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The Case for Repealing the NYS Stock Transfer Tax Rebate

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New York State has had a very modest tax on the value of all stock trades on the NYSE and the NASDQ on its books since 1905 -- it now averages just .1% (one-tenth of one percent) of stock trades. The tax was originally adopted by a pragmatic Republican governor who was just trying to raise revenues and fix a budget crisis, over the objections of Wall Street, the New York Times, and other special interests. For more than seven decades, contrary to their concerns, it worked perfectly. It was effectively a progressive sales tax on financial speculation, it was relatively easy to collect, it was paid to a great extent by non- New Yorkers, and most important, it raised $billions in revenue (in $2025). In the late 1970s, however, reflecting Wall Street's increased political clout, another New York governor had the tax rebated to Wall Street investors. By then New York's two leading exchanges had expanded tremendously -- despite the tax ! -- to account for at least forty percent of trading on the world's 85 stock exchanges. So, since 1978, New York State has rebated more than $430 billion of badly needed tax revenues to the wealthiest people on the planet!

For years I have supported legislation that was introduced in the New York legislature to repeal this self-inflicted rebate. The current bills (S.01237/ A.01494) introduced by Rep Phil. Steck and Senator James B. Sanders is now more timely than ever.

On the grounds of tax fairness, collectability, transparency, and most important, the ability to raise $billion of badly-needed revenues, the case for repealing the STT Rebate to Wall Street is *overwhelming.*

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¶ The Case for Repealing the NYS STT Rebate

- **Easy to Collect.** As taxes go, the STT is relatively easy and painless to collect -- an average of just 1 cent per dollar (.1% one tenth of one percent average) of stocks traded. This doesn't sound like much, but as we'll see, it really adds up.

- **Fair.** It is a fair tax -- effectively a tiny progressive sales tax on $trillions of unproductive stock speculation by the richest people on the planet.

- **Mostly Paid by Speculators or Non-New Yorkers.** Much of the STT is paid by non-New Yorkers and financial speculators. These are two "we happy few" groups that should be delighted to help us foot the bill for vital New York public services like subways, hospitals, police and fire, hospitals, educational systems, clean air and water, parks, and the public educational and cultural institutions that have long been the envy of the free world. As many distinguished economists from John M. Keynes and James Tobin on down have argued, this tax also helps to make financial markets more transparent and efficient, by forcing money laundering and fraudulent trading into the sunlight, where they wither and die.

- **Raises $Billions in Revenue.** Most important, this tax promises to yield $billions in badly needed annual tax revenue. Since 2016, when Phil Steck first introduced his bill to repeal the rebate, speculative global stock trading has exploded from around $120 trillion to record levels -- in 2025, it will exceed $180 trillion worldwide. Our two leading New York exchanges now consistently account for up to 40 percent of that market -- at least $60 to $80 trillion a year that flow through NY exchanges. So the potential revenues really add up. Even allowing for the time required to phase out the rebate and the possible impact of the STT on speculation, we estimate that NYS should soon be realizing at least an extra $15 billion to $20 billion per year of revenues. [2]

- **Despite the Stock Market Downturn.** We note that this record amount of stock trading has occurred even while the market capitalization of all stocks listed on the NASDQ + NYSE has lost **-$10.7 trillion** since January

[2] The estimates for global stock trades in 2025 are for publicly-traded equity only, excluding financial derivatives, bonds, currencies, and crypto, on the world's 85 stock exchanges. The actual data for 2025 may be much higher, given recent volatility. See LSE (2024) "The size of global markets, 2024." https://www.lseg.com/content/dam/data-analytics/en_us/documents/charts/lseg-size-of-global-market-2024-in-charts.pdf?t&utm_source=perplexity. The $15 to $20 billion per year revenue estimate assumes conservatively an initial average STT rate of just .1% that applies to all NYSE and NASDQ stock trades, a conservative 35 - 40 percent global market share for the NYSE and NASQ, and a very conservative net revenue collection rate for NYS of 25 to 30 percent, after administration and enforcement costs, as well as possible revenue sharing arrangements with other jurisdictions.

