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Letter to the Editor, Washington Post: A Tax That Would Only Harm

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Harold Meyerson was correct when he said in his June 5 op-ed column, "A Sister Souljah moment," that the idea of a financial transaction tax is nothing new. But he was wrong to suggest that it is a painless way to meet social goals such as making college tuition-free.

Financial transaction taxes fall mostly on the middle class and hurt savers, particularly the more than 90 million mutual fund shareholders. In the fund business, portfolio managers adjust holdings every day to meet shareholder and investment objectives. Under a financial transaction tax, a fund investor would be taxed when purchasing shares of a fund, taxed again as the fund puts the investor's money to work (purchasing stocks, rebalancing portfolios, reinvesting dividends), taxed if the fund sells stocks to meet investors' redemptions and taxed yet again when the investor redeems fund shares.

This constant drag on returns would make it harder for all investors to achieve retirement security and other goals. And attempts to limit the effects on small investors—by, say, creating exemptions based on income levels—would be impossible to administer.

Physicians live by the maxim, "First, do no harm." For U.S. investors and savers, the financial transaction tax is all harm.

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