February 5, 2021

The Honorable Senator Andrea Stewart-Cousins
The Honorable Senator Robert Ott
NYS State Capitol Building
Albany, NY 12224

RE: Letter in Opposition to Senate Bill S3980 and Any Form of the Stock Transfer Tax

Dear Senators Stewart-Cousins and Ott,

On behalf of the Security Traders Association of New York, Inc.1 (“STANY”), a professional association representing thousands of individuals in trading and financial services in New York, we are writing to you and to Governor Cuomo to express our members’ complete agreement that reimposing any form of New York State Stock Transfer Tax (STT) would be detrimental to the financial services industry and the State’s economy. Such a tax would damage New York’s position as a global financial capital, resulting in the decline of an industry that is the largest contributor to our state’s economy and tax base2. We strongly urge you to oppose Senate Bill S3980 (“STT Bill”) and any form of STT for New York.

Our members live and work in New York- we are your constituents. We are acutely aware of the financial needs of the state and its citizens at this most difficult time and are sympathetic to the desire of legislators to seek new sources of tax revenue. However, we are strongly opposed to any STT. An STT will inflict harm on New York’s retirement savers, investors, businesses, and workers. An STT will drive

---

1 STANY has been representing the interests of the New York financial services community for more than 85 years. Unlike other professional associations in the securities industry, STANY is run by its members- a dedicated group of practitioners. STANY is a not-for-profit corporation run by a small executive staff and a Board of Directors elected from the industry. Dedicated volunteers from the membership are called upon to lend their assistance and expertise. STANY’s structure provides flexibility and permits the Association to respond to the ever-changing needs of its members and the community and remain vibrant and relevant. Through advocacy, STANY and its members are focused on fostering and maintaining liquid and efficient markets with robust capital formation for the benefit of both the trading community and investors.

2 According to the New York State Department of Labor and Office of the New York State Comptroller, the securities industry accounts for 18% of NYS tax revenue and 6% of NYC tax revenue, 15.9% of NYS private sector wages and 2.6% of NYS private sector employment. 1 in 10 jobs in New York City and 1 in 15 jobs in New York State are associated with the securities industry.
business out of New York and hurt the broader New York economy. Failed experiments with financial transactions taxes in other jurisdictions should not be repeated in our great state.

**The tax will impose burdens on investors and savers, not just financial services firms**

The tax imposed on “trading activities of financial services firms including investment banks and hedge funds” is nominally aimed at the securities industry, however, the tax will be passed along to all purchasers and sellers of securities. Therefore, an STT will have a significant impact on individuals and families who are saving and investing for college and retirement, as well as 401(k) and other retirement accounts, 529 accounts, endowments and pension funds, including public pensions held by the state itself.

Many assumptions in the STT Bill, are predicated on the continued strength of New York’s economy and ongoing contribution of the financial services industry. However, the STT Bill does not consider seriously enough the impact that damage to New York’s position as a global financial capital will have on the state economy. Likewise, the STT Bill seriously over-estimates the ties that bind the industry to the state and fails to properly acknowledge the portability of trading in a fully electronic environment, fueled by advances in technology and operational changes required in the wake of quarantine protocols.

Not only will investors shoulder the cost of the tax, but as research on the effects of financial transaction taxes (FTT) in other countries universally shows, FTTs damage liquidity and widen spreads resulting in poorer execution, and in turn lower stock prices. Increased trading costs harm all investors and ultimately make it more expensive for those who are saving for retirement, college, to buy a home or finance a business. Moreover, research shows that the markets and economy will be negatively impacted because as the costs of trading rise so too will the costs of goods and services, mortgages, and corporate and public finance.

**Trading is increasingly portable and the pace of movement out of New York could be breathtaking with the imposition of an STT**

Advances in electronic trading, cloud technology and telecommuting have reduced geographic latency and make it easier and increasingly likely that firms will relocate to states that provide the most attractive financial benefits. Moreover, wealthy New Yorkers, who would be subject to the tax regardless of where financial transactions are executed, have already demonstrated during this pandemic an overwhelming willingness to relocate to tax friendly jurisdictions.

