

Taxes—ALERT: Proposed Tax on Transaction Fees

As Congress scrambles for ways to balance the budget and reduce the current deficit, Capitol Hill is awash with tax proposals. One proposal, recently introduced by Senator Tom Harkin, D-Iowa, and Rep. Peter DeFazio, D-Ore., would place a 0.03 percent levy on financial trading in stocks and bonds at their market value. It also would cover derivative contracts, options, puts, forward contracts and swaps at their purchase price. Rep. DeFazio has characterized the proposal as targeted at “high-frequency trading.”

The congressional Joint Committee on Taxation has not determined how much the bill might produce in new taxes, but proponents of the plan estimate that it could bring in around \$100 billion annually.



The Securities Industry and Financial Markets Association asserted that the measure would harm financial firms, as well as their clients, saying that the proposed tax is “essentially a sales tax on investors.” Other critics of the bill say that retirees will be hurt especially when the costs of the tax are passed along in 401(k) fees and other charges. Furthermore, the bill faces resistance from House Republicans and the Senate GOP, as well as conservative Democrats.

Stay tuned for further developments!

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