

United States Senate

WASHINGTON, DC 20510

October 22, 2015

The Honorable Mitch McConnell
Majority Leader
United States Senate
Washington, DC 20510

The Honorable Harry Reid
Minority Leader
United States Senate
Washington, DC 20510

Dear Majority Leader McConnell and Minority Leader Reid:

We are encouraged that negotiations are underway to provide Americans relief from the damaging cuts and budget caps laid out in the Budget Control Act. These indiscriminate cuts were never intended to be permanent policy and we are supportive of efforts to reach a bipartisan budget compromise. As you continue your work to find the revenue and spending cuts required to craft such a deal, we encourage you to consider including a provision to close the carried interest loophole. This long overdue tax change would raise valuable revenue to finance critical investments and prevent damaging sequester cuts.

Allowing sequester cuts to move forward at this crucial time could do serious harm to the American economy and middle-class families. Closing the carried interest loophole would have a negligible impact on economic output, while taking a significant step towards sequester relief. The Carried Interest Fairness Act (S. 1686) was recently estimated by the Joint Committee on Taxation to raise \$15.6 billion in revenue over ten years.

Closing this loophole is also advisable from a tax fairness perspective. The loophole allows investment managers to receive a 50 percent discount on the taxes they pay on their labor income. This allows many of our economy's highest earners to pay a lower effective tax rate than our nurses, first responders, truck drivers, and teachers. This inequity in the tax code is also a driving force behind rising income inequality in the United States.

As you know, President Obama has been a long-time supporter of closing the carried interest loophole, including it in several of his budget requests. In addition to the President, closing the loophole has been proposed by Republican tax writers and prominent members of the investment management community. With support increasing by the day, we believe that the current budget negotiation is the perfect opportunity to make this long overdue change to our tax code.

Sincerely,



Tammy Baldwin
United States Senator



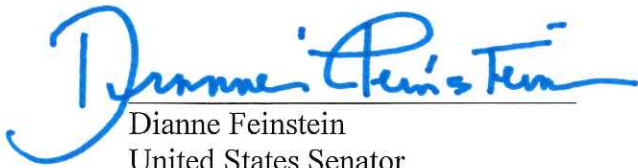
Jack Reed
United States Senator



Al Franken
United States Senator



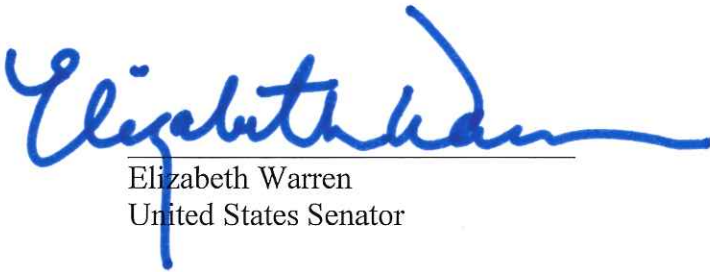
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