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2024: Foundational Year for Tax Reform: Evaluating Impact of FTT on Main Street

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June 2024

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SPRING 2024 / Modern Markets Initiative

Although the outcome of the 2024 federal elections is uncertain, tax reform is a likely key policy agenda item in 2025. With the 2017 tax cuts expiring in 2025, as well as the federal deficit swelling by 21% over the past year from $421 billion to $510 billion, a demand for revenue is anticipated to force difficult decisions on tax policy for both parties.[1]

Among the likely topics for further discussion is the financial transaction tax (FTT), or "retirement tax." Previous iterations of an FTT have been proposed, but not moved forward, over the past decade, for taxes ranging from 0.02-0.5 percent on all equity, debt and derivatives trades transacted in the United States.As detailed in this report, an FTT would create a drag on investments for investors across the board, from large institutional investors to small the new, younger generation of small mom and pop investors.

In prior iterations, the FTT has been framed by proponents as a tax on Wall Street – but the unfortunate reality is that the FTT would be a huge blow to average American families across all income categories. As Congress searches for revenue raisers in 2025, it is important to take note that an FTT would come directly from the pockets of Americans' savings accounts.

In addition to negatively impacting Main Street directly through taxing their savings, the FTT would also severely damage the health of the U.S. capital markets by reducing liquidity in the capital markets and making trading more expensive for all investors.

This report notes the failed history of the FTT in jurisdictions in which it has been implemented, including creating market instability with drops in trading volume by 50 to 80%, reduced liquidity, and a failure to raise the stated revenue projections in nations in which it has raised as little as 3% to 15% of the revenue targets.Moreover, the FTT as a policy incentivizes parties to turn away from traditional equities trading and to move toward synthetic derivatives, as has been the case in the UK where the Stamp Tax has driven away trading on stock markets. Notably, in the United States it was a Democrat Congress and a Democrat President who abolished the FTT that once existed in the US as a failed tax policy in 1965. As this report details with data and analysis, the experiment of an FTT is an experiment not worth undertaking when US lawmakers can learn from the negative, failed precedent of the FTT previously in the US and in other nations where the FTT has been repealed.

1 "National Deficit", Fiscal Data (September 2023) at https://fiscaldata.treasury.gov/americas-finance-guide/national-deficit/.

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MMI provides facts and data regarding the evolution of the electronic markets over the past decades and benefit of market automation in saving investors' money with lower trading costs and narrower bid-ask spreads.

About the Authors

Kirsten Wegner is CEO of Modern Markets Initiative ("MMI"), a 501c4 nonprofit organization that produces studies, data, and materials on the beneficial role of technological innovation in the capital markets, including the positive role of automated traders. MMI supports well-regulated markets, responsible innovation, and having a strong cop on the beat, and strongly opposes any illegal trading activity, including front-running, illegal spoofing, or other illegal market manipulation.

Anush Musthyala is a Research Fellow with MMI, and has conducted calculations and analysis on the projected impact of a financial transaction tax on Main Street savers including in individual retirement accounts, in 529 college savings accounts, in pension funds, among others.

History: Failed Policy: Democrat Congress and Democrat President Repealed FTT in 1965

The FTT is not a new concept. In fact, a Democratic Congress and President did away with the last FTT in 1965 because they realized it was bad tax policy.A financial transaction tax (FTT) is a tax placed on a specific type of monetary transaction for a particular purpose. An FTT may be assessed directly on the buyer, the seller, or both or on an exchange to collect the fee as an intermediary, with the fee passed on to the buyer, seller or both), and is typically a percentage of the market value of the security instrument that is traded.

More recent US proposals for an FTT in the US have included Sen. Sanders' (I-VT) Inclusive Prosperity Act (50 basis points for equities, 10 basis points for bonds, 0.5 basis points for derivatives), as well as prior bills from Sen. Schatz (D-HI) for a 10 basis points across asset classes of equities, bonds and derivatives. Other models for an FTT have theorized around a gradual tax of 2-3 basis points increasing over a period of time to increase gradually to a higher threshold, such as 10 basis points, across equities, bonds and derivatives, with the possiblity to "lever up/lever down" to theoretically allow government to adjust, or fine-tune, tax levels on a periodic basis.

