

# STATE OF NEW YORK

3980

2021-2022 Regular Sessions

## IN SENATE

February 1, 2021

Introduced by Sens. SALAZAR, BRISPORT -- read twice and ordered printed,  
and when printed to be committed to the Committee on Budget and Revenue

AN ACT to amend the tax law, in relation to the imposition of tax on  
certain financial transactions

The People of the State of New York, represented in Senate and Assembly, do enact as follows:

1 Section 1. The tax law is amended by adding a new article 15 to read  
2 as follows:

### ARTICLE 15

#### TAX ON FINANCIAL TRANSACTIONS

##### Section 340. Definitions.

341. Imposition of tax.

342. Exceptions.

343. Liability for tax.

344. Administration and regulation.

345. Interest and civil penalties.

346. Criminal penalties.

12 § 340. Definitions. 1. Specified base amount. For purposes of this  
13 article, the term "specified base amount" means:

14 (a) except as provided in paragraph (b) of this subdivision, the fair  
15 market value of the security (determined as of the time of the covered  
16 transaction); and

17 (b) in the case of any payment described in subparagraph four, five,  
18 or six of paragraph (a) of subdivision three of this section, the amount  
19 of such payment.

20 2. Covered transaction. For purposes of this section, the term  
21 "covered transaction" means:

22 (a) except as provided in paragraph (b) of this subdivision, any  
23 purchase if:

EXPLANATION--Matter in italics (underscored) is new; matter in brackets  
[-] is old law to be omitted.

LBD08795-01-1

1 (1) such purchase occurs or is cleared on a qualified board or  
2 exchange located in the state, or is executed by a broker in the state;  
3 or

4 (2) the purchaser or seller is a New York state resident or business  
5 with a taxable presence in the state; and

6 (b) any transaction with respect to a security described in subpara-  
7 graph four, five, or six of paragraph (a) of subdivision three of this  
8 section, if:

9 (1) such security is traded or cleared on a qualified board or  
10 exchange located in the state, or is executed by a broker in the state;  
11 or

12 (2) any party with rights under such security is a New York state  
13 resident or business with a taxable presence in the state.

14 3. Security and other definitions. For purposes of this section:

15 (a) The term "security" means:

16 (1) any share of stock in a corporation;

17 (2) any partnership or beneficial ownership interest in a partnership  
18 or trust;

19 (3) any note, bond, debenture, or other evidence of indebtedness,  
20 other than a state or local bond the interest of which is excluded from  
21 gross income under section 103(a) of the internal revenue code;

22 (4) any evidence of an interest in, or a derivative financial instru-  
23 ment with respect to, any security or securities described in subpara-  
24 graph one, two, or three of this paragraph;

25 (5) any derivative financial instrument with respect to any currency  
26 or commodity including notional principal contracts; and

27 (6) any other derivative financial instrument any payment with respect  
28 to which is calculated by reference to any specified index.

29 (b) The term "derivative financial instrument" includes any option,  
30 forward contract, futures contract, notional principal contract, or any  
31 similar financial instrument.

32 (c) The term "specified index" means any one or more of any combina-  
33 tion of:

34 (1) a fixed rate, price, or amount; or

35 (2) a variable rate, price, or amount, which is based on any current  
36 objectively determinable information which is not within the control of  
37 any of the parties to the contract or instrument and is not unique to  
38 any of the parties' circumstances.

39 (d) (1) An exchange shall be treated as the sale of the property  
40 transferred and a purchase of the property received by each party to the  
41 exchange.

42 (2) In the case of a distribution treated as an exchange for stock  
43 under section 302 or 331 of the internal revenue code, the corporation  
44 making such distribution shall be treated as having purchased such stock  
45 for purposes of this section.

46 (e) The term "qualified board or exchange" has the meaning given such  
47 term by section 1256(g)(7) of the internal revenue code.

48 (f) The term "broker" has the meaning given such term by section  
49 6045(c)(1) of the internal revenue code.

50 § 341. Imposition of tax. 1. There is hereby imposed a tax on each  
51 covered transaction with respect to any security.

52 2. The tax imposed under subdivision one of this section with respect  
53 to any covered transaction shall be the applicable percentage of the  
54 specified base amount with respect to such covered transaction.

55 The applicable percentage shall be:

1 (a) one-half of one percent in the case of a security described in  
2 subparagraph one or two of paragraph (a) of subdivision three of section  
3 three hundred forty of this article;

4 (b) one-tenth of one percent in the case of a security described in  
5 paragraph (a) of subdivision three of section three hundred forty of  
6 this article; and

7 (c) five thousandths of one percent in the case of a security  
8 described in subparagraph four, five, or six of paragraph (a) of subdi-  
9 vision three of section three hundred forty of this article.

