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(Original Signature of Member)

114TH CONGRESS
2D SESSION

H. R. _____

To amend the Internal Revenue Code of 1986 to impose a tax on certain trading transactions.

IN THE HOUSE OF REPRESENTATIVES

Mr. DEFAZIO introduced the following bill; which was referred to the Committee on _____

A BILL

To amend the Internal Revenue Code of 1986 to impose a tax on certain trading transactions.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Putting Main Street
5 FIRST Act” or as the “Putting Main Street FIRST: Fin-
6 ishing Irresponsible Reckless Speculative Trading Act”.

1 **SEC. 2. TRANSACTION TAX.**

2 (a) IN GENERAL.—Chapter 36 of the Internal Rev-
3 enue Code of 1986 is amended by inserting after sub-
4 chapter B the following new subchapter:

5 **“Subchapter C—Tax on Trading Transactions**

“Sec. 4475. Tax on trading transactions.

6 **“SEC. 4475. TAX ON TRADING TRANSACTIONS.**

7 “(a) IMPOSITION OF TAX.—There is hereby imposed
8 a tax on each covered transaction with respect to any secu-
9 rity.

10 “(b) RATE OF TAX.—The tax imposed under sub-
11 section (a) with respect to any covered transaction shall
12 be 0.03 percent of the specified base amount with respect
13 to such covered transaction.

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

16 “(1) except as provided in paragraph (2), the
17 fair market value of a security (determined as of the
18 time of the covered transaction), and

19 “(2) in the case of any payment with respect to
20 a derivative, the amount of such payment.

21 “(d) COVERED TRANSACTION.—For purposes of this
22 section—

23 “(1) IN GENERAL.—The term ‘covered trans-
24 action’ means—

1 “(A) except as provided in subparagraph
2 (B), any purchase if—

3 “(i) such purchase occurs on, or is
4 subject to the rules of, a qualified board or
5 exchange located in the United States, or

6 “(ii) the purchaser or seller is a
7 United States person, and

8 “(B) any transaction with respect to a de-
9 rivative if—

10 “(i) such derivative is traded on, or is
11 subject to the rules of, a qualified board or
12 exchange located in the United States, or

13 “(ii) any party with rights under such
14 derivative is a United States person.

15 “(2) EXCEPTIONS FROM TAX.—

16 “(A) EXCEPTION FOR INITIAL ISSUES.—
17 No tax shall be imposed under subsection (a)
18 on any covered transaction with respect to the
19 initial issuance of any security described in sub-
20 paragraph (A), (B), or (C) of subsection (e)(1).

21 “(B) EXCEPTION FOR CERTAIN TRADED
22 SHORT-TERM INDEBTEDNESS.—A note, bond,
23 debenture, or other evidence of indebtedness
24 which—

1 “(i) is traded on, or is subject to the
2 rules of, a qualified board or exchange lo-
3 cated in the United States, and

4 “(ii) has a fixed maturity of not more
5 than 100 days,

6 shall not be treated as described in subsection
7 (e)(1)(C).

8 “(e) DEFINITIONS.—For purposes of this section—

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

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

11 “(B) any partnership or beneficial owner-
12 ship interest in a partnership or trust,

13 “(C) any note, bond, debenture, or other
14 evidence of indebtedness, and

15 “(D) any derivative.

16 “(2) DERIVATIVE.—

17 “(A) IN GENERAL.—The term ‘derivative’
18 means any contract (including any option, for-
19 ward contract, futures contract, short position,
20 swap, or similar contract) the value of which, or
21 any payment or other transfer with respect to
22 which, is (directly or indirectly) determined by
23 reference to one or more of the following:

1 “(i) Any security described in sub-
2 paragraph (A), (B), or (C) of paragraph
3 (1).

4 “(ii) Any commodity which is actively
5 traded (within the meaning of section
6 1092(d)(1)).

7 “(iii) Any currency.

8 “(iv) Any rate, price, amount, index,
9 formula, or algorithm.