History of other countries that have enacted an FTT have shown negative impacts including:that 50% to 80% of trading went to other countries, the cost of trading went up, and the capital markets were negatively impacted. Moreover, because trading volume decreased, the FTT failed to raise the amount of revenue expected in those countries, and in some countries like Italy and Sweden, the FTT only raised 3% to 15% of the annual expected revenue

Notably:

- When Sweden enacted an FTT bond trading fell by 85%; futures trading fell by 98%; and more than 50% of all Swedish trading moved to London.[2]
- When Germany enacted an FTT German public companies moved to London and trading in German bonds sank as much as 50%. [3]

2 "Internationalization of Equity Markets: International Experiences with Securities Transaction Taxes," John Y. Campbell, Kenneth A. Froot (January1994) At https://www.nber.org/chapters/c6276.pdf

3 "Financial Transaction Taxes: The International Experience and the Lessons for Canada," Marion G. WrobelSenior Analyst (June 1996) at http://www.publications.gc.ca/collections/Collection-R/LoPBdP/BP/bp419-e.htm

- When Italy enacted an FTT Italian stocks fell 34.2% within two years.
- In addition, because FTTs reduce trading volume, FTTs raise far less revenue than expected:
- When Sweden enacted an FTT: It initially predicted SEK 1.5 billion annually in revenue, but the average was closer to SEK 50 million. The FTT in Sweden raised only 3% of the annual stated revenue.
- When Italy enacted an FTT: it raised €159 million of a targeted €1 billion. The FTT in Italy raised only 15% of the annual stated revenue.
- When France enacted an FTT: It initially predicted €1.5 billion annually in revenue, but in two years has yet to raise even half that much. The FTT in France raised less than 50% of the annual stated revenue.
- When Hong Kong enacted an FTT: Although Brookings Institute authors have indicated no significant impact on its status as a global financial center, it is yet to be determined what the long-term impact may be relative to other nearby markets. Of note, China's decision to cut its FTT has led to Hong Kong reassessing its approach to the FTT. Faced with the risk of capital outflow to China, Hong Kong made its policy more lenient. Policy changes included reducing stamp duty rates for share transfers, lowering the holding period for residential property stamp duties, and suspending stamp duty for incoming talents acquiring land in Hong Kong.

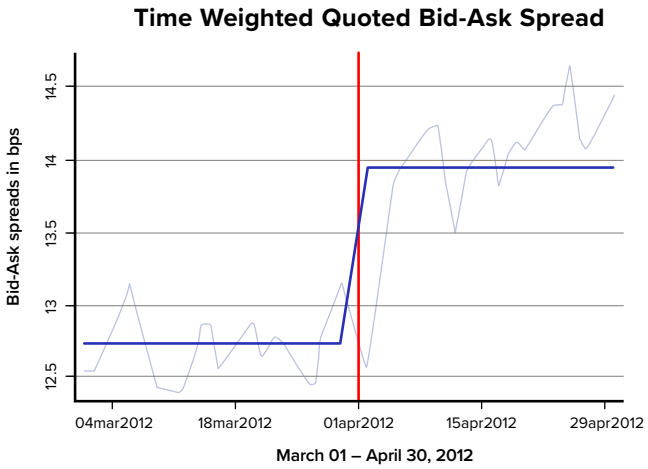
Highlights: Notable Findings

The research projects that the "FTT" would negatively impact individual savers, college savers, retirement savers,as well as larger institutions such as endowments and pension funds. For example:

- 401k Retirement Plans and IRA Plans: The average 401k has a balance of about $112,400 and the average IRA plan has a balance of about $113,800. Assuming $100,000 invested over 40 years, the retirement tax would have a cost of about $281 a year on average, or a missed $53,502 in "retirement tax" over a 40-year lifetime savings on IRAs and 401ks.
- 529 College Savings Plans: A single "top 5" public university endowment is projected to owe approximately $19 million annually in FTT, or the equivalent of in-state tuition for 1,690 students each year;
- University Endowments: The retirement tax would cost a "top 20" state university endowment $24 million in FTT each year, or the equivalent of 3,227 scholarships in a given year; collectively, public and private university endowments would be estimated to owe $422 million in FTT each year, funds otherwise available for scholarships

Key FTT Impact: Wider Spreads

A wider "spread" means greater cost of trading for all investors.[4]