2025 -- largely due to the recent unilateral position of Trump's chaotic cockamamie tariffs scheme. Despite this, since the volume of global stock trading has kept growing whether the stock market rises or falls, this tax revenue stream is relatively stable. It therefore presents an opportunity to establish a *public investment fund* that can multiply the value of the tax revenues many times over. This would permit us to make crucial public investments in areas like mass transit, health care, soil conservation, clean water and green energy that cannot wait.

- **A Great Platform for Voluntary Contributions.** Finally, using the mechanism of a revitalized STT that encompasses millions of stock market investors, we can imagine a system that goes well beyond "involuntary" taxation. This would enable investors to make tiny additional *voluntary* contributions to worthy NY-based not-for-profits -- much as we now with cash at coffee shops, but on a much larger scale. At a time when many NY NGOs and educational institutions are starved for funding and are also losing their federal tax deductions simply because they refuse to bend the proverbial knee, this innovation will be path-breaking.

¶ The Relocation Bogeyman

Let's address head-on one common concern about this proposal: Will the leading New York stock exchanges simply pick up and move to, say, Chicago or Texas or Hong Kong, Paris, Frankfurt or London, In response to ending the NYS STT rebate? The short answer is no. The long answer is NFW.

- **Bipartisan Support.** This "movable feast" issue has been a bogeyman ever since the original adoption of the NYS STT in 1905. It was pushed through by Governor Frank W. Higgins, a Republican governor (1905-6)! At the time, he was also seeking practical solutions to a deep NYS/NYC budget crisis, and won the support of President Theodore Roosevelt (1901-9) and "progressive Republicans."

- **Old Bogeyman.** At the time, several Wall Street lobbyists and even the venerable New York Times worried that the NYSE might relocate to New Jersey. But common sense prevailed over this hand-wringing. Governor Higgins's modest .1% STT went into effect, and yet, as he had projected, the New York trading floors stayed put.

- **Not a Theory - Worked for Decades.** The NYS STT is not based on crazy mad theories. As noted, it was successfully collected for 1905 until

1978-82, collecting $billions (in $2025) in badly needed revenue -- much of it paid by non-New Yorkers. Then, in 1978-82, the rebate was phased in by a governor who had been captured by Wall Street's special interests, especially high-frequency traders. Since then, we estimate that at least **$430 billion of badly needed NYS revenue has been effectively rebated to Wall Street interests,** especially the heavy traders and speculators who came to dominate trading -- and political campaign contributions, especially to key politicians on the state and federal level.

- **Many Other FTTs In Place.** So would the two giant NY exchanges move now, in response to a NYS STT rebate repeal? Well, first of all, Hong Kong, London, Frankfurt, London, Paris, Mumbai, Nairobi, Johannesburg, and more than 40 of the world's 85 stock exchanges already have financial transactions taxes of their own, several of which have rates that are higher than the NYS STT. In general, tax authorities as well as tax justice activists in these places would actually welcome NYS' reinstatement of the STT -- it would help to clear the way for them to implement more effective versions of their own STTs. They recognize that the sheer size, efficiency, credible regulation, high-capacity trading network infrastructure, clustered services, and skilled human capital provided by NY's two huge exchanges allows NY to set the table for the global industry.

- **Huge Relocation Costs.** It is precisely this unique *cluster* of credible regulation, technology, skills, and reliable, trusted client and professional service relationships that -- in practice -- would make it far more costly to move these exchanges to another greenfield zero-STT location than even the hypothetical $15 to $20 billion in tax savings *for clients* that that might generate.

    - **Low Incremental Cost for Most Investors.** Remember -- many of these same clients are used to paying annual asset management fees and trading fees that are *at least* 5 to 10x as high as the STT's .1% per trade. [3] For most retail clients and pension funds, our analysis shows that the STT is a rounding error. On the NASDQ exchange, for example, where stock trades have recently averaged around $8800, this amounts to an extra $8.80 per trade.

[3] For "low frequency traders," including most long-term retail investors, pension funds, and fiduciaries, the ratio of total trade volume to stock market value is less than 1, so the .5% to 1% asset management fees are well in excess of total annual STT fees. Transactions fees charged by asset managers are also much higher.

