February 17, 2021

The Honorable Richard Neal
Chairman, Committee on Ways and Means
1102 Longworth House Office Building
Washington, D.C. 20515

The Honorable Kevin Brady
Ranking Member, Committee on Ways and Means
1139 Longworth House Office Building
Washington, D.C. 20515

Dear Chairman Neal, Ranking Member Brady, and Members of the House Committee on Ways and Means,

On behalf of National Taxpayers Union (NTU), the nation's oldest taxpayer advocacy organization, we write to express our opposition to H.R. 1068, the Carried Interest Fairness Act of 2021. This ill-timed legislation would increase taxes and reduce economic output at a time when many American businesses are already struggling. As Congress works to keep businesses open and Americans employed throughout the COVID-19 pandemic, these efforts could be undermined by suppressing investment from the private sector.

As you know, carried interest has been treated as capital gains for over fifty years. This tax structure has allowed partnerships of entrepreneurs and investors to funnel capital into startups and construction. Those seeking to raise taxes claim this legislation would "close a tax loophole." This is false. As a 2017 letter from 22 Members of Congress to the Committee aptly points out, the classification of carried interest as capital gains is the correct one. While NTU supports simplifying the tax code for taxpayers and closing loopholes, this proposal does neither and instead would discriminantly raise taxes on long-term investments and be a net tax hike.

While the aim of the bill is to force "Wall Street bigs" to pay a higher rate, the tax increase would ultimately be passed on to middle-class investors. Additionally, this legislation would punish investors in real estate, private equity, and venture capital by treating their investments differently than other investments. According to the most recent Internal Revenue Service report, in tax year 2018 there were over 4 million partnerships in the U.S., a 2.7 percent increase from the previous year. Small businesses and startups rely on investments at an early stage, and the substantial tax increase of 19 percentage points that H.R. 1068 would impose on investing firms would threaten American innovation and job creation.

NTU has largely supported Congress' efforts to promote a robust economy during the COVID-19 pandemic, but this legislation would run counter to this important goal. At this critical juncture, liquidity in capital and long-term investment in American businesses would bolster the economic recovery. As a result, we urge you to stand with American businesses and investors and reject this misguided tax increase.

Sincerely,

Will Yepez, Policy and Government Affairs Associate