CONCEPT OF THE SPREAD: A key impact of an FTT on savings community stakeholders relates to the concept of widened "spreads." A widening – or increase -- of a spread would increase the cost of trading for all market participants. The financial markets are made up of negotiations between buyers and sellers. Like all negotiations, most end up in compromise. The distance between what someone wants and what someone is willing to pay during a particular negotiation is "the spread." For both parties, the narrower the spread, the less either party has to concede and thus, the better the price from their perspective. Fierce competition between market makers, and electronification of the markets, has led to a dramatic reduction in spreads and in the cost of trading, since 2006.[5]

FTT INCREASES SPREADS = HIGHER TRANSACTION COSTS.

Historically, introducing additional costs on the stock market, via fees or FTTs, increases spreads. The above graph depicts the bid-ask spread in Canada after the country imposed a "per message fee" on the market on April 1, 2012. The bid-ask spread rose 9% immediately.

An increase in spreads is paid by every investor who demands liquidity, especially large institutional investors such as university endowments, public pension funds, or other pooled savings vehicles. A financial transaction tax is a very specific dollar amount that can be factored in as the minimum amount a spread will need to widen. In addition, future spread costs could widen even more based on other economic factors, including an anticipated reduction of trading volumes and added volatility, among other market forces.

Impact of Spread on Market Makers and Liquidity

Increase in Spreads Would Vary Across Asset Classes.

The increase in spreads would likely vary across asset classes. For example, let's assume that for a liquid S&P 500 stock the average spread is $0.01, and at this level market makers make some fraction of a cent in profit. The average price of an S&P 500 stock is about $84/share, so the tax on a sale transaction would be $0.42/share (0.5%.)

4 Time Weighted Bid Ask Spread Source: TABB Group at https://www.modernmarketsinitiative.org/hft-cheaper-trading-more-money-in- retirementaccounts.

5 To be clear, a per-message fee is different from a financial transaction tax in that it is usually levied on a particular segment of the market. However, as this chart shows, the resulting widening of the spread affects everyone in the market.

Impact on Market Makers and Liquidity.

After paying the FTT, the market maker will not be profitable and, all things being equal, will increase its quoted spreads to make up the difference. If the market maker is not able to realize the entire tax in its trading profitability, the market maker could be inclined to halt trading in that asset class, and therefore stop providing liquidity for that stock. For example, for a typical HFT market maker, a quoted spread may go from 50.00 – 50.01 (one penny) to 50.00 – 50.43 (43 pennies). If all market makers were to follow this logic, there would be little reason for "natural" liquidity providers to narrow the spreads, and thus all investors would be negatively affected.

Individual Savers: 401K Holders, IRA Savers

MMI studied the impact of the FTT on an individual investor investing in the Federal Thrift Savings Plan. Assuming the investor contributed $5,000 annually in the target date funds of the Thrift Savings Plan and that the investments of the individual target date funds remain the same over the years, we found that the individual investor would stand to lose 2% of his or her final portfolio value due to the FTT.

The FTT would have a negative impact on 401(k) and IRA holders across the country, with a projected cost of $281.00 in FTT taxes per year for an average 401(k) portfolio or IRA plan with $100,000 in assets. We model this out, under the assumptions that the 401k is comprised of 80% equities and 20% in fixed income.

- $80,000 equities (including mutual funds and employer stock) x 0.67 turnover x 50 basis points = $268
- $20,000 in fixed income/bonds/debt x 0.67 turnover x 10 basis points = $13

With a projected cost of $281.00 in FTT taxes, we calculate the future value of an annuity (annual payment) using the following formula:

$$FV = P\ \frac{(1+r)^n - 1}{r}$$

where:

- FV = future value of the annuity (total impact of the FTT over 40 years)
- P = annual payment (FTT cost, $281)
- r = annual interest rate (7% or 0.07)
- n = number of periods (40 years)

The cost of an FTT over a lifetime of a 401(k) account of this size would be **$53,502 after 40 years.**

About the 401(k) Industry

As of September 2023, 401(k) plans held $6.9 trillion in assets, which is part of the total U.S. retirement assets valued at $35.7 trillion.[6]

The impact of an FTT on American savers including 401(k) holders has been noted to include a 3% reduction in retirement savings over a working life.Based on a 2015 report by the Obama Administration's Council of Economic Advisors on the impact of 401(k) fees, this tax could reduce an American's retirement savings by as much as 3% over their working life.

