

# Why is a Wall Street Hot Dog Better than a Stock Certificate?

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## Is This a Riddle?

Yes, it is. Why do we pay a sales tax on hot dogs and just about everything else, but there is no actual tax on the sale of stock? Sure, we all gripe about sales taxes, but until the rich start paying their fair share, the sales tax helps get the trash picked up and fires put out, and keeps the subway running. Speaking of the rich, what's this about Wall Street?

## Phantom Taxes

Well, there actually is a tax on the sale of stock, but unlike the Hot Dog tax, the Stock Transfer Tax is completely rebated to the seller of the stock who is usually a trader or broker acting for the owner. Since 1981, all the taxes from stock sales, an estimated \$14 billion a year, is given right back to sellers on Wall Street. Two-

and-a-half cents is the tax on the sale of one share of stock valued at \$5.00. Compare that to the 44 cent tax on a hot dog of the same price, which is what tourists to the Wall Street area get charged most unfairly. A 2021 estimate by [Forbes](#) is that NY had rebated \$350 billion over the previous 40 years.

New York legislators Assembly Member Phil Steck and Senator James Sanders have again introduced a bill to end the rebate.<sup>1</sup> The proposal has polled well in the State with majority support.<sup>2</sup>

### **Whose Dumb Idea Was This Rebate?**

It seems to have originated with Mayor Abe Beame. The tax revenue had been given by the State to the City to aid in the 1970s fiscal crisis. When the crisis ended, the mayor thought the tax should end with it.<sup>3</sup> Starting in 1979, the rebate rose by degrees to reach 100% by law in 1981. Remember though, that because of the fiscal crisis, the City was actually under the control of the Emergency Financial Control Board and the Municipal Assistance Corporation headed by financier Felix Rohatyn,

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<sup>1</sup>Information on the bill here. Note co-sponsors.  
<https://fastdemocracy.com/bill-search/ny/2023-2024/bills/NYB00144129/#sponsors>

<sup>2</sup><https://www.forbes.com/sites/johnzogby/2021/03/07/majority-of-new-yorkers-want-to-collect-a-century-old-phantom-tax-that-will-generate-billions-in-new-revenue/?sh=574f3f8247bc>

<sup>3</sup>Actually, it was the Wall Street banks that deliberately caused the 1970s fiscal crisis as a way of getting higher interest rates on their loans to New York City, as explained in "The Abuse of Power: The Permanent Government and the Fall of New York," co-authored by Jack Newfield and Paul DuBrul, published in 1977.

a major investment banker. Someone may have been whispering in Beame's ear.

The Governor who signed the 1981 rebate law was Hugh Carey. Carey was the guy who thought it would be great to build an eight lane Interstate Highway here in Riverside Park, the defeat of which led to my getting married, but that is another story

### **Why the Rebate?**

The answer, like everything else, has roots in history. The sales tax on stock transfers was first imposed in 1905 and was collected for 76 years until the rebate started. Contrary to the oft repeated view that such a tax would ruin New York City as a financial center, during the decades an actual sales tax was in effect, other exchanges around the country closed up and were absorbed into New York.

London, the world's second largest financial center, has taxed the sale of stock for three hundred years with no ill effects.<sup>4</sup>

Wall Street was:

“Once a promenade that took people past some of Manhattan's most elegant homes, [and] played host to commercial piers, coffee houses, the city's slave market, and the U.S. capitol building where Washington was inaugurated and the Bill of Rights ratified. It has been home to an array of private banks, the U.S. Custom House, the assay office, and, of course, the New York Stock Exchange, which originally met outdoors, under a tree.”<sup>5</sup>

Having outgrown the tree, the early traders constituted themselves as a formal

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<sup>4</sup>[https://en.wikipedia.org/wiki/Financial\\_transaction\\_tax](https://en.wikipedia.org/wiki/Financial_transaction_tax)

<sup>5</sup><https://ny.curbed.com/2018/9/26/17900962/wall-street-new-york-city-history>

organization in 1792 and moved into a tavern. Successive buildings were replaced by larger ones until the current Exchange opened in 1903. The stock transfer tax enacted two years later was implemented by buying tax stamps to be glued on to each certificate sold. Now it can also be done electronically.



The inventions of the telegraph, stock ticker, and telephone all changed the way business was done, but nothing shook up things more than the computer, the Internet, and digital stock trading. Suddenly, it became apparent that the Stock Exchange didn't have to be in New York; in fact it didn't really have to be anywhere! That was when Governor Carey thought that to keep the brokers happy, New York would hand over about \$54 million a year in tax rebates.

### **The Tax Works Much Like Amazon**

We pay NY sales tax on everything we buy through Amazon. It doesn't matter who or where the seller is. It doesn't matter that Amazon has nine data centers in the US, but none in New York State. It doesn't matter where the computers are located. All that matters is where the order is delivered. But it does get more complicated: the proposed law uses language that means that any person or corporation doing business here can be taxed. Remember that the tax isn't paid by the New York Stock Exchange; rather, it is paid by the seller of the shares who

collects the rebate simply by filing a form with the State.

### **Better than the Alternative**

How does the State propose to raise needed cash? With eight active law suits to stop it, Congestion Pricing is already tearing apart the Greater New York Region. So toxic is the plan that the Governor suspended it during the last election cycle knowing that it would drive suburban voters into the arms of the Republicans. Now, the United Federation of Teachers is also in court, saying Congestion Pricing is a regressive tax that will hurt many of its 72,000 members. How much will the Congestion Pricing raise a year? About \$500 million annually under the new lower \$9 a trip toll.<sup>6</sup> Simply comparing that to the estimated \$14 billion annually from the Stock Transfer Tax, and the virtue of taxing Wall Street instead of commuters becomes obvious.

When President Musk starts cutting funding to cities, this tax will be needed more than ever. We should press our representatives in Albany to repeal the stock transfer tax rebate. We cannot sell enough hot dogs to make up the difference.

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### **Watch a Very Informative Video**

<https://www.youtube.com/watch?v=ZmLKqtoG02U>

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[6https://www.trains.com/trn/news-reviews/news-wire/new-york-congestion-pricing-plan-gets-federal-approval/](https://www.trains.com/trn/news-reviews/news-wire/new-york-congestion-pricing-plan-gets-federal-approval/)

This video addresses many of the questions about repeal of the rebate, including, will the Stock Exchange move to New Jersey? The video is abridged to 17 minutes and features NY Assembly Member Phil Steck, sponsor of the Stock Transfer Tax legislation, Nobel Prize winning economist Dr. Joseph Stiglitz, former VP of the World Bank, and Professor Robert Pollin of the University of Massachusetts Amherst, founding co-director of its Political Economy Research Institute. Panelists who were addressing the specific COVID related problems of that year have been taken out.

The full hour-and-a-half video is here.

<https://www.youtube.com/watch?v=MunHdPLkigQ>