FINANCIAL SERVICES
Republicans

Protecting Retirement Savers and Everyday Investors Act

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What is the Financial Transaction Tax (FTT)?

- Simply put, the FTT is a tax on Americans' hard-earned retirement savings.
- The FTT is applied each time a financial transaction is conducted. This includes transactions of mutual funds, which 45.5% of U.S. households own, as well as transactions made by other retirement accounts, including pension plans.
- The FTT would be a new, additional tax on top of already-existing income taxes, capital gains taxes, and corporate taxes.
- Democrats' claims that the FTT would only impact the wealthiest investors are false. FTTs hurt all market participants, including Main Street investors saving for retirement or their child's education, as well as everyday Americans' pension funds and savings.
    - One study indicates that, with a federal FTT in place, Main Street investors could lose the equivalent of more than three-and-a-half years' worth of savings over the course of a lifetime to the FTT.

What does the Protecting Retirement Savers and Everyday Investors Act do?

- The Protecting Retirement Savers and Everyday Investors Act would protect savers across the country—including everyday investors, retirees, and pensioners—whose savings would be harmed by the FTT.
- This bill would stop states and municipalities from imposing the FTT on securities industry participants such as exchanges and broker-dealers.
- While the bill prohibits states from imposing this tax on trades by citizens outside of their own borders by taxing the intermediaries those interstate citizens rely upon, it does not prohibit states and localities from imposing FTTs on their own citizens.

Why is this bill needed right now?

- There has been an increase in momentum in Democrat-led state legislatures, most recently New York, New Jersey, and Illinois, to address their state's fiscal problems though imposing a tax on financial transactions.
- Currently, New York State collects a tax on each stock transfer and allows for a full rebate. This has been the case for the last forty years.
- In the New York state legislature, there are a number of Democrat proposals to reduce the rebate and redirect the funds; repeal the rebate; and another to repeal the rebate and expand the base of the tax.
- To date, Senate Bill S3980 is the broadest application of the FTT and would tax transactions of equities, bonds and derivatives that occur in the state, and harm hard-working Americans saving for retirement.
- According to estimates in a 2020 study on the effects of the FTT on savers, a 10-basis point federally imposed FTT would cost:
    - The New York State Common Retirement Fund $30.68 billion over 30 years;
    - New York 529 college saving plan participants $117.34 million over 30 years;
    - Individual investors in New York $1,677 a year and $67,077 over 40 years.

- Last fall, the New Jersey state legislature also considered a bill that would impose an FTT on all stock trades that occur in New Jersey, which would be effectively paid for primarily by non-New Jersey investors and savers.
    - o The New Jersey proposal would capture trades made on the major exchanges based in New York City (e.g., NYSE, NASDAQ) because their trade processing centers are physically located in New Jersey.
- The increased cost of trading will ultimately be passed on to the customers—meaning New York and New Jersey would receive tax dollars paid for by savers outside of the state.
- Make no mistake, these FTT proposals are a test-run for a federal FTT. Democrats in Congress will continue to push for a FTT, despite its proven failure across the globe, as a solution to cover their grab-bag of massive new government spending.