6 401(k) Resource Center, Investment Company Institute (May 2024) at https://www.ici.org/401k

529 College Savings Plans

The FTT would negatively impact 529 College Savings Plan Portfolios across the country, with projected cost ranging from $2 million to $19 million for a plan portfolio with a size of $2 billion to $12 billion range, respectively. 529 plans are a widely used tool for families to save for their children's education costs, with over 44% of parents utilizing 529 plans to help save for college. In 2023, over 15.9 million families use 529 tax-advantaged savings plans for educational expenses. The total assets under management in 529 plans reached $412 billion, according to a prior report from the College Savings Plans Network.

For a 529 Plan Portfolio with $12 billion in assets under management, the projected impact of The Inclusive Prosperity Act (S. 1587) is $19 million in annual FTT. This number assumes that the 529 plan with assets under management of $12 billion is invested 40% in stocks, 40% in debt, and 20% in derivatives or cash equivalents, with a turnover rate of 0.67, the average turnover rate for a mutual fund investment. The calculations are as follows:

- $4.8 billion stocks x 0.67 x 50 basis points = $16 million
- $4.8 billion in fixed income/ debt x 0.67 x 10 basis points = $3 million

Under these assumptions, the total FTT owed by the 529 plan portfolio in this example with $12 billion AUM would be $19 million. This example does not take into account "widened spreads" which would result in increased transaction costs for the 529 plan portfolio. In all, the impact of the proposed FTT on such a 529 plan would be equivalent to the cost of instate tuition for approximately 1,690 students per year. Note the average tuition of a public state college is $11,260 for in-state residents.[7]

This would mean that the FTT liability of $19 million would consume the equivalent of full instate tuition for 1,690 students in a given year for a single state plan. This number is about half of the freshman class of a single public university such as the University of Utah, which has an average of about 4,200 students per graduating class in a given year.[7]

University Endowments

There is over $839 billion invested collectively in public and private university endowments, of which $280 billion is composed of public university endowments. If an FTT was imposed, large university endowments ($20 billion AUM) would pay at least $422 million in FTT a year, collectively. This number assumes that the University Endowment that has AUM of $20 billion is invested 30% in equities, 30% in fixed income/debt, and 40% in cash equivalents (such as real estate, VC, private equity), utilizing a turnover rate of 0.67 (the average mutual fund turnover rate).

The calculations are as follows:

- **$6 billion stocks x .67 turnover x 50 basis points = $20 million**
- **$6 billion in debt x .67 turnover x 10 basis points = $4 million**

Under these assumptions, the total FTT owed by a University Endowment in this example with AUM of $20 billion would be about $24 million per year. This example does not take into account "Widened Spreads" which also account for increased transaction costs for the University Endowment.

For a single public university endowment in the "top 5" by assets under management, with $20 billion AUM, the projected cost would be $24 million per year, or the equivalent of 3,227 college scholarships. It is important to note that the average private college scholarship is $8,366.00.

University endowments offer educational institutions ongoing stability to educate generations of students,

7 Trends in College Pricing: Highlights, College Board, (May 2024), at https://research.collegeboard.org/trends/college-pricing/highlights

offer financial aid, and offset the rising cost of college tuition. The top five university endowments together are estimated to have each over $20 billion AUM, and the top 20 to 30 university endowments (Michigan State, Ohio State, University of Minnesota, University of Wisconsin, University of Richmond, University of Pittsburgh, Rice University, among others), have AUM ranging from $2 to 5 billion on average.[8] Smaller university endowments in the $250 million range make up less than 1% of the total university endowment market value as a whole, and also utilize investment strategies for funding educational endeavors and financial aid.

