

**NEW YORK STATE ASSEMBLY
MEMORANDUM IN SUPPORT OF LEGISLATION
submitted in accordance with Assembly Rule III, Sec 1(f)**

BILL NUMBER: A7791A

SPONSOR: Steck

TITLE OF BILL: An act to amend the state finance law, in relation to the repeal of the rebate for stock transfer tax paid and the funds of the stock transfer tax fund and the dedicated infrastructure investment fund; to amend the environmental conservation law, in relation to establishing the safe water infrastructure action program for the purpose of making payments toward the replacement and rehabilitation of existing local municipally-owned and funded drinking water, storm water and sanitary sewer systems; to amend the tax law, in relation to taxes imposed in certain transactions; to repeal section 280-a of the tax law relating to the rebate for stock transfer tax paid; to repeal section 92-i of the state finance law relating to the stock transfer incentive fund; and to repeal certain provisions of the administrative code of the city of New York relating thereto

PURPOSE OR GENERAL IDEA OF BILL:

To repeal the electronic rebate of the stock transfer tax, collect 100% of this tax and dedicate the funds to the Metropolitan Transportation Authority (MTA), the maintenance and repair of state highways and bridges (NYSDOT), the New York City Housing Authority (NYCHA), the infrastructure, maintenance and development of passenger rail lines for AMTRAK in the northeast corridor, the Consolidated Local Street and Highway Improvement Program (CHIPS), the municipal aid and incentives program (AIM), the safe water and infrastructure action program, the downstate and upstate transit systems and the clean energy fund.

SUMMARY OF PROVISIONS:

Section 1. Deposits the full collection of the stock transfer tax into the following accounts:

- i. Twenty-five percent shall be directed to the Metropolitan Transportation Authority(MTA)Financial Assistance fund
- ii. Ten percent shall be directed to the maintenance and repair of the New York City Housing Authority (NYCHA)
- iii. Fifteen percent shall be directed to the Highway and Bridge Capital Account in the dedicated highway and bridge trust fund (NYSDOT)
- iv. Ten percent shall be directed towards the infrastructure, maintenance and development of passenger rail lines for AMTRAK in the North-east Corridor
- v. Five percent shall be directed to the Consolidated Local Street and Highway Improvement Program (CHIPS)
- vi. Five percent shall be directed to the safe water and infrastructure action program (SWAP: as established by section 8)
- vii. Five percent shall be directed to the Municipal Assistance State Aid Fund (AIM)
- viii. Five percent shall be directed to the Downstate Transit System
- ix. Five percent shall be directed to the Upstate Transit System
- x. Fifteen percent shall be directed to the Clean Energy Fund (NYSERDA)

Section 8: Establishes the Safe Water and Infrastructure Action Program; a stream of funding to local governments state-wide for the repair, maintenance and capital improvement of drinking water, storm water and sewer systems

Section 9: Provides for the stock transfer tax to be collected should any activity in furtherance of the transaction occur in the State of New York or if any party involved in the transaction satisfies anexus with New York State which shall be defined as broadly as it is permitted under the United States constitution.

Section 10: Effective Date.

JUSTIFICATION:

From 1905 to 1981, New York State imposed a tax on the sale of securities. The State began rebating the tax in 1979 so that it is now 100% rebated back to the industry. As explained below, the 100% rebate is no longer justifiable.

New York State has failing infrastructure state-wide. Roads, bridges, the New York City Housing Authority, public transit both upstate and downstate, passenger rail, water and sewer infrastructure, are all in massive disrepair.

To transform New York State's failing infrastructure, we must commit to raising revenue. Conservatively, the stock transfer tax will raise approximately \$13 billion annually (based upon a 10 year average of collections). There is no other revenue stream, with the exception of the raising the state income tax, that will immediately raise this level of revenue.

For years New York State has not committed to raising the revenue necessary to fund such basic programs as CHIPS and AIM to a level that can actually achieve results. Our passenger rail system is multiple decades behind those of Europe and our public transportation system in the city of New York is being supported by fees and taxes on low- and middle-income individuals.

On February 15, 2019, Comptroller DiNapoli issued a statement warning that state revenue is sagging and released the January revenue numbers showing a decline in projected revenue to the state of more than \$2 billion. In that statement, DiNapoli said the state needs to prepare for the economy slowing down.

