

Report on CPEG Work for a LaSalle St Tax

- Bill Barclay, August 2016

Much of the political work of CPEG over the past year has been focused on the effort to enact a financial transaction tax (FTT) on the trading of futures and options at the Chicago derivative markets. These two markets, the Chicago Mercantile Exchange (CME, which owns the Chicago Board of Trade) and the Chicago Board Options Exchange (CBOE), are the largest derivative markets in the world, making Chicago itself a major financial center.

CPEG is, of course, a strong supporter of an FTT at the federal level but, recognizing that the current administration has been actively opposed to an FTT in either the US or Europe, we have sought to enact this tax at the state level. The idea for an Illinois FTT was raised politically in the run-up to the 2015 Chicago Mayoral election. During the summer of 2014, Karen Lewis, CTU president, and CPEG member Bill Barclay met with Chicago newspaper editorial boards and the CTU advocated for an FTT under the name “LaSalle Street Tax” (LST). This “rebranding” reflects the place of LaSalle street as Chicago’s Wall Street and the LST name has become a political rallying cry for community and labor members and organizations in the Chicago metropolitan area.

The political and economic context of the proposed LST is important to understand the appeal of the idea. First, public sector pensions in Illinois are significantly underfunded, with the state ranking in the bottom 5 across the country for the level of pension funding. Over the past two decades, the Illinois state legislature has consistently “borrowed” from the public sector labor force by refusing to pay the required state mandated share into the five Illinois public workers pension plans. This has kept the level of Illinois personal and corporate income tax rates among the lowest in the Midwest. Second, the difficulty in making up the funding shortfall (plans to do so in the future have been enacted on more than one occasion but never completed) is exacerbated by the fact that Illinois’ personal income tax is, by constitutional requirement, a flat rate – one of only nine states in the U.S. that have a flat rate personal income tax. Finally, the current Illinois governor, Republic Bruce Rauner, came into office arguing that Illinois was broke and needed his “turn around” agenda that included creating right to work zones, eliminating the ability of public sector unions to collect “fair share” dues, cutting a wide range of social services – the Scott Walker road map.

In 2015 the various groups interested in the LST came together in The LaSalle Street Tax Coalition. National Nurses United (NNU) has played the leading role in the coalition, but others such as the CTU, DSA, the Chicago areas affiliate of NPA, and of course CPEG have been actively involved.

The Coalition has organized rallies and meetings with a large number of Illinois state legislators. Several signed on to an LST bill that would levy a \$1 fee on the buying and selling of agricultural futures and futures options and a \$2 fee on non-agricultural contracts. For comparison purposes to FTTs with a percentage fee, the \$1 and \$2 fee is approximately 0.001% of the underlying contract value.¹ If there were no decline in trading and all market participants were taxed at the same \$1 and \$2 rate, the revenues raised would total around \$9 - 10 billion. This would, obviously, raise a very significant amount of revenue and would do so even if the volume of trading declined by 50%.

The culmination to date of the Coalition’s work was a June 2016 joint hearing of the Revenue Committees of the Illinois House and Senate. CPEG members Bill Barclay and Ron Baiman, as well as representatives of

¹ A detailed description of the LST with the \$1 and \$2 fee can be found at the CPEG web site:
<http://www.cpegonline.org/workingpapers/CPEGWP2010-2.pdf>

NNU, CTU and several community organizations testified in favor of the proposed LST while the exchanges brought senior executives to testify in opposition. Of course the later made their standard threat to move if the tax – actually if any level of tax – was implemented.²

The Illinois legislature will return to a veto session this summer/fall. However, because of the high level of support needed to pass any legislation in this session, the Coalition is looking to early 2017 to recruit additional sponsors and support for the LST. Stay tuned – a victory in Illinois would have both national and international consequences for the FTT movement.

² See here for the testimonies of CPEG members Baiman and Barclay: <http://www.cpegonline.org/2016/06/20/cpeg-to-illinois-legislature-lasalle-street-tax-now/>