- **High-Frequency Traders - No Loss.** High-frequency traders, whose in-and-out millisecond trades may well now account for a majority of trades on the exchanges, will indeed feel a greater STT pinch. But (a) this is arguably exactly as it should be, since another key point of the STT is to discourage speculation (b) given the high profit margins reportedly realized consistently by leading high-frequency traders, the high fixed costs of migration (see below), and the comparatively low rate of the STT that is proposed, it is by no means clear that they will not just choose to grin and bear it.(c) Abolishing the STT rebate will at least relieve them of the $millions in campaign contributions that they have been paying specifically to prevent this rebate from being abolished.

- **Lengthy Costly Migrations.** Wholesale migrations of entire exchanges to "Red State capitals" like Dallas, Austin or Miami would take years, and entail tens of $billions of expenditure in trading desks, high-speed network and communications, backup data storage, underseas cable infrastructure, related transportation hubs, and network security.

- **Florida and Texas Heat and Weather.** Most of the proposed alternative locations in the US are also right in the path of dramatic global warming impacts, like sea rise, catastrophic storms (Florida and Texas), hurricanes (Florida and Texas) or fires.

- **Florida and Texas Unstable Power Grids** They also have notoriously unstable, non-integrated electric power grids (Texas), or are heavily dependent on aging nuclear power plants (Florida, Texas) that consume vast quantities of seawater for cooling and to this day have no solutions for nuclear waste storage other than to stash it in on-site cooling pools, subject to extraordinary power outage risks. They also have limited undersea cable connections to Europe and Asia -- absolutely vital for the daily trading activity of the large New York exchanges.

- **Red State Culture -- Really?** Ask any serious finance professional, asset manager, trading specialist, or trading security specialist who lives in New York City or its environs how they really feel about long-term relocation to Miami, Dallas, Chicago or even Austin. Have they ever tried these places even for a week?

  - **Fine Tuning/ Revenue Sharing.** One great feature of the STT as a tax instrument is that it is analogue, not digital -- it can be finely tuned to respond to changes in market behavior, whereas much of that behavior itself has to occur in discrete steps. So, if, for example, NYS discovered that one of its exchanges were about to relocate to Timbuktu because the STT rate has become non-competitive, it can be dialed down -- as long as necessary. On the other hand, if a particular "foreign jurisdiction" credibly threatens the NYS STT tax base, suitable revenue sharing agreements with these jurisdictions might be reached.

- **"Invisible Hand" Mythology.** The libertarian pipedream has long been a world where financial exchanges and financial assets, including stocks, bonds, and now crypto currency and digital NFTs for works of art or even real estate, become "citizens of nowhere" -- anonymously traded around the clock on markets that are totally untaxed and unregulated, policed only by the miraculous workings of the so-called "invisible hand."

- These articles of faith remind us of the line about the difference between a terrorist and a libertarian: "You can negotiate with a terrorist." Or as an Indian economist once put it, *"The invisible hand is nowhere to be seen."*
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- Painful experience shows that a globalized world without fair taxes and tough financial regulation usually ends being a proverbial war of all against all -- dominated by clever chicanery, tax dodging, kleptocracy, financial fraud, regular financial crises, and the rule of the gun, and the .1%.

Maybe that's where we are headed -- a return to **economic feudalism** on a massive scale, complete with enclosures, castles, moats, phony elections, and desperate peasants begging for work. But it is a destination that we should ***never*** willingly choose to go.

Supporting the STT rebate repeal is just one positive progressive action among many that we can take now to avoid this outcome.

¶ Summary -- STT Is Freedom

Supporting the STT rebate repeal is especially important **RIGHT NOW.** It is one of the few steps that we can take to prepare for the **hard times** that may be headed our way very soon. Indeed, NYC and NYS are once again Ground Zero. But this time around we are under attack, not by foreign terrorists, but by irresponsible policies. We need to address this situation precisely as we did with the original 9/11 -- sitting on our hands is no longer an option.

From this angle, the STT Rebate Repeal bill would not only be a massive progressive revenue generator. It is also an great opportunity to set an example to states and other countries all over the world.

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