“Wall Street” as a location is increasingly less relevant and efforts should be made to preserve rather than damage New York’s dominance in the financial industry. With passage of a STT, firms will simply move

---


4 See also Financial Transaction Tax- What is it Good For by Shane Swanson 3rdQ 2020 https://www.greenwich.com/financial-transaction-tax-what-it-good-report-download
operations and jobs out of New York, or route orders through hubs in other states, in order to remain competitive and profitable. This would reduce both employment and revenue in the state. The benefits of being part of the financial services economy that New York state enjoys–income tax, property tax, business development, and tourism–will no doubt also suffer.

Lest one think that the possibility of leaving New York is unrealistic, it should be noted that in response to an FTT proposed in the New Jersey state legislature last year, all major New York based exchanges–NYSE, Nasdaq, Cboe Global Markets Inc, IEX and MEMX–along with trading firms Goldman Sachs, Citadel Securities, UBS Group AG, Virtu Financial Inc., and TD Ameritrade Holding Corp. have all expressed a willingness to move in the event that the FTT was enacted. Many tested systems in other jurisdictions and we have already seen financial firms move portions of their businesses out of New York to more tax friendly jurisdictions. With passage of an STT, the pace of movement out of New York could be breathtaking. Since the actual processing of trades no longer takes place in New York and, due to the pandemic, firms can already handle a mobile workforce including trading, the only cost to moving is employee relocation and real estate. Neither would come close to what the tax would cost. Once lost, it is unlikely that people or firms will return and the damage to the tax base will be irreparable.

While it is hard to quantify what the long term and wider implications of moving trading out of the area might be, the COVID-19 pandemic has highlighted how easy it is for companies and individuals to relocate to areas that provide economic incentives or lower costs of living. New York is facing budget deficits and economic uncertainty that will only be exacerbated by adding a tax that reduces financial market activity in the state. At this time of migration from the East Coast, economic pressure, shuttering businesses, and working from home the last thing we want to see is a loss of jobs or a decline in tax and other economic benefits that New York enjoys because of the state’s current relationship to trading.

While the policy reasons for voting against an STT are exceedingly strong, a state imposed STT may be subject to extensive litigation as it may violate both the Interstate Tax Freedom Act and the U.S. Constitution Commerce Clause.

**FTTs in other jurisdictions have not been successful**

The drafters of this STT Bill anticipate that the proposed STT could raise $12-29B in annual revenue for the state, however those numbers likely assume current trading volumes and similar increases in volume over time. FTTs in other jurisdictions have shown that revenue projections invariably fall far short of expectations. As a consequence, countries that have enacted FTTs achieve less than stellar results and have often adjusted the rates downward or eliminated them altogether. The failure to generate anticipated revenue stems from a decline in trading volume, a decline or shift in investments and migration of trading

---

8 For example, in 1984, Sweden implemented a 1% transaction tax (or $0.01 per $1) on equities traded, which was doubled in 1986. Expected tax revenues were never realized as there was such a dramatic decline in volume and shift of trading activity offshore. The tax was repealed in 1991. In 2012, France imposed a 0.2% tax on French equity trades on large French companies and a .01% tax on high frequency trading. The tax on equities was increased to 0.3% in 2017. The tax failed to raise even half the revenue France had projected in 2012 or 2013. France experienced an overall 30% reduction in trading volume in 2012, market makers and liquidity providers exited, and the market and revenues were below expectations.
to alternative or out of country venues to avoid the tax. At the state level, the migration of trading to other jurisdictions and relocation of firms would be far greater and more immediate than from country to country, many of which have barriers in place that make migration difficult.