Number of Respondents* to then 2023 NACUB-Commonfund Study of Endowments, and Total Endowment Market Values+, by Endowment Size and Institution Type

Size of the Endowment	Number of Respondents	% of Total	Total Endowment Value ($1000)+	% of Total
Over $5 Billion	**29**	**4.2%**	**$486,648,031**	**58.0%**
$1 Billion to $5 Billion	109	15.8	222,021,604	26.5
$501 Million to $1 Billion	77	11.2	56,955,120	6.8
$251 Million to $500 Million	102	14.8	36,231,826	4.3
$101 Million to $250 Million	160	23.3	25,942,512	3.1
$51 Million to $100 Million	111	16.1	8,289, 642	1.0
Under $50 Million	100	14.5	3,000,885	0.1
Total (All Institutions)	**68**	**100%**	**$839,089,621**	**100.0%**

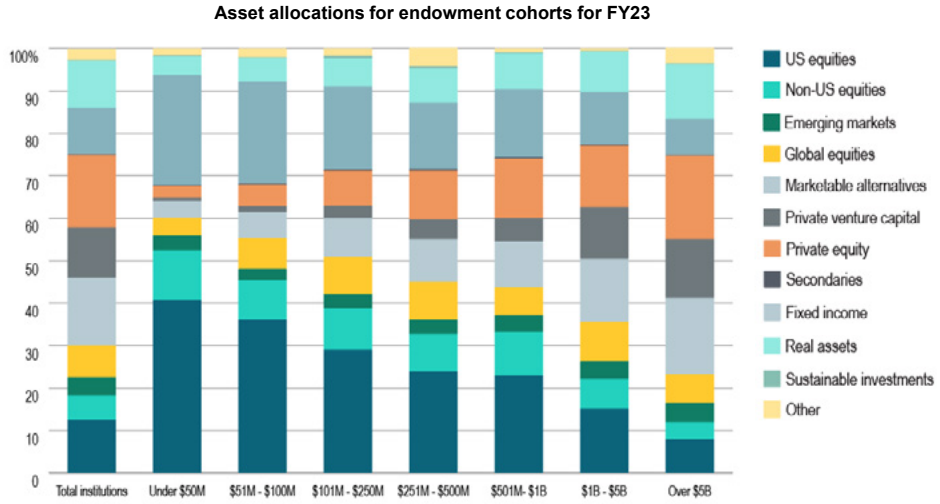
Type of Insititution	Number of Respondents	% of Total	Total Endowment Value ($1000)+	% of Total
All Public Colleges/Universities	**278**	**41.6%**	**$280,430,413**	**33.4%**
Public College, University, or System	*102*	*13.2*	*196,745,768*	*23.4*
Institutionally-Related Foundation	*143*	*19.9*	*52,925,480*	*6.3*
Combined Endowment/Foundation	*33*	*4.6*	*30,759,166*	*3.7*
All Private College/Universities	**401**	**61.3%**	**$554,083,994**	**66.0%**
All Others**				

The investment strategy of university endowments tends to vary according to the endowment's size, regardless of whether the endowment is with a public or private university. The calculations in this study utilize trends in the recent 2023 NACUBO study on asset allocation variations according to endowment size. As presented in the 2023 NACUBO, the larger the endowment, the greater the investment in alternative cash-equivalent investments, and the smaller the endowment, the greater the investment in traditional equities/passive investing strategies. [9]

8 "Trends in College Pricing: Highlights," College Board, (May 2024), at https://research.collegeboard.org/trends/college-pricing/highlights

9 "2023 NACUBO-Common Fund Study of Endowments" (February 15, 2024) at https://www.nacubo.org/Research/2023/NACUBO-Commonfund-Study-of-Endowments

Asset Allocation of Model Educational Endowment Portfolios: 2023 NACUBO Study [10]



SOURCE: 2023 NACUBO-COMMONFUND STUDY OF ENDOWMENTS

For the purposes of this study, the calculations include the following assumptions:

Large endowments (over $20 billion AUM) – 30% equities, 70% other investments, which may include:

- Hedge fund investments
- Private equity (LBOs, mezzanine, M&A funds, and international private equity)
- Marketable alternative strategies (hedge funds, absolute return, market neutral, long/short, 130/30, and event-driven and derivatives)
- Venture capital
- Cash equivalents

Smaller endowments (under $250 million AUM)

- 60% equities
- 20-40% debt
- 20 or less % cash equivalents/other investments

For a smaller University Endowment with $250 million AUM, for example, the projected impact of the "The Inclusive Prosperity Act" (S. 1587) is $670,000 in annual FTT. This endowment is invested in 60% in equities, and 40% debt, and has a turnover rate of 0.67 (the average mutual fund turnover rate).

