

"Tell Congress to Block the Trader Tax"

On Friday, February 13, your colleague, U.S. Congressman Peter DeFazio, introduced H.R. 1068: "Let Wall Street Pay for Wall Street's Bailout Act of 2009", which aims to impose a 0.25% transaction tax on the "sale and purchase of financial instruments such as stock, options, and futures."

Without a doubt, many Americans are appalled at the reckless behavior of large Wall Street companies, and the notion of making those who are responsible for putting the global financial system in jeopardy help repay taxpayers for bailing them out is certainly justifiable.

Unfortunately, I feel that this proposal is the wrong way to do that, as this tax applies to all investors, the vast majority of whom have done no wrong. Effectively, this tax will punish anyone who wants to save their money, whether it be by investing in stocks or options directly, putting their hard earned money in any mutual fund, or by simply placing a portion of their paycheck in a 401K. There's no doubt that banks and mutual funds will pass along this added cost to their customers, giving this proposed tax a much further reach than was initially imagined.

Moreover, the unintended consequences associated with H.R. 1068 are also hard to ignore.

First, many hard-working Americans make their livings by running small businesses that trade stocks, options and other financial instruments. Many of whom will be put out of business due to the fact that their margins are often quite thin. In addition, those who work for or with these individuals will also lose their jobs.

Second, a transfer tax such as this will lower capital gains dollar for dollar, making the notion that anyone who invests their money will be on the hook for the excesses of Wall Street all that more poignant.

Finally, such a tax will undoubtedly affect the number of shares traded on an absolute basis, thus reducing liquidity "a necessary ingredient in the effective pricing of assets. It's the complete lack of liquidity, for example, which made collateralized mortgage obligations effectively worthless.

The body of the bill suggests that such a tax would have a negligible impact on the average investor. I beg to differ. For example, a \$10,000 trade (or approximately 100 shares of stock in Apple, Inc.) would increase the cost of a round trip transaction by \$50. 100 shares is generally considered to be a minimum size for a trade, which would devastate any small business executing even a handful of similar trades each day.

As you can see, while this bill may sound good on the surface, the effects, if it is passed, will reach anyone who wants to invest their money and will ruin many small business people who are not at fault for this distressing situation all Americans are struggling through.

I urge you to vote NO on H.R. 1068

We have sent 59,580 letters to Congress so far. Please join us!

Sign this petition online at

<http://www.rallycongress.com/no2tradertax>