

118TH CONGRESS  
1ST SESSION

**S.** \_\_\_\_\_

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

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IN THE SENATE OF THE UNITED STATES

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Mr. SCHATZ (for himself, Mr. VAN HOLLEN, Ms. WARREN, Mr. MERKLEY, Mr. WHITEHOUSE, and Mr. FETTERMAN) introduced the following bill; which was read twice and referred to the Committee on

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**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 “Wall Street Tax Act  
5 of 2023”.

6 **SEC. 2. TRANSACTION TAX.**

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

## 1 **“Subchapter C—Tax on Trading Transactions**

“Sec. 4475. Tax on trading transactions.

“Sec. 4476. Derivative defined.

### 2 **“SEC. 4475. TAX ON TRADING TRANSACTIONS.**

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

6 “(b) RATE OF TAX.—The tax imposed under sub-  
7 section (a) with respect to any covered transaction shall  
8 be 0.1 percent of the specified base amount with respect  
9 to such covered transaction.

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

12 “(1) except as provided in paragraph (2), the  
13 fair market value of a security (determined as of the  
14 time of the covered transaction), and

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

17 “(d) COVERED TRANSACTION.—For purposes of this  
18 section—

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

21 “(A) except as provided in subparagraph  
22 (B), any purchase if—



1           “(C) except as provided in paragraph (2),  
2           any note, bond, debenture, or other evidence of  
3           indebtedness, and

4           “(D) any derivative (as defined in section  
5           4476).

6           “(2) EXCEPTION FOR CERTAIN TRADED SHORT-  
7           TERM INDEBTEDNESS.—A note, bond, debenture, or  
8           other evidence of indebtedness which—

9           “(A) is traded on, or is subject to the rules  
10          of, a qualified board or exchange located in the  
11          United States, and

12          “(B) has a fixed maturity of not more  
13          than 100 days,  
14          shall not be treated as described in paragraph  
15          (1)(C).

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

19          “(f) BY WHOM PAID.—

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

22          “(A) in the case of a transaction which oc-  
23          curs on, or is subject to the rules of, a qualified  
24          board or exchange located in the United States,  
25          such qualified board or exchange, and

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

5           “(2) SPECIAL RULES FOR DIRECT, ETC.,  
6           TRANSACTIONS.—In the case of any transaction to  
7           which paragraph (1) does not apply, the tax imposed  
8           by this section shall be paid by—

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

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

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

15          “(B) in the case of a transaction described  
16          in subsection (d)(1)(B)—

17           “(i) the payor if the payor is a United  
18           States person, and

19           “(ii) the payee if the payor is not a  
20           United States person.

21          “(g) TREATMENT OF EXCHANGES AND PAYMENTS  
22          WITH RESPECT TO DERIVATIVES.—For purposes of this  
23          section—

24          “(1) TREATMENT OF EXCHANGES.—

1           “(A) IN GENERAL.—An exchange shall be  
2           treated as the sale of the property transferred  
3           and a purchase of the property received by each  
4           party to the exchange.

5           “(B) CERTAIN DEEMED EXCHANGES.—In  
6           the case of a distribution treated as an ex-  
7           change for stock under section 302 or 331, the  
8           corporation making such distribution shall be  
9           treated as having purchased such stock for pur-  
10          poses of this section.

11          “(2) PAYMENTS WITH RESPECT TO DERIVA-  
12          TIVES TREATED AS SEPARATE TRANSACTIONS.—Ex-  
13          cept as otherwise provided by the Secretary, any  
14          payment with respect to any derivative shall be  
15          treated as a separate transaction for purposes of  
16          this section.

17          “(h) APPLICATION TO TRANSACTIONS BY CON-  
18          TROLLED FOREIGN CORPORATIONS.—

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

22                 “(2) SPECIAL RULES FOR PAYMENT OF TAX ON  
23                 DIRECT, ETC., TRANSACTIONS.—In the case of any  
24                 transaction which is a covered transaction solely by

1 reason of paragraph (1) and which is not described  
2 in subsection (f)(1)—

3 “(A) PAYMENT BY UNITED STATES SHARE-  
4 HOLDERS.—Any tax which would (but for this  
5 paragraph) be payable under subsection (f)(2)  
6 by the controlled foreign corporation shall, in  
7 lieu thereof, be paid by the United States  
8 shareholders of such controlled foreign corpora-  
9 tion as provided in subparagraph (B).

