Dear Chairman Brady and Ranking Member Neal:

We applaud your drive to overhaul the country’s outdated tax code, a bloated patchwork of rates and rules that impedes economic growth, discourages investments, makes it harder for American businesses to compete globally, and saddles taxpayers with cumbersome paperwork that eats up countless hours each year. Lowering rates for individuals and businesses will free up much-needed capital to give the economy a boost and put more money back in the pockets of the taxpayers who earned it. But, in your effort to offset the costs of those rate reductions, we urge you not to increase taxes on long-term investment income known as carried interest capital gains.

Carried interest is a long-term profits interest in a business that has operated for years. And, like any business, there are risks associated with the long-term investments on which carried interest is realized. For more than a century, tax law has appropriately defined profits derived from the sale of capital assets as capital gains income. Changing that characterization as it relates to carried interest capital gains would arbitrarily punish investors in real estate, venture capital, private equity and other partnerships by treating their gains differently than those of other investors. According to the Internal Revenue Service, there are more than 3.6 million partnerships in the U.S., comprising more than 27 million partners. Many would be negatively impacted, if Congress changes the way these investments are taxed.

For years, people who want to raise taxes have mischaracterized the tax on these long-term investments as a loophole. It is not. Loopholes, subsidies and other tax expenditures distort or deviate from the normative principles of the tax code. Carried interest, on the other hand, meets all the criteria of a long-term capital gain: It is a capital gain realized from an entrepreneurial investment of expertise – in a capital asset that appreciates over more than one year. As such, it should be treated as a capital gain. Closing tax loopholes makes sense to help lower rates for American workers. However, carried interest is not a loophole and, therefore, these investors should not be punished by paying discriminatory higher tax rates.

Now, more than ever, we need a tax reform package that bolsters long-term investment in American companies. Carried interest does exactly that.
We applaud your decision to adhere to conservative principles by not including a carried interest tax increase in your tax reform blueprint. Now, as you draft the legislation, we urge you to remain strong in your commitment to long-term business investment and continue to oppose any change to the treatment of carried interest as capital gains.

Sincerely,

Richard Hudson  
Member of Congress

Trent Franks  
Member of Congress

Louie Gohmert  
Member of Congress

Frank D. Lucas  
Member of Congress

Alexander X. Mooney  
Member of Congress

Pete Sessions  
Member of Congress

Lamar Smith  
Member of Congress

Steve Stivers  
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Thomas MacArthur  
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Warren Davidson  
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Tom Rooney  
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Dennis Ross  
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David Rouzer  
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Robert Pittenger  
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Francis Rooney  
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Ted Budd  
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John Culberson  
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Roger Williams  
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Bob Gibbs  
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Tom Emmer  
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Mike Turner  
Member of Congress  

Chuck Fleischmann  
Member of Congress