May 19, 2021

The Honorable Ron Wyden
Chairman, Senate Finance Committee
221 Dirksen Senate Office Building
Washington, D.C. 20510

The Honorable Mike Crapo
Ranking Member, Senate Finance Committee
239 Dirksen Senate Office Building
Washington, D.C. 20510

Dear Chairman Wyden, Ranking Member Crapo, and Members of the Senate Finance Committee:

On behalf of National Taxpayers Union (NTU), the nation’s oldest taxpayer advocacy organization, we write to express our opposition to 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 struggling. As Congress works to reopen the economy and get more Americans back to work, 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 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 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. Many of these partnerships would be adversely affected by the proposed changes to carried interest. Similarly, small businesses and startups rely on investments at an early stage, and the substantial tax increase of 19 percentage points that the Carried Interest Fairness Act would impose on investing firms would threaten American innovation and job creation.

NTU has largely supported Congressional efforts to promote a robust economy during our nation’s recovery from the global 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