

119TH CONGRESS
1ST SESSION

S. _____

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

IN THE SENATE OF THE UNITED STATES

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

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 2025”.

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.—

7 “(1) IN GENERAL.—The tax imposed under
8 subsection (a) with respect to any covered trans-
9 action shall be the applicable percentage of the spec-
10 ified base amount with respect to such covered
11 transaction.

12 “(2) APPLICABLE PERCENTAGE.—For purposes
13 of this subsection, the applicable percentage shall
14 be—

15 “(A) in the case of a covered transaction
16 after December 31, 2025, and before January
17 1, 2027, 0.02 percent,

18 “(B) in the case of a covered transaction
19 after December 31, 2026, and before January
20 1, 2028, 0.04 percent,

21 “(C) in the case of a covered transaction
22 after December 31, 2027, and before January
23 1, 2029, 0.06 percent,

1 “(D) in the case of a covered transaction
2 after December 31, 2028, and before January
3 1, 2030, 0.08 percent, and

4 “(E) in the case of a covered transaction
5 after December 31, 2029, 0.1 percent.

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

8 “(1) except as provided in paragraph (2), the
9 fair market value of a security (determined as of the
10 time of the covered transaction), and

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

13 “(d) COVERED TRANSACTION.—For purposes of this
14 section—

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

17 “(A) except as provided in subparagraph
18 (B), any purchase if—

19 “(i) such purchase occurs on, or is
20 subject to the rules of, a qualified board or
21 exchange located in the United States, or

22 “(ii) the purchaser or seller is a
23 United States person, and

24 “(B) any transaction with respect to a de-
25 rivative if—

1 “(i) such derivative is traded on, or is
2 subject to the rules of, a qualified board or
3 exchange located in the United States, or
4 “(ii) any party with rights under such
5 derivative is a United States person.

6 “(2) EXCEPTION FOR INITIAL ISSUES.—No tax
7 shall be imposed under subsection (a) on any cov-
8 ered transaction with respect to the initial issuance
9 of any security described in subparagraph (A), (B),
10 or (C) of subsection (e)(1).

11 “(e) DEFINITIONS AND SPECIAL RULES.—For pur-
12 poses of this section—

13 “(1) SECURITY.—For purposes of this section,
14 the term ‘security’ means—

15 “(A) any share of stock in a corporation,

16 “(B) any partnership or beneficial owner-
17 ship interest in a partnership or trust,

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

21 “(D) any derivative (as defined in section
22 4476).

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

1 “(A) is traded on, or is subject to the rules
2 of, a qualified board or exchange located in the
3 United States, and

4 “(B) has a fixed maturity of not more
5 than 100 days,
6 shall not be treated as described in paragraph
7 (1)(C).

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

11 “(f) BY WHOM PAID.—

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

14 “(A) in the case of a transaction which oc-
15 curs on, or is subject to the rules of, a qualified
16 board or exchange located in the United States,
17 such qualified board or exchange, and

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

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

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

3 “(i) the purchaser if the purchaser is
4 a United States person, and

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

7 “(B) in the case of a transaction described
8 in subsection (d)(1)(B)—

9 “(i) the payor if the payor is a United
10 States person, and

11 “(ii) the payee if the payor is not a
12 United States person.

13 “(g) TREATMENT OF EXCHANGES AND PAYMENTS
14 WITH RESPECT TO DERIVATIVES.—For purposes of this
15 section—

16 “(1) TREATMENT OF EXCHANGES.—

17 “(A) IN GENERAL.—An exchange shall be
18 treated as the sale of the property transferred
19 and a purchase of the property received by each
20 party to the exchange.

21 “(B) CERTAIN DEEMED EXCHANGES.—In
22 the case of a distribution treated as an ex-
23 change for stock under section 302 or 331, the
24 corporation making such distribution shall be

1 treated as having purchased such stock for pur-
2 poses of this section.

3 “(2) PAYMENTS WITH RESPECT TO DERIVA-
4 TIVES TREATED AS SEPARATE TRANSACTIONS.—Ex-
5 cept as otherwise provided by the Secretary, any
6 payment with respect to any derivative shall be
7 treated as a separate transaction for purposes of
8 this section.

9 “(h) APPLICATION TO TRANSACTIONS BY CON-
10 TROLLED FOREIGN CORPORATIONS.—

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

14 “(2) SPECIAL RULES FOR PAYMENT OF TAX ON
15 DIRECT, ETC., TRANSACTIONS.—In the case of any
16 transaction which is a covered transaction solely by
17 reason of paragraph (1) and which is not described
18 in subsection (f)(1)—

19 “(A) PAYMENT BY UNITED STATES SHARE-
20 HOLDERS.—Any tax which would (but for this
21 paragraph) be payable under subsection (f)(2)
22 by the controlled foreign corporation shall, in
23 lieu thereof, be paid by the United States
24 shareholders of such controlled foreign corpora-
25 tion as provided in subparagraph (B).