10 “(v) Any other item as the Secretary
11 may prescribe.

12 Such term shall not include any item described
13 in clauses (i) through (v).

14 “(B) EXCEPTIONS FROM TREATMENT AS
15 DERIVATIVES.—

16 “(i) SECURITIES LENDING, SALE-RE-
17 PURCHASE, AND SIMILAR FINANCING
18 TRANSACTIONS.—To the extent provided
19 by the Secretary, the term ‘derivative’ shall
20 not include the right to the return of the
21 same or substantially identical securities
22 transferred in a securities lending trans-
23 action, sale-repurchase transaction, or
24 similar financing transaction.

1 “(ii) INSURANCE CONTRACTS, ANNU-
2 ITIES, AND ENDOWMENTS.—The term ‘de-
3 rivative’ shall not include any insurance,
4 annuity, or endowment contract issued by
5 an insurance company to which subchapter
6 L applies (or issued by any foreign cor-
7 poration to which such subchapter would
8 apply if such foreign corporation were a
9 domestic corporation).

10 “(3) QUALIFIED BOARD OR EXCHANGE.—The
11 term ‘qualified board or exchange’ has the meaning
12 given such term by section 1256(g)(7).

13 “(f) BY WHOM PAID.—

14 “(1) IN GENERAL.—The tax imposed by this
15 section shall be paid by—

16 “(A) in the case of a transaction which oc-
17 curs on, or is subject to the rules of, a qualified
18 board or exchange located in the United States,
19 such qualified board or exchange, and

20 “(B) in the case of a purchase not de-
21 scribed in subparagraph (A) which is executed
22 by a broker (as defined in section 6045(c)(1))
23 which is a United States person, such broker.

24 “(2) SPECIAL RULES FOR DIRECT, ETC.,
25 TRANSACTIONS.—In the case of any transaction to

1 which paragraph (1) does not apply, the tax imposed
2 by this section shall be paid by—

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

5 “(i) the purchaser if the purchaser is
6 a United States person, and

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

9 “(B) in the case of a transaction described
10 in subsection (d)(1)(B)—

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

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

15 “(g) TREATMENT OF EXCHANGES AND PAYMENTS
16 WITH RESPECT TO DERIVATIVES.—For purposes of this
17 section—

18 “(1) TREATMENT OF EXCHANGES.—

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

23 “(B) CERTAIN DEEMED EXCHANGES.—In
24 the case of a distribution treated as an ex-
25 change for stock under section 302 or 331, the

1 corporation making such distribution shall be
2 treated as having purchased such stock for pur-
3 poses of this section.

4 “(2) PAYMENTS WITH RESPECT TO DERIVA-
5 TIVES TREATED AS SEPARATE TRANSACTIONS.—Ex-
6 cept as otherwise provided by the Secretary, any
7 payment with respect any derivative shall be treated
8 as a separate transaction for purposes of this sec-
9 tion.

10 “(h) APPLICATION TO TRANSACTIONS BY CON-
11 TROLLED FOREIGN CORPORATIONS.—

12 “(1) IN GENERAL.—For purposes of this sec-
13 tion, a controlled foreign corporation shall be treated
14 as a United States person.

15 “(2) SPECIAL RULES FOR PAYMENT OF TAX ON
16 DIRECT, ETC., TRANSACTIONS.—In the case of any
17 transaction which is a covered transaction solely by
18 reason of paragraph (1) and which is not described
19 in subsection (f)(1)—

20 “(A) PAYMENT BY UNITED STATES SHARE-
21 HOLDERS.—Any tax which would (but for this
22 paragraph) be payable under subsection (f)(2)
23 by the controlled foreign corporation shall, in
24 lieu thereof, be paid by the United States

1 shareholders of such controlled foreign corpora-
2 tion as provided in subparagraph (B).

