The Business Council

S.1406 (Sanders) / A.3353 (Steck)

STAFF CONTACT : Ken Pokalsky | Vice President | 518-694-4460

BILL
S.1406 (Sanders) / A.3353 (Steck)
SUBJECT
Reimposition of the Stock Transfer Tax
DATE
January 26, 2021
OPPOSE

We oppose this legislation that reimposes the state's long dormant (but never repealed) stock transfer tax, and dedicates the receipts to a number of specific spending programs.

Technically, this bill repeals provisions of the Tax Law (§ 280-a) that, since October 1, 1981, rebates 100 percent of stock transfer tax payments back to the taxpayers from which they are received. The bill also modifies provisions of the State Finance Law governing the deposit and use of stock transfer tax proceeds.

The stock transfer tax imposes a tax on "all sales, or agreements to sell, or memoranda of sales and all deliveries or transfers of shares or certificates of stock, or certificates of rights to stock, or certificates of interest in property or accumulations, or certificates of deposit representing certificates..." The tax's implementation rules clarify that the tax applies when any of these "taxable events" described in statute article occurs within New York State.

Proponents of this legislature argue that it would raise $13 billion or more annual (even though the state Tax Department reports recent collections at $5.8 billion in FY 2018, $5.4 billion in FY 2019 and $4.0 billion in FY 2020).

At the sponsor's estimated revenue figure, this bill would impose on a single industry sector a higher tax burden than imposed by the state's corporate franchise tax, corporation tax, insurance corporation tax, petroleum business tax and New York City corporation tax and New York City unincorporated business tax, combined. This single-industry, single-product transaction tax would also generate, by the sponsor's estimate, almost as much revenue as the state's overall sales and use tax, which the Tax Department reports at $14.9 billion for FY 2020.

We believe that the imposition of this enormous transaction cost on the state's securities industry will have a significant adverse impact. The state's share of national jobs in security brokerages has already declined significantly over the past decade, as illustrated below. This legislation will make New York State – and New York City, specifically – less competitive relative to this valuable economic sector.

Table 1 – Jobs in Securities Brokerages NAICS 52312

	2008	2019	% Change 2008 to 2019
NYS Jobs	82,000	60,200	-26.9%
US Jobs	305,300	279,800	-8.4%
NYS as % of US Jobs	27.0%	21.5%	

By adding to transaction costs, the stock transfer tax will result in the shifting of some volume of trades to other trading platforms, in part due to FINRA (Financial Industry Regulatory Authority) rules that require firms to conduct transactions in the market that results in the best price for its customers. Increased costs, combined with expanded technical trading capabilities, will result in the migration of trades to lower cost jurisdictions.

The reimposition of the stock transfer tax will also impose increased compliance burdens on the securities industry, to assure more accurate accounting of "taxable events" in New York State. It will also raise significant compliance issues, given the lack of any current Departmental guidance on taxable transactions, and the growing complexity of trades on e-commerce platforms.

The state's financial services sector is concentrated in and around New York City, and as recently reported by the New York City Comptroller, its "share of the nation's securities industry has been in long-term decline as jobs have been shifted to lower-cost regions, firms have geographically diversified their operations, and other regional have experienced stronger economic growth." This legislation will only exacerbate these trends.

At a time when New York State, and especially New York City, looks to rebound from unprecedented economic impacts from the global pandemic, imposing dramatic new costs on key economic sectors will be counterproductive.

For these reasons, The Business Council strongly opposes adoption of S.1406 (Sanders) / A.3353 (Steck).