10 “(B) PRO RATA SHARES.—Each such  
11 United States shareholder shall pay the same  
12 proportion of such tax as—

13 “(i) the stock which such United  
14 States shareholder owns (within the mean-  
15 ing of section 958(a)) in such controlled  
16 foreign corporation, bears to

17 “(ii) the stock so owned by all United  
18 States shareholders in such controlled for-  
19 eign corporation.

20 “(C) DEFINITIONS.—For purposes of this  
21 subsection, the terms ‘United States share-  
22 holder’ and ‘controlled foreign corporation’ have  
23 the meanings given such terms in sections  
24 951(b) and 957(a), respectively.

1           “(i) ADMINISTRATION.—The Secretary shall carry  
2 out this section in consultation with the Securities and Ex-  
3 change Commission and the Commodity Futures Trading  
4 Commission.

5           “(j) GUIDANCE; REGULATIONS.—The Secretary  
6 shall—

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

10                   “(2) prescribe such regulations as are necessary  
11 or appropriate to prevent avoidance of the purposes  
12 of this section, including the use of non-United  
13 States persons in such transactions.

14 **“SEC. 4476. DERIVATIVE DEFINED.**

15           “(a) IN GENERAL.—For purposes of this subchapter,  
16 except as otherwise provided in this section, the term ‘de-  
17 rivative’ means any contract (including any option, for-  
18 ward contract, futures contract, short position, swap, or  
19 similar contract) the value of which, or any payment or  
20 other transfer with respect to which, is (directly or indi-  
21 rectly) determined by reference to one or more of the fol-  
22 lowing:

23                   “(1) Any share of stock in a corporation.

24                   “(2) Any partnership or beneficial ownership  
25 interest in a partnership or trust.

1           “(3) Any evidence of indebtedness.

2           “(4) Except as provided in subsection (b)(1),  
3 any real property.

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

6           “(6) Any currency.

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

9           “(8) Any other item as the Secretary may pre-  
10 scribe.

11 Except as provided in regulations prescribed by the Sec-  
12 retary to prevent the avoidance of the purposes of this  
13 subchapter, such term shall not include any item described  
14 in paragraphs (1) through (8).

15       “(b) EXCEPTIONS.—

16           “(1) CERTAIN REAL PROPERTY.—

17               “(A) IN GENERAL.—For purposes of this  
18 subchapter, the term ‘derivative’ shall not in-  
19 clude any contract with respect to interests in  
20 real property (as defined in section  
21 856(c)(5)(C)) if such contract requires physical  
22 delivery of such real property.

23               “(B) OPTIONS TO SETTLE IN CASH.—

24                   “(i) IN GENERAL.—For purposes of  
25 subparagraph (A), a contract which pro-

1                   vides for an option of cash settlement shall  
2                   not be treated as requiring physical deliv-  
3                   ery of real property unless the option is—

4                               “(I) not exercisable uncondition-  
5                               ally, and

6                               “(II) exercisable only in unusual  
7                               and exceptional circumstances.

8                               “(ii) OPTION OF CASH SETTLE-  
9                               MENT.—For purposes of clause (i), a con-  
10                              tract provides an option of cash settlement  
11                              if the contract settles in (or could be set-  
12                              tled in) cash or property other than the  
13                              underlying real property.

14                             “(2) SECURITIES LENDING, SALE-REPURCHASE,  
15                             AND SIMILAR FINANCING TRANSACTIONS.—To the  
16                             extent provided by the Secretary, for purposes of  
17                             this subchapter, the term ‘derivative’ shall not in-  
18                             clude the right to the return of the same or substan-  
19                             tially identical securities transferred in a securities  
20                             lending transaction, sale-repurchase transaction, or  
21                             similar financing transaction.

22                             “(3) OPTIONS RECEIVED IN CONNECTION WITH  
23                             THE PERFORMANCE OF SERVICES.—For purposes of  
24                             this subchapter, the term ‘derivative’ shall not in-  
25                             clude any option described in section 83(e)(3) re-

1       ceived in connection with the performance of serv-  
2       ices.