The calculations are as follows:

- $150 million equities x 0.67 turnover x 50 basis points = $500,000
- $100 million in debt x 0.67 turnover x 10 basis points = $170,000

The total FTT for a small university endowment of $250 million would be $670,000. For this smaller university endowment, at a rate of $8,366.00 per average private scholarship size, approximately 80 students per year would lose their scholarships. [11] [12]

10 "2023 NACUBO-Common Fund Study of Endowments" (February 15, 2024) at https://www.nacubo.org/Research/2023/NACUBO-Commonfund-Study-of-Endowments

11 "Trends in College Pricing: Highlights" https://research.collegeboard.org/trends/college-pricing/highlights

12 College Scholarships Statistics, Saving for College, (October 23, 2019) https://www.savingforcollege.com/article/college-scholarships-statistics

Public Pension Plans

The following is an analysis of the proposed economic impact of "The Inclusive Prosperity Act" (S. 1587) on various public pension funds. By way of background, the pension fund information use in this analysis was based on information available in publicly disclosed reports and gathered through Freedom of Information Act requests for data. The turnover information is based on public summaries, disclosure of aggregate summaries that are partially useful (breakdown of asset class is required), disclosures of categorical summary information; and when available detailed full transaction information.

For purposes of the below calculations, this report assumes turnover rates of 72% for equities, 117% for fixed income and 95% for derivative investments of public pension funds. These were chosen utilizing data collected from pension funds across the U.S. Some public pension funds like CalPERS were found to have a lower turnover rate of around 30% for equities while others were found to have much higher turnover rates. The rates arrived were the average turnover rate across multiple pension funds. This is more conservative than actual public pension fund turnover rates, which range from 30% to 170% for various pension funds. However, lower numbers were used to account for potential behavioral change in rate of trading. It should be noted that public pension funds have diverse asset management structures – with some pension funds employing in-house asset managers, and others utilizing third parties – such that the turnover rate could vary according to asset allocations, management (active management vs. investing in mutual funds), and otherwise.

New Jersey Division of Pension and Benefits ($95.1 Billion AUM) = $111.28 Million Projected Annual FTT

The following is an economic analysis of New Jersey Division of Pension and Benefits with $95 billion AUM under the "The Inclusive Prosperity Act" (S. 1587).

The calculations are as follows:

- $26.43 billion domestic equity x 0.72 turnover x 50 basis points = $95.15 million
- $16.45 billion in fixed income/debt x 1.17 turnover x 10 basis points = $19.25 million

It is estimated that this pension fund would owe about **$114.4 million in annual FTT** for the first year, with the annual cost increasing as the fund grows.

Under this calculation, the tax rate of the FTT (e.g. 50 basis points for equities, 10 basis points for debt, and 0.5 basis point for derivatives) is multiplied by the sales amount in order to determine the amount that the Pension Fund Portfolio would have owed the U.S. government.

For purposes of illustrating this calculation, we will assume that the turnover rate for equities is 0.72, based on analysis of multiple U.S. state pension funds. It is important to note that public pension plans must continuously rebalance their portfolios, paying out employees each month while also inputting new revenue flow from employees, and that investments in mutual funds, etc., are continuously rebalanced.

Further, utilizing models from other pension funds, the following calculations were arrived:

Examples of Projected Impact of an FTT Actual on Pension Funds

State employee fund	**~ $300B AUM**	**Cost: $719.8 million**
Federal employee fund	**~ $450B AUM**	**Cost: $265.4 million**
State/muni employee fund	**~ $25B AUM**	**Cost: $206.3 million**
Police and Firefighter fund	**~ $180B AUM**	**Cost: $310.7 million**
City employee fund	**~ $150B AUM**	**Cost: $1.3 billion**
State teachers fund	**~ $125B AUM**	**Cost: $307.8 million**

Individual Real-World Impact on Workers' Pension Funds Over $10,000 Per Person in UK

Finally, it should be noted that in the U.K., where a Stamp Tax, which like the FTT, was paid every time a share was bought or sold, a typical individual worker's pension fund came in between £6,441 and £11,538 lower at

retirement, studies show.[13] This is equivalent to the average public pension fund individual recipient being hit by $10,000 to $20,000 because of an FTT.