"New York's revenue picture is increasingly challenged. The final January revenue numbers for the state released by my office today confirm the substantial shortfall the Governor and I announced earlier this month. In addition, the Division of the Budget's updated financial plan reduces projected tax receipts in the coming years by billions of dollars," DiNapoli said in a statement.

"Given the unpredictable revenue environment we now face, we should take an extremely cautious approach when negotiating next year's budget. As one step, I urge the Governor and Legislature to make the prudent financial decision to substantially build up the state's reserves to help better prepare for an economic downturn."

The stock transfer tax is a revenue generator that operates as an indirect tax, rather than a direct tax like property or income. Stocks are also predominantly owned by the wealthiest of Americans. The top 10% of American households, as defined by total wealth, now own 84% of all stocks in 2016, according to a recent paper by NYU economist Edward N. Wolff. Furthermore, while virtually all (94%) of the very rich reported having significant stock holdings-as defined as \$10,000 or more in shares-only 27% of the middle class did.

(The study framed that middle class as the group between the poorest 20% and the richest 20% of Americans.)*

The stock transfer tax is infinitesimal, as the schedule from the New York State Department of Taxation and Finance shows below:

Sale or agreement to sell at less than \$5 per share	1 1/4 ¢
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Sale at \$5 or more but less than \$10 per share	2 1/2
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Sale at \$10 or more but less than \$20 per share	3 3/4 ¢
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Sale at \$20 or more per share	5 ¢
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Transfers of stock or certificates of interest other than by sale	2 1/2 ¢
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While the tax itself is infinitesimal, the volume of trading is what drives this revenue stream to at least \$13 billion. During financial crises, trading volume increases (thus increasing the stock transfer tax revenue), while income and property tax revenues decrease. This revenue will offset decreased state income tax collections and local property tax collections and has the potential to stabilize our state budget when our direct tax revenues are falling. Which, according to Comptroller DiNapoli, is happening now.

Additional benefits of this legislation would be the economic boom created by this revenue stream in employment, construction materials and other ancillary businesses. With significant investment in infrastructure, property values increase benefiting local governments including school districts. Unlike the temporary federal investment in infrastructure following the Great Recession of 2008, this would be an annual collection and investment. This legislation also directs investment into the Clean Energy Fund, which would spur dramatic growth in the renewables sector with the goal of ending our dependence on fossil fuels.

Should we enact this legislation, the following schedule indicates an average the amount of annual revenue that could be achieved (based upon the 10 year average in stock transfer tax collections:

NY-SUN:			\$487,500,000	
NY Green Bank:			\$487,500,000	
Innovation and Research:			\$487,500,000	

LEGISLATIVE HISTORY: New bill

FISCAL IMPLICATIONS: As indicated.

EFFECTIVE DATE: Immediately

*"The Richest 10% of Americans Now Own 84% of All Stocks" By ROB WILE
Money Magazine December 19, 2017

Entity	%	Stock Transfer Tax Revenue Annual Collection	Areas Served
Metropolitan Transportation Authority (MTA)	25%	\$3,250,000,000	NYC, Long Island, southeastern, New York and New York and
New York City Housing Authority (Repairs)	10%	\$1,300,000,000	State of New York
Dedicated Highway and Bridge Trust Fund (NYSDOT) {disbursed to the Highway and Bridge Capital Program}	15%	\$1,950,000,000	New York City
AMTRAK	10%	\$1,300,000,000	State of New York
Consolidated Highway Improvement Program (CHIPS)	5%	\$650,000,000	State of New York
Safe Water Action Program (SWAP)	5%	\$650,000,000	State of New York
Aid and Incentives to Municipalities (AIM)	5%	\$650,000,000	All municipalities outside of NYC
Downstate Transit	5%	\$650,000,000	Rockland, NYC, SI Ferry, Westchester, Suffolk, NYCDOT, NYSDOT Trans-Hudson and Downstate formula systems
Upstate Transit	5%	\$650,000,000	CDTA, CNYRTA, RGRTA, NFTA and remaining upstate formula systems
Clean Energy Fund (NYSERDA) {appropriated to NYSERDA and divided equally among the 4 investment portfolios}	15%	\$1,950,000,000/4=	State of New York
Market Development:		\$487,500,000	