

# United States Senate

WASHINGTON, DC 20510

September 11, 2017

The President  
The White House  
1600 Pennsylvania Avenue  
Washington, D.C. 20500

Dear Mr. President:

You have stated your support for closing the carried interest tax loophole on a number of occasions, both during the campaign and as President. However, the one-page tax reform outline you unveiled on April 26, 2017 failed to even mention closing this loophole.

On May 2, 2017, I introduced the Carried Interest Fairness Act in the Senate and I am writing to urge you to call on the leadership in Congress to help you keep your promise to close the carried interest loophole by enacting this legislation.

Neither Senate Majority Leader McConnell nor Speaker Ryan have acted to move my legislation forward to close a tax loophole that benefits hedge fund managers on Wall Street. With Congress planning to consider tax legislation, now is the time for you to call on congressional leaders to completely close this loophole. I believe that anything less than full closure of the loophole as envisioned by the Carried Interest Fairness Act would be a broken promise to the American people.

The carried interest loophole allows certain investment managers to take advantage of the preferential 20-percent tax long-term capital gains rate for income received as compensation, rather than the ordinary income tax rates of up to 39.6-percent that all other Americans pay. My legislation requires carried interest income to be taxed at ordinary rates. According to the Joint Committee on Taxation, closing this loophole will raise \$15 billion in revenue over 10 years. I believe that if we make wealthy and powerful hedge funds pay their fair share, we can invest this revenue in much-needed tax cuts for working families and small businesses.

As a candidate, you included closing the carried interest tax loophole in your tax reform plan and spoke about it extensively, stating, "We will eliminate the carried interest deduction and other special interest loopholes that have been so good for Wall Street investors, and for people like me, but unfair to American workers." On May 1, 2017, after being asked why your brief tax reform outline didn't specifically mention carried interest after campaigning on its closure, you responded by saying, "It's out. Done . . . carried interest was great for me, but carried interest was unfair and it's gone."

Despite your previous statements, media reports about your pending tax reform plan raise concerns that you are walking away from your pledge to close the carried interest tax loophole. In fact, it appears that in addition to giving massive tax cuts for millionaires and billionaires, you

would create additional partnership loopholes—essentially creating an even bigger loophole that hedge fund managers and others could exploit. Furthermore, your Treasury Secretary Steven Mnuchin recently suggested that the carried interest loophole would only be eliminated for hedge fund managers, but for not others, such as private equity managers. This exemption would be a classic Washington game of bait-and-switch, quickly becoming a loophole used by investment partnerships and Washington lobbyists to avoid the paying their fair share.

In a recent column for the Milwaukee Journal Sentinel, you stated, “I want to work with Congress on a plan that is pro-growth, pro-jobs, pro-worker and pro-American.” On this, we have common ground from which to work. However, before we give large tax breaks to millionaires, billionaires and big corporations, we must first close the tax loopholes that many are taking advantage of, allowing some to pay little to nothing in taxes.

I believe our goal for tax reform must be reducing taxes on small businesses to spur economic growth and cutting taxes on working class Americans so people can keep more of what they earn. Tax reform cannot leave working families behind- it needs to help them get ahead. If you are in fact serious about closing the carried interest tax loophole for hedge fund managers on Wall Street, I have legislation to do just that and I would welcome your support in passing it in Congress. My tax reform legislation is just one way we can work together to put more money into the pockets of everyday hardworking people, while keeping your promise to them.

Sincerely,



Tammy Baldwin  
United States Senator

CC:

The Honorable Mitch McConnell, Senate Majority Leader  
The Honorable Paul Ryan, Speaker of the House of Representatives  
The Honorable Orrin Hatch, Chairman, Senate Finance Committee  
The Honorable Kevin Brady, Chairman, House Ways and Means Committee  
The Honorable Steve Mnuchin, Secretary, Department of the Treasury  
The Honorable Gary Cohn, Director, National Economic Council