3 “(B) PRO RATA SHARES.—Each such
4 United States shareholder shall pay the same
5 proportion of such tax as—

6 “(i) the stock which such United
7 States shareholder owns (within the mean-
8 ing of section 958(a)) in such controlled
9 foreign corporation, bears to

10 “(ii) the stock so owned by all United
11 States shareholders in such controlled for-
12 eign corporation.

13 “(C) DEFINITIONS.—For purposes of this
14 subsection, the terms ‘United States share-
15 holder’ and ‘controlled foreign corporation’ have
16 the meanings given such terms in sections
17 951(b) and 957(a), respectively.

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

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

1 “(1) provide guidance regarding such informa-
2 tion reporting concerning covered transactions as the
3 Secretary deems appropriate, and

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

8 (b) CREDIT WITH RESPECT TO CERTAIN TAX-FA-
9 VORED ACCOUNTS TO OFFSET TRANSACTION TAX.—Sub-
10 part C of part IV of subchapter A of chapter 1 of such
11 Code is amended by inserting after section 36B the fol-
12 lowing new section:

13 **“SEC. 36C. OFFSET FOR TRANSACTION TAX WITH RESPECT**
14 **TO CERTAIN TAX-FAVORED ACCOUNTS.**

15 “(a) IN GENERAL.—There shall be allowed as a cred-
16 it against the tax imposed by this subtitle for the taxable
17 year an amount equal to 0.03 percent of the qualified tax-
18 favored account contributions of the taxpayer for the tax-
19 able year.

20 “(b) QUALIFIED TAX-FAVORED ACCOUNT CONTRIBU-
21 TIONS.—For purposes of this section, the term ‘qualified
22 tax-favored account contributions’ means, with respect to
23 any taxable year, the sum of—

24 “(1) with respect to qualified retirement plans
25 (as defined in section 4974(c)) of the taxpayer, the

1 amount contributed to such plans for such taxable
2 year to the extent that such contributions are allow-
3 able as a deduction or are excludable from gross in-
4 come (or, in the case of a Roth IRA (as defined in
5 section 408A(b)), the amount contributed),

6 “(2) with respect to Archer MSAs of the tax-
7 payer, the amount allowed as a deduction under sec-
8 tion 220 for such taxable year,

9 “(3) with respect to health savings accounts of
10 the taxpayer, the amount allowed as a deduction
11 under section 223 for such taxable year, plus

12 “(4) with respect to qualified tuition programs
13 (as defined in section 529), qualified ABLE pro-
14 grams (as defined in section 529A), and Coverdell
15 education savings accounts (as defined in section
16 530), with respect to which the taxpayer is the des-
17 ignated beneficiary (or, in the case of a designated
18 beneficiary with respect to whom another taxpayer is
19 allowed a deduction under section 151, such other
20 taxpayer in lieu of such designated beneficiary), the
21 amount contributed for such taxable year.”.

22 (c) INFORMATION REPORTING WITH RESPECT TO
23 CONTROLLED FOREIGN CORPORATIONS.—Section
24 6038(a)(1)(B) of such Code is amended by inserting “and
25 transactions which are covered transactions for purposes

1 of section 4475 by reason of the application of section
2 4475(h)(1) to such corporation” before the semicolon at
3 the end.

4 (d) CONFORMING AMENDMENTS.—

5 (1) Section 1324(b)(2) of title 31, United
6 States Code, is amended by inserting “, 36C” after
7 “36B”.

8 (2) The table of sections for subpart C of part
9 IV of subchapter A of chapter 1 of the Internal Rev-
10 enue Code of 1986 is amended by inserting before
11 the item relating to section 37 the following new
12 item:

“Sec. 36C. Offset for transaction tax on contributions to certain tax-favored ac-
counts.”.

13 (3) The table of subchapters for chapter 36 of
14 such Code is amended by inserting after the item re-
15 lating to subchapter B the following new item:

“Subchapter C. Tax on trading transactions.”.

16 (e) EFFECTIVE DATE.—The amendments made by
17 this section shall apply to transactions after December 31,
18 2017.