3               “(4) INSURANCE CONTRACTS, ANNUITIES, AND  
4       ENDOWMENTS.—For purposes of this subchapter,  
5       the term ‘derivative’ shall not include any insurance,  
6       annuity, or endowment contract issued by an insur-  
7       ance company to which subchapter L applies (or  
8       issued by any foreign corporation to which such sub-  
9       chapter would apply if such foreign corporation were  
10      a domestic corporation).

11              “(5) DERIVATIVES WITH RESPECT TO STOCK  
12      OF MEMBERS OF SAME WORLDWIDE AFFILIATED  
13      GROUP.—

14              “(A) IN GENERAL.—For purposes of this  
15      subchapter, the term ‘derivative’ shall not in-  
16      clude any derivative (determined without regard  
17      to this paragraph) with respect to stock issued  
18      by any member of the same worldwide affiliated  
19      group in which the taxpayer is a member.

20              “(B) WORLDWIDE AFFILIATED GROUP.—  
21      For purposes of this paragraph, the term  
22      ‘worldwide affiliated group’ means group con-  
23      sisting of—

24              “(i) the includible members of an af-  
25      filiated group (as defined in section

1 1504(a), determined without regard to  
2 paragraph (2) of section 1504(b)), and

3 “(ii) all controlled foreign corpora-  
4 tions in which such members in the aggre-  
5 gate meet the ownership requirements of  
6 section 1504(a)(2) either directly or indi-  
7 rectly through applying paragraph (2) of  
8 section 958(a) or through applying rules  
9 similar to the rules of such paragraph to  
10 stock owned directly or indirectly by do-  
11 mestic partnerships, trusts, or estates.

12 “(6) COMMODITIES USED IN NORMAL COURSE  
13 OF TRADE OR BUSINESS.—For purposes of this sub-  
14 chapter, the term ‘derivative’ shall not include any  
15 contract with respect to any commodity if—

16 “(A) such contract requires physical deliv-  
17 ery with the option of cash settlement only in  
18 unusual and exceptional circumstances, and

19 “(B) such commodity is used (and is used  
20 in quantities with respect to which such deriva-  
21 tive relates) in the normal course of the tax-  
22 payer’s trade or business (or, in the case of an  
23 individual, for personal consumption).

24 “(c) CONTRACTS WITH EMBEDDED DERIVATIVE  
25 COMPONENTS.—

1           “(1) IN GENERAL.—If a contract has derivative  
2           and nonderivative components, then each derivative  
3           component shall be treated as a derivative for pur-  
4           poses of this subchapter. If the derivative component  
5           cannot be separately valued, then the entire contract  
6           shall be treated as a derivative for purposes of this  
7           subchapter.

8           “(2) EXCEPTION FOR CERTAIN EMBEDDED DE-  
9           RIVATIVE COMPONENTS OF DEBT INSTRUMENTS.—A  
10          debt instrument shall not be treated as having a de-  
11          rivative component merely because—

12                 “(A) such debt instrument is denominated  
13                 in a nonfunctional currency (as defined in sec-  
14                 tion 988(c)(1)(C)(ii)), or

15                 “(B) payments with respect to such debt  
16                 instrument are determined by reference to the  
17                 value of a nonfunctional currency (as so de-  
18                 fined).

19          “(d) TREATMENT OF AMERICAN DEPOSITORY RE-  
20          CEIPTS AND SIMILAR INSTRUMENTS.—Except as other-  
21          wise provided by the Secretary, for purposes of this sub-  
22          chapter, American depository receipts (and similar instru-  
23          ments) with respect to shares of stock in foreign corpora-  
24          tions shall be treated as shares of stock in such foreign  
25          corporations.”.

1 (b) INFORMATION REPORTING WITH RESPECT TO  
2 CONTROLLED FOREIGN CORPORATIONS.—Section  
3 6038(a)(1)(B) of such Code is amended by inserting “and  
4 transactions which are covered transactions for purposes  
5 of section 4475 by reason of the application of section  
6 4475(h)(1) to such corporation” before the semicolon at  
7 the end.

8 (c) CONFORMING AMENDMENT.—The table of sub-  
9 chapters for chapter 36 of such Code is amended by in-  
10 serting after the item relating to subchapter B the fol-  
11 lowing new item:

“Subchapter C. Tax on trading transactions.”.

12 (d) EFFECTIVE DATE.—The amendments made by  
13 this section shall apply to transactions after December 31,  
14 2023.