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STOCK TAX REBATE TO WALL STREET INVESTORS HAS COST STATE $350 BILLION

By Marci Rosenblum
Local 1180 Communications Director

A state tax that has been on the books for more than 100 years and could have long eradicated both the burgeoning city and state debt has been rebated since 1981 to those paying it — the mega wealthy.

New York's Stock Transfer Tax has been levied on stock trades since 1905. Since 1981, however, the tax has been given back to Wall Street. At a time when the state is facing a multi-billion dollar deficit caused in large part by the coronavirus pandemic, reinstating the Stock Transfer Tax is an idea whose time has come, according to New York City's top labor leaders, including **Local 1180 President Gloria Middleton**, and numerous state legislators who are banding together to stop the rebating.

If fully collected, the Stock Transfer Tax is estimated to raise between $14 billion and $19 billion annually, with much of these funds coming from transactions outside the state, thereby limiting the impact on New Yorkers.

"New York is in dire financial straits. This is not just a matter of dollars and cents, it's a matter of human suffering," Middleton said. If you add up numbers from 1982 to 2020, it's $350 billion that's been rebated to Wall Street during this period in terms of 2020 dollars. This tax is a nickle per thousand dollars; investors won't even notice it but it will make an enormous difference for the state and the working middle-class."

She said the Stock Transfer Tax is a progressive tax and one that the mega wealthy already are paying anyway. New York State Senator James Sanders Jr., one of the bill's sponsors, agrees. He said the stock transfer tax is a revenue generator that operates as an indirect tax, rather than a direct tax like property or income.

"This is a sales tax, it is not a tax on Wall Street. The tax affects investors, not Wall Street firms. This is the fastest, largest amount of money we will bring into the state, or else we're going to deal with the deficit another way and take money from the teachers, and the workers, and every other group. We can spread the wealth and say everyone is going to contribute, but we know that won't be the real case. The rich still won't be contributing," Sanders said in his opening remarks on a panel discussion on "Restoring the Wall Street Stock Transfer Tax." He was joined by the bill's Assembly sponsor, Assembly Member Phil Steck, President Middleton, TWU International President John Samuelson, ATU 1056 President Mark Henry, and Global Justice Fellow Jim Henry.

Steck said the tax is not even one being paid by Wall Street, but rather the "one quarter of 1% tax is just being collected by Wall Street and it's not all being paid by New Yorkers. It's not large enough to even impact market behavior," he said, noting that all major stock exchanges in the world have similar taxes. "If we can tax gambling by the poor and middle class, then why can't we tax gambling by the upper class?"

Middleton said that Local 1180 has been a staunch proponent of ending the Stock Transfer Tax rebate for years.

"With COVID-19, it's ridiculous we are even having this conversation," she said. "It's not like we are talking about implementing a new tax; we are just stopping a rebate of one that has been dormant. This is just 5 cents on $1,000 trade, hardly money that anyone is going to miss."

The tax liability is calculated based on the stock's value, with a minimum 1.25 cents tax on shares costing less than $5, and a maximum 5 cents tax on shares costing more than $20. Entities subject to the tax include hedge funds, high-frequency traders, and the ultra-wealthy — not exactly a group to miss the nickel, but definitely a group crying "it's not fair."

The state has a history of using the tax to bail out New York City in times of fiscal devastation. According to Sanders, in the late 1970s, when New York City was in financial crisis, the revenue was diverted to bail out the City and protect it from financial ruin. Afterward, Mayor Abraham Beame agreed the tax was no longer needed so it was gradually eliminated through rebating, meaning it has always been calculated and collected, but then returned. Sanders said that is how the state is able to accurately predict how much the tax will bring in annually. The trading volume in New York City is about five times that of the European markets, with traders in the city taking advantage of high volume. Sanders said there is no other location in the world where trading volume is so high and transaction costs so low.

"All foreign exchanges have financial transaction taxes," he said. "Investors will not be able to move to foreign exchanges in order to avoid paying a New York Stock Transfer Tax as Wall Street and the rich are leading everyone to believe."

For example, London has had a stock transfer tax since 1700, when London was the financial capital of the world as New York City is today. The tax there is significantly higher than the New York State Transfer Tax, yet no one in London talks about moving their exchange to another country.

Middleton said a Stock Transfer Tax is just a cost of doing business in New York or in the United States, and the hype about Wall Street leaving the City and moving to New Jersey or elsewhere if the rebate is stopped is just a threat and scare tactic.

"There might be some investors who decide to take their business elsewhere just to make a point but again, Wall Street itself is not going to pack up, lock, stock, and barrel, and relocate its entire operation," Middleton said. "They are just collecting the tax, the same as any store collects tax on a product it sells. New York has never been the only stock exchange in the world, but it is the stock exchange with one of the highest trading volumes, which means the lowest transaction costs, even with the tax."

The Sanders/Steck legislation (S.1406/A.3353) specifies that for the first two years, ending March 31, 2023, the money collected from the tax would go into the state's general fund in order to bail out the state and New York City. After that, 100% of the funds collected would go to the Metropolitan Transportation Authority (MTA); NYSDOT for the maintenance and repair of state highways and bridges; the New York City Housing Authority (NYCHA); for infrastructure, maintenance and development of passenger rail lines for Amtrak in the northeast corridor; the Consolidated Local Street and Highway Improvement Program (CHIPS); the Municipal Aid and Incentives Program (AIM); the Safe Water and Infrastructure Action Program; the Downstate and Upstate Transit Systems; the Clean Energy Fund; CUNY; and SUNY.

"We have lost so many of our members already from this pandemic. We were the essential workers who had to go to work, especially those who worked in the hospitals. We were the ones whose jobs were being threatened when the city was running out of money," Middleton said. "Union leaders were the ones who sat down with the city right before the holidays and found a way to save the jobs of 22,000 of our members who were facing layoffs. We had to work out agreements and make adjustments for the city to survive and not fall into the inevitable black hole.

"It is despicable we are even having this conversation about stopping the tax rebate," she said. "We have an opportunity to fix this for years to come. Why are we always going to the middle class, the working poor, to save the city? We work harder and we earn way less. What is the stigma about taxing the rich? I don't understand."