In addition to failed examples from other jurisdictions, New York had its own STT and research to demonstrate the potential harm from reinstating an STT. New York State had an STT in place that was eliminated in 1981. In 2003, when restoration of the tax was proposed, the NYC Independent Budget Office found that reinstating the tax at half the prior rate would increase transaction costs by 23%, eliminate nearly 60,000 private sector jobs, and reduce trading volume by 18%.

We believe that the negative impact of an STT would be far greater today than estimated in 2003. Today, trading margins are historically low, and volume is high. Even a seemingly small tax will impact the behavior of investors, traders and trading firms. If forced to charge customers a pass-through transaction tax, firms will move to other states to remain competitive as few barriers to doing so exist. Moreover, if New York imposes an STT, firms that process trades in the state could risk potential non-compliance with FINRA’s “best execution” rule that requires broker-dealers to find the most favorable price for customers when buying and selling securities.

On behalf of our STANY members who live and work in New York, as well as in the interest of all savers and investors, we urge you to support the state’s economic benefits derived from the financial services industry and protect unincumbered access to capital for investors, pensioners, retirees, and businesses looking to grow in our state by voting against any STT for New York.

Representatives from STANY would be happy to speak with you about our concerns. Please do not hesitate to reach out to me with any questions.

Respectfully submitted,

Kimberly Unger
Chief Executive Officer

cc:
Senator Andrew Lanza, Deputy Minority Leader
Senator Brad Hoylman, Assistant Majority Leader on Conference Operations
Senator Brian Benjamin, Senior Assistant Majority Leader
Senator Gustavo Rivera, Assistant Majority Leader on House Operations
Senator John Liu, Majority Assistant Whip

---

9 Ch 878, L. 1977
Senator Jose Serrano, Chair of the Majority Conference
Senator Joseph Addabbo, Majority Deputy Whip
Senator Joseph Griffo Assistant Minority Leader
Senator Kevin Parker, Majority Whip
Senator Leroy Comrie, Deputy Majority Leader for State/Federal Relations
Senator Liz Krueger, Chair of the Senate Finance Committee
Senator Michael Gianaris, Deputy Majority Leader
Senator Neil Breslin, Vice President Pro Tempore
Senator Patricia Ritchie, Chair of the Senate Minority Conference
Senator Patrick M. Gallivan, Minority Whip
Senator Roxanne Persaud, Majority Conference Secretary
Senator Shelley Mayer, Deputy Majority Leader for Senate/Assembly Relations
Senator Susan Serino, Vice Chair of the Senate Minority Conference
Senator Thomas O'Mara, Ranking Member of the Finance Committee
Senator Tim Kennedy, Chair of Majority Program Development Committee
Senator Toby Ann Stavisky, Majority Conference Vice-Chair
Senator Todd Kaminsky, Liaison to the Executive Branch
Senator Frederick J Akshar, II
Senator Jamaal Bailey
Senator Alessandra Biaggi
Senator George Borrello
Senator Philip Boyle
Senator Jabari Brisport
Senator John Brooks
Senator Samra Brouk
Senator Jeremy Cooney
Senator Simcha Felder
Senator James Gaughran
Senator Andrew Gounardes
Senator Peter Harckham
Senator Pamela Helming
Senator Michelle Hinchey
Senator Robert Jackson
Senator Daphne Jordan
Senator Anna Kaplan
Senator Brian Kavanagh
Senator John Mannion
Senator Mike Martucci
Senator Mario Mattera
Senator Rachael May
Senator Zellnor Myrie
Senator Peter Oberacker
Senator Anthony Palumbo
Senator Jessica Ramos
Senator Edward Rath
Senator Elijah Reichlin-Melnick
Senator Sean Ryan
Senator Julia Salazar
Senator James Sanders, Jr.
Senator Diane Savino
Senator Luis Sepluveda
Senator James Skoufis
Senator Daniel Stec
Senator James Tedisco
Senator Kevin Thomas
Senator Alexis Weik