



AMERICANS  
*for* TAX REFORM

December 8, 2009

The Honorable Charlie Rangel  
Chairman, House Ways and Means Committee  
U.S. House of Representatives  
Washington, DC 20515

Dear Chairman Rangel:

**On behalf of Americans for Tax Reform, I wanted to express my disappointment in H.R. 4213, the “Tax Extenders Act of 2009.”** In particular, this bill continues a bad tax practice which has been characteristic of your reign as Chairman of Ways and Means: namely, temporarily extending current tax law and “paying for it” with new, permanent tax increases.

Every year or two, Congress “extends” tax provisions which are scheduled to expire. Congress only lets these provisions threaten to expire to create a “must-pass” bill. This bill often becomes a vehicle for controversial legislation. While unseemly, this “train leaving the station” tactic has been used by many Congresses controlled by both Republicans and Democrats.

What makes this tactic distasteful in recent years has been the Democrat leadership’s attempt to legislate permanent new tax hikes merely to extend current tax law. The new tax hikes are permanent, while the extended tax law is only one or two years. Over time, the accumulation of these new and permanent tax hikes results in very large increases in the overall net tax burden.

**H.R. 4213 has one new tax increase that will hit hardest on charities, university endowments, and defined benefit pension plans.** The bill taxes capital gains earned by investment partnership managers not as capital gains (which is what they are), but as ordinary income. This raises the tax rate on this “carried interest” in an investment partnership from 15 percent today to 35 percent in 2010 and 39.6 percent in 2011. Managers of investment partnerships will demand a bigger profit share to compensate for these higher taxes. That reduces the profit remaining for the limited partners—who are most often charities, university endowments, and defined benefit pension plans.

**This bill is anti-taxpayer. Requiring taxpayers to give Uncle Sam more money just to keep current tax rules in place is akin to paying the mob not to smash your windows in.**

Sincerely,

Grover G. Norquist  
GGN: rle

722 12<sup>th</sup> Street N.W.

Fourth Floor

Washington, D.C.

20005

T: (202)785-0266

F: (202)785-0261

[www.atr.org](http://www.atr.org)