1 “(B) PRO RATA SHARES.—Each such
2 United States shareholder shall pay the same
3 proportion of such tax as—

4 “(i) the stock which such United
5 States shareholder owns (within the mean-
6 ing of section 958(a)) in such controlled
7 foreign corporation, bears to

8 “(ii) the stock so owned by all United
9 States shareholders in such controlled for-
10 eign corporation.

11 “(C) DEFINITIONS.—For purposes of this
12 subsection, the terms ‘United States share-
13 holder’ and ‘controlled foreign corporation’ have
14 the meanings given such terms in sections
15 951(b) and 957(a), respectively.

16 “(i) ADMINISTRATION.—The Secretary shall carry
17 out this section in consultation with the Securities and Ex-
18 change Commission and the Commodity Futures Trading
19 Commission.

20 “(j) GUIDANCE; REGULATIONS.—The Secretary
21 shall—

22 “(1) provide guidance regarding such informa-
23 tion reporting concerning covered transactions as the
24 Secretary deems appropriate, and

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

5 **“SEC. 4476. DERIVATIVE DEFINED.**

6 “(a) IN GENERAL.—For purposes of this subchapter,
7 except as otherwise provided in this section, the term ‘de-
8 rivative’ means any contract (including any option, for-
9 ward contract, futures contract, short position, swap, or
10 similar contract) the value of which, or any payment or
11 other transfer with respect to which, is (directly or indi-
12 rectly) determined by reference to one or more of the fol-
13 lowing:

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

15 “(2) Any partnership or beneficial ownership
16 interest in a partnership or trust.

17 “(3) Any evidence of indebtedness.

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

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

22 “(6) Any currency.

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

1 “(8) Any other item as the Secretary may pre-
2 scribe.

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

7 “(b) EXCEPTIONS.—

8 “(1) CERTAIN REAL PROPERTY.—

9 “(A) IN GENERAL.—For purposes of this
10 subchapter, the term ‘derivative’ shall not in-
11 clude any contract with respect to interests in
12 real property (as defined in section
13 856(c)(5)(C)) if such contract requires physical
14 delivery of such real property.

15 “(B) OPTIONS TO SETTLE IN CASH.—

16 “(i) IN GENERAL.—For purposes of
17 subparagraph (A), a contract which pro-
18 vides for an option of cash settlement shall
19 not be treated as requiring physical deliv-
20 ery of real property unless the option is—

21 “(I) not exercisable uncondition-
22 ally, and

23 “(II) exercisable only in unusual
24 and exceptional circumstances.

1 “(ii) OPTION OF CASH SETTLE-
2 MENT.—For purposes of clause (i), a con-
3 tract provides an option of cash settlement
4 if the contract settles in (or could be set-
5 tled in) cash or property other than the
6 underlying real property.

7 “(2) SECURITIES LENDING, SALE-REPURCHASE,
8 AND SIMILAR FINANCING TRANSACTIONS.—To the
9 extent provided by the Secretary, for purposes of
10 this subchapter, the term ‘derivative’ shall not in-
11 clude the right to the return of the same or substan-
12 tially identical securities transferred in a securities
13 lending transaction, sale-repurchase transaction, or
14 similar financing transaction.

15 “(3) OPTIONS RECEIVED IN CONNECTION WITH
16 THE PERFORMANCE OF SERVICES.—For purposes of
17 this subchapter, the term ‘derivative’ shall not in-
18 clude any option described in section 83(e)(3) re-
19 ceived in connection with the performance of serv-
20 ices.

21 “(4) INSURANCE CONTRACTS, ANNUITIES, AND
22 ENDOWMENTS.—For purposes of this subchapter,
23 the term ‘derivative’ shall not include any insurance,
24 annuity, or endowment contract issued by an insur-
25 ance company to which subchapter L applies (or

1 issued by any foreign corporation to which such sub-
2 chapter would apply if such foreign corporation were
3 a domestic corporation).

4 “(5) DERIVATIVES WITH RESPECT TO STOCK
5 OF MEMBERS OF SAME WORLDWIDE AFFILIATED
6 GROUP.—For purposes of this subchapter, the term
7 ‘derivative’ shall not include any derivative (deter-
8 mined without regard to this paragraph) with re-
9 spect to stock issued by any member of the same
10 worldwide affiliated group (as defined in section
11 864(f)) in which the taxpayer is a member.

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 2025.