FPA Supports the Deductibility of Financial Planning Fees

- FPA supports that financial planning fees be tax deductible for clients on the state and federal levels which could increase access to financial planning services.
- FPA joined with the Certified Financial Planner Board of Standards, National Association of Personal Financial Advisors, Investment Adviser Association, and Financial Services Institute to ask Congress to restore and expand the pre-2017 (pre-Tax Cut and Jobs Act) tax deduction for investment advisory fees and financial planner fees. Congress should restore and expand the deduction without the 2% Adjusted Gross Income (AGI) threshold that was part of the pre-2017 law.

FPA Opposes the Taxation of Financial Planning Services and Financial Transaction Taxes

- *Taxation of Financial Planning Services*
  - FPA opposes the taxation of financial planning services because it would increase the costs for financial planning services. These increased costs could be passed on to clients or impact the viability of financial planner practices.
  - It would place an administrative burden on our members who own small businesses.
  - It may require additional burdens of registration within a state, even for a federally registered investment adviser, which would increase compliance complexity and the bureaucratic costs of the imposing states.
  - It may drive consumers to seek financial planning services from a state without a tax on services.
- *Financial Transaction Tax (FTT)*
  - A financial transaction tax is a levy on transactions of stocks, bonds, and derivatives.
  - FPA opposes a transaction tax because it is essentially a tax that would be passed onto investors.
  - Sweden and France unsuccessfully experimented with an FTT.
    - In 1984, Sweden implemented a 1% transaction tax (or $0.01 per $1) on equities traded and later doubled it in 1986. Once the tax was implemented, Sweden's market saw 30% of total trading volume shift to London. Expected tax revenues were never realized and the tax was eventually repealed in 1991.[1]
    - In 2012, France imposed a 0.2% tax on French equity trades on large French companies and a 0.01% tax on high frequency trading. The tax on equities increased to 0.3% in 2017. After the tax was implemented, the New York Stock Exchange Euronext Paris volume declined on average 16% within two months and the French CAC 40 declined 21% in the first 10 days and 16% in the first 40 days.[2] France did not raise the revenue they had projected in 2012 or 2013.[3] France experienced an overall 30% reduction in trading volume in 2012.[4]

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[1] *Umlauf, Steven R. Transaction Taxes and the Behavior of the Swedish Stock Market, Journal of Financial Economics 33 (2), 227-240 (April 1993).*
[2] *Goethe University Franfurt. Haferkorn, Martin, and Zimmermann, Kai. (2013). Securities Transaction Tax and Market Quality – The Case of France.*
[3] *Goethe University Franfurt. Haferkorn, Martin, and Zimmermann, Kai. (2013). Securities Transaction Tax and Market Quality – The Case of France.*
[4] *Banque de France. Jean-Edouard Colliard & Peter Hoffman. Sand in the Chips? Evidence on Taxing Transactions in Modern Markets (Euro. Central Bank, Working Paper, Jul. 31, 2013).*
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