

March 3, 2020

The Honorable Maxine Waters  
Chairwoman  
House Committee on Financial Services  
2129 Rayburn House Office Building  
Washington, D.C. 20515

Dear Chairwoman Waters:

House Democrats have introduced various policy proposals that mirror those of their preferred Presidential candidate. Among these proposals is the Financial Transaction Tax (FTT). Simply put, the FTT is a tax on Americans' retirement savings. It is critical the Committee hold a hearing to fully understand the potentially devastating impact of this proposal.

Democrats' claims that the FTT would only impact the wealthiest investors are false. The FTT would harm middle-income Americans saving for retirement, their child's college education, or their first home. The FTT will be paid for by *all* investors, including pensioners and everyday investors.

The FTT is applied each time a financial transaction is conducted. This includes transactions of mutual funds, which 43.9% of U.S. households own.<sup>1</sup> One study indicates that with the imposition of an FTT, a typical mutual fund investor may have to ***work an additional two-and-a-half years*** to achieve the same retirement goal. The same study indicated that everyday Americans saving for college may have to save roughly ***\$250 more per year for 20 years for every child*** to achieve the same savings account balance that would have existed absent the FTT.<sup>2</sup>

Despite a number of countries with advanced financial markets that have implemented FTTs with adverse effects, Democrats have embraced the FTT as a viable solution to cover their grab-bag of massive new government spending. For example, Sweden's attempt from the mid-1980s was repealed in just six years, and "is widely considered to have been a failure."<sup>3</sup> A French FTT introduced in 2012 reduced trading volume significantly, and both Italy and France have raised less than a quarter of expected revenue.<sup>4</sup> The Congressional Budget Office has

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<sup>1</sup> See ICI, *US Mutual Funds*, 2019 Investment Company Fact Book.

<sup>2</sup> See Vanguard, *Main Street investors at risk: A financial transaction tax would harm everyday savers*, available at [https://www.napa-net.org/sites/napa-net.org/files/Vanguard\\_financial%20transaction%20tax\\_090419.pdf](https://www.napa-net.org/sites/napa-net.org/files/Vanguard_financial%20transaction%20tax_090419.pdf).

<sup>3</sup> Leonard E. Burman et al., *Financial Transaction Taxes in Theory and Practice*, TAX POLICY CENTER (June 2015).

<sup>4</sup> See Alex Hendrie, *A Financial Transactions Tax Is a Terrible Idea*, AMERICANS FOR TAX REFORM (Mar. 7, 2019).

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already scored one version of the FTT, estimating that the tax would “immediately lower the value of financial assets.”<sup>5</sup>

This is why I’m urging the Committee to hold a hearing to better understand the impact of the FTT, especially the effects on pension plans and other retirement savings. Americans deserve to know the full extent of what these Democrat proposals mean for their families.

Sincerely,

A handwritten signature in blue ink, appearing to read "Patrick McHenry", with a large, stylized flourish above the name.

Patrick McHenry  
Ranking Member

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<sup>5</sup> See Congressional Budget Office, *Impose a Tax on Financial Transactions*, (Dec. 13, 2018), available at <https://www.cbo.gov/budget-options/2018/54823>.