10 3. Except as otherwise provided by the commissioner, any payment with  
11 respect to a security described in subparagraph four, five, or six of  
12 paragraph (a) of subdivision three of section three hundred forty of  
13 this article shall be treated as a separate transaction for purposes of  
14 this section, including:

15 (a) any net initial payment, net final or terminating payment, or net  
16 periodical payment with respect to a notional principal contract (or  
17 similar financial instrument);

18 (b) any payment with respect to any forward contract (or similar  
19 financial instrument); and

20 (c) any premium paid with respect to any option (or similar financial  
21 instrument).

22 § 342. Exceptions. 1. No tax shall be imposed under this article on  
23 any covered transaction with respect to the initial issuance of any  
24 security described in subparagraph one, two, or three of paragraph (a)  
25 of subdivision three of section three hundred forty of this article.

26 2. A note, bond, debenture, or other evidence of indebtedness which:  
27 (a) is traded on a trading facility located in the United States; and  
28 (b) has a fixed maturity of not more than sixty days, shall not be  
29 treated as described in subparagraph three of paragraph (a) of subdivi-  
30 sion three of section three hundred forty of this article.

31 (c) No tax shall be imposed under this article on any covered trans-  
32 action with respect to which gain or loss is not recognized by reason of  
33 section 1058 of the internal revenue code.

34 § 343. Liability for tax. 1. The tax imposed by this article shall be  
35 paid by:

36 (a) in the case of a transaction which occurs or is cleared on a  
37 facility located in the state, such facility; and

38 (b) in the case of a purchase not described in paragraph (a) of this  
39 subdivision which is executed by a broker in the state, the broker.

40 2. In the case of any transaction to which subdivision one of this  
41 section does not apply, the tax imposed by this article shall be paid  
42 by:

43 (a) in the case of a transaction described in paragraph (a) of subdivi-  
44 vision two of section three hundred forty of this article:

45 (1) the purchaser if the purchaser is a New York state resident or  
46 business with a taxable presence in New York; or

47 (2) the seller if the purchaser is not a New York state resident or  
48 business with a taxable presence in New York; and

49 (b) in the case of a transaction described in paragraph (b) of subdivi-  
50 vision two of section three hundred forty of this article:

51 (1) the payor if the payor is a New York state resident or business  
52 with a taxable presence in New York; or

53 (2) the payee if the payor is not a New York state resident or busi-  
54 ness with a taxable presence in New York.

55 § 344. Administration and regulation. 1. The party liable for the tax  
56 imposed pursuant to this article shall file a return, in the form and

1 manner and containing such information, as shall be prescribed by the  
2 commissioner.

3 2. The commissioner shall:

4 (a) provide guidance regarding such information reporting and other  
5 relevant matters concerning covered transactions as the commissioner  
6 deems appropriate; and

7 (b) prescribe such regulations as are necessary or appropriate to  
8 prevent avoidance of the purposes of this article and otherwise carry  
9 out its purposes.

10 § 345. Interest and civil penalties. Any person failing to file a  
11 return or to pay any tax within the time required by this article shall  
12 be subject to a penalty of twenty percent of the amount of tax due plus  
13 an interest penalty of two percent of such amount for each month of  
14 delay or fraction thereof after the expiration of the first month after  
15 such return was required to be filed or such tax became due, such inter-  
16 est penalty shall not exceed twenty-five per centum in the aggregate. If  
17 the commissioner determines that such failure or delay was due to  
18 reasonable cause and not due to willful neglect, the commissioner may  
19 remit, abate or waive all of such penalty and such interest penalty.

20 § 346. Criminal penalties. The criminal penalties in sections eighteen  
21 hundred one, eighteen hundred two, eighteen hundred three, eighteen  
22 hundred four, eighteen hundred five, eighteen hundred six, eighteen  
23 hundred seven and eighteen hundred seventeen of this chapter shall apply  
24 to this article with the same force and effect as if the language of  
25 those provisions had been set forth in full in this article except to  
26 the extent that any provision is either inconsistent with a provision of  
27 this article or is not relevant to the taxes imposed by this article.

28 § 2. Severability clause. If any clause, sentence, paragraph, subdivi-  
29 sion, section or part of this act shall be adjudged by any court of  
30 competent jurisdiction to be invalid, such judgment shall not affect,  
31 impair, or invalidate the remainder thereof, but shall be confined in  
32 its operation to the clause, sentence, paragraph, subdivision, section  
33 or part thereof directly involved in the controversy in which such judg-  
34 ment shall have been rendered. It is hereby declared to be the intent of  
35 the legislature that this act would have been enacted even if such  
36 invalid provisions had not been included herein.

37 § 3. This act shall take effect immediately.