

May 4, 2010

The Honorable Max Baucus, Chairman
The Honorable Charles Grassley, Ranking Member
Senate Committee on Finance
219 Dirksen Senate Office Building
Washington, DC 20510-6200

CC: Members of the U.S. Senate

Re: Closing the Carried Interest Loophole

Dear Chairman Baucus and Ranking Member Grassley:

We at the U.S. Public Interest Research Group write to you today to ask that you stand up for taxpayers and tax justice. U.S. PIRG is a non-profit, non-partisan federation of state-based organizations with offices in 28 states and membership nationwide. When the voices of ordinary citizens are drowned out by special interest lobbyists, U.S. PIRG speaks up and takes action. We've enjoyed working with your offices on tax reform and on banning tax patent strategies. But we write today about a specific loophole that is an insult to taxpayers.

As you know, Wall Street hedge fund managers enjoy an income tax rate of just 15%. They benefit from what is known as the "carried interest" loophole, which taxes their income at the capital gains rate.

To put the injustice in perspective, a single person qualifying for a 15 percent rate makes \$8,375 - \$34,000 per year. But top fund managers, who also pay a 15 percent rate, bring home at least \$75 million per year in "down year" and as much as \$570 million in a good year. Two types of workers, with an income spread of multiple millions, are taxed the same.

While millions of Americans lost their jobs, their savings, their retirement, their health care and their homes, why is Washington in the business of subsidizing some of the very people who bet on the market collapse? It's unfathomable that by simply mislabeling their income these mega-millionaires are taxed at a rate less than teachers, police officers and small business owners, for example.

Some in Congress characterize closing the loophole as a "tax increase" - when in fact it is just treating these employees and employers like the rest of us. Similarly situated workers are taxed at a rate of 35 percent and have payroll taxes added on as well.

The House of Representatives has passed this provision three times. Congress should show their constituents that Wall Street doesn't deserve to be subsidized by the rest of us. There has never been a more important moment to stand with Main Street - and closing the outrageous carried interest loophole is a start.

Sincerely,

Nicole Tichon
Federal Tax and Budget Reform Advocate
U.S. Public Interest Research Group