after section 6707A the following new section:

“SEC. 6707B. PENALTY FOR FAILURE TO INCLUDE COVERED TRANSACTION INFORMATION WITH RETURN.

“(a) IMPOSITION OF PENALTY.—Any person who fails to include on any return or statement any informa-
tion with respect to a covered transaction which is re-
quired pursuant to section 4475(j)(1) to be included with
such return or statement shall pay a penalty in the
amount determined under subsection (b).

“(b) AMOUNT OF PENALTY.—Except as otherwise
provided in this subsection, the amount of the penalty
under subsection (a) with respect to any covered trans-
action shall be determined by the Secretary.

“(c) COVERED TRANSACTION.—For purposes of this
section, the term ‘covered transaction’ has the meaning
given such term by section 4475(d).

“(d) AUTHORITY TO RESCIND PENALTY.—

“(1) IN GENERAL.—The Commissioner of In-
ternal Revenue may rescind all or any portion of any
penalty imposed by this section with respect to any
violation if rescinding the penalty would promote
compliance with the requirements of this title and
effective tax administration.

“(2) NO JUDICIAL APPEAL.—Notwithstanding
any other provision of law, any determination under
this subsection may not be reviewed in any judicial
proceeding.

“(3) RECORDS.—If a penalty is rescinded under
paragraph (1), the Commissioner shall place in the
file in the Office of the Commissioner the opinion of
the Commissioner with respect to the determination,
including—

“(A) a statement of the facts and circumstances relating to the violation,
“(B) the reasons for the rescission, and
“(C) the amount of the penalty rescinded.

“(e) COORDINATION WITH OTHER PENALTIES.—The penalty imposed by this section shall be in addition to any other penalty imposed by this title.”.

(c) CLERICAL AMENDMENTS.—

(1) The table of sections for part I of subchapter B of chapter 68 of such Code is amended by inserting after item relating to section 6707A the following new item:

“Sec. 6707B. Penalty for failure to include covered transaction information with return.”.

(2) 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 TRADING TRANSACTIONS”.

(d) EFFECTIVE DATE.—The amendments made by this section shall apply to transactions after December 31, 2023.
offsetting credit for financial transaction tax.

(a) IN GENERAL.—Subpart A of part IV of subchapter A of chapter 1 of the Internal Revenue Code of 1986 is amended by inserting after section 25E the following new section:

“SEC. 25F. FINANCIAL TRANSACTION TAX PAYMENTS.

“(a) ALLOWANCE OF CREDIT.—In the case of an eligible individual, there shall be allowed as a credit against the tax imposed by this chapter for the taxable year an amount equal to the tax paid during the taxable year under section 4475 with respect to any covered transaction in which the taxpayer is a beneficial owner of the security transferred in such covered transaction.

“(b) SPECIAL RULE.—If the tax imposed under section 4475(a) with respect to any covered transaction is paid by any person other than 1 or more beneficial owners of the security transferred in such covered transaction, the determination for how such tax is allocated to such beneficial owners shall be made in a reasonable manner not inconsistent with regulations or other guidance prescribed by the Secretary.

“(c) LIMITATION BASED ON MODIFIED ADJUSTED GROSS INCOME.—

“(1) IN GENERAL.—Subsection (a) shall not apply to a taxpayer for the taxable year if the modi-
fied adjusted gross income of the taxpayer for the taxable year exceeds $50,000 ($75,000 in the case of a joint return and one-half of such amount in the case of a married individual filing a separate return).

“(2) MODIFIED ADJUSTED GROSS INCOME.— For purposes of paragraph (1), the term ‘modified adjusted gross income’ means adjusted gross income—

“(A) determined without regard to sections 86, 893, 911, 931, and 933, and

“(B) increased by the amount of interest received or accrued by the taxpayer during the taxable year which is exempt from tax.

“(3) INFLATION ADJUSTMENT.—

“(A) IN GENERAL.—In the case of any taxable year beginning after 2024, each dollar amount referred to in paragraph (1) shall be increased by an amount equal to—

“(i) such dollar amount, multiplied by

“(ii) the cost-of-living adjustment determined under section (1)(f)(3) of the Internal Revenue Code of 1986 for the calendar year in which the taxable year be-
gins, by substituting ‘2023’ for ‘2016’ in
subparagraph (A)(ii) thereof.

“(B) Rounding.—If any amount as ad-
justed under subparagraph (A) is not a multiple
of $50, such amount shall be rounded to the
nearest multiple of $50.

“(d) Eligible Individual.—

“(1) In general.—The term ‘eligible indi-
vidual’ means, with respect to any taxable year, an
individual who—

“(A) has attained the age of 18 as of the
last day of such taxable year, and

“(B) is a citizen or lawful permanent resi-
dent (within the meaning of section 7701(b)(6))
as of the last day of such taxable year.

“(2) Certain individuals not eligible.—
For purposes of paragraph (1), an individual de-
scribed in any of the following provisions of this title
for the preceding taxable year shall not be treated
as an eligible individual for the taxable year:

“(A) An individual who is a student (as
defined in section 152(f)(2)) for the taxable
year or the immediately preceding taxable year.

“(B) An individual who is a taxpayer de-
scribed in subsection (c), (d), or (e) of section
6402 for the immediately preceding taxable year.”.

(b) CLERICAL AMENDMENT.—The table of sections for subpart A of part IV of subchapter A of chapter 1 of such Code is amended by inserting after the item relating to section 25E the following new item:

“Sec. 25F. Financial transaction tax payments.”.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2023.