

United States Senate

WASHINGTON, DC 20510

November 8, 2017

The Honorable Orrin Hatch
Chairman
Senate Committee on Finance
104 Hart Senate Office Building
Washington, D.C. 20510

Dear Chairman Hatch:

President Trump has made a promise to the American people to close the carried interest tax loophole. He included the promise in his tax reform plan as a candidate. He 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 his tax reform outline didn't specifically mention carried interest after campaigning on its closure, the President responded by saying, "It's out. Done...carried interest was great for me, but carried interest was unfair and it's gone."

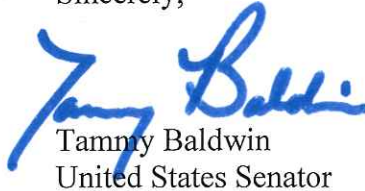
I agree with President Trump, this loophole for hedge fund managers on Wall Street should be closed and we should work together to help him keep his promise. The carried interest loophole allows certain investment managers to benefit from a tax loophole that allows them to take advantage of the preferential 20 percent tax long-term capital gains rate on income received as compensation, rather than the ordinary income tax rates of up to 39.6 percent that all other Americans pay. That's why I introduced the Carried Interest Fairness Act (S. 1020). This legislation requires carried interest income to be taxed at ordinary rates and according to the Joint Committee on Taxation, closing this loophole will raise \$15 billion in revenue over 10 years.

However, the amendment offered by House Ways and Means Committee Chairman Brady on Monday maintains the ability of hedge fund and private equity managers to claim the lower capital gains rate on their compensation. The amendment requires the higher short-term capital gains rates for investment income only if the investments are held for less than three years. This change will not affect the majority of partnership investments which are longer than three years. It also allows these filers to avoid the payroll taxes ordinary workers must pay on their labor income.

I believe that if we close this tax loophole for wealthy and powerful hedge fund managers, we can invest this revenue in much-needed tax cuts for hard working families and small businesses who need tax relief. However, the House's partisan tax proposal lets big money hedge funds keep this loophole so they can pay a lower tax rate than the vast majority of working people across Wisconsin. That's not fair and it fails to keep the President's promise.

Today, I'm writing to urge you to include the provisions of S. 1020, the Carried Interest Fairness Act, in your upcoming tax reform legislation. My legislation would close the carried interest loophole for millionaires and billionaires on Wall Street once and for all. I encourage you to include my tax reform in your legislation in order to make good on an important promise President Trump should keep.

Sincerely,



Tammy Baldwin
United States Senator