Methodology

The following are key metrics that a Portfolio would need to identify to calculate their FTT burden:

Asset Classes. As certain asset classes are calculated differently, the Portfolio would need to calculate the distribution of equities, debt, and derivative tax rates to determine FTT liability. For purposes of this report's calculations, the following assumptions are used:

- Individual 401(k) Plans – distribution of 60% equities, 40% bonds
- 529 Plans – distribution of 40% equities, 40% bonds, and 20% derivatives
- Public Pension Funds – distribution of 40% equities, 40% bonds, and 20% derivatives
- University Endowments (large) – distribution of 30% equities, 30% bonds and derivatives, and 40% other – e.g. private equity, VC, real estate
- University Endowments (small) – distribution of 60% equities, 30% bonds, 10% derivatives

Notably, the types of asset allocations vary between individual Portfolios, and the numbers use are intended to be directionally correct, utilizing hypothetical allocations and assumptions.

Turnover. When calculating what a Portfolio would owe under an FTT, the Portfolio would need to utilize the "turnover" of the value of the portfolio (also called the "notional value", rather than the total assets in the portfolio.This is essentially the frequency with which a fund is rebalanced, or the value is turned over.

Example: Portfolio has $2 billion in stock assets value, and has a turnover rate of 67% [14], meaning that each of those assets are bought and sold 0.67 times a year (e.g. for managing risk, buying options, other risk management; this is the average for mutual funds); the transaction tax would be on the $1.34 billion in stock assets (the "turnover" or "notional value") rather than the total $2 billion under management. This is arrived at by multiplying $2 billion times 0.67 turnover rate for the value that would be subject to the FTT.

Average turnover rates have varied for mutual funds over the past few decades between 67% and highs of 162%. For example, for mutual funds, in the 2000s, turnover was 97%, and this exploded to 162% in the early 2000s, according to Morningstar. As of 2013, actively managed mutual funds had an overall turnover rate of 85%. The more recent turnover rate average is 67%.

For purposes of this Report's calculations, research was conducted on average turnover rates in various investment vehicles, as well as historically available data. The following assumptions are used for use:

- Individual 401(k) Plans – turnover of 67%
- 529 College Savings Plans – turnover of 67%
- Public Pension Funds – turnover of 48-58%
- University Endowments – turnover of 67%

Notably, investors utilizing ETFs or other pooled investment vehicles must factor in a higher rate of turnover, as those products are continuously rebalanced.

Payor of FTT: Buyer, Seller, or Intermediary (with Cost Passed on to Buyer/Seller).

Some FTT bills tax the buyer or seller (or both) directly; other proposals have the transaction/exchange or broker (if off exchange) pay, with the FTT cost effectively passed on to the buyer/seller of the transaction.

13 Rosie Murray-West, The Telegraph, Scrap stamp duty on shares, say experts (May 3, 2007) at https://www.telegraph.co.uk/news/uknews/1550451/Scrap-stamp-duty-on-shares-say-experts.html

14 "ICI RESEARCH PERSPECTIVE: The Economics of Providing 401(k) Plans: Services, Fees, and Expenses" (July 2016) at https://www.ici.org/doc-server/pdf%3Aper22-04.pdf

Note: On various proposals, the FTT may be paid for by the seller, the buyer, or both; or, the fee may be imposed on an exchange or broker as an intermediary, with the cost in essence passed down to the end user (the 529 plan, university endowment, pension plan or 401(k) holder).

Conclusion

As 2025 nears and tax reform approaches, stakeholders should review the facts and data regarding previous proposals for an FTT. A close review of previous proposals indicates that an FTT, regardless of basis point size, would ultimately act as a "retirement tax," stripping hardearned savings from American workers, of whom a majority believe that saving for retirement and college savings are important life goals.

While the FTT would have some impact on Wall Street firms, the tax would also firmly hit Main Street savers, including participating in 529 plans, 401k plans, IRAs, individual savings accounts, pension fund participants, among others.

Moreover, the FTT would reduce liquidity, increase the cost of trading, reduce the volume of trading, and would place a burden on the entire financial ecosystem, reduce capital growth, job growth, and negatively impact America's competitiveness in a global economy.

While some of the previous legislative proposals introduced aim to "redistribute" proceeds from a retirement tax to fund government programs, reports conclusively suggest that the FTT would not have the ability to raise the revenue sought by its proponents.