Stop Wall Street Looting Act of 2024

Endorsements: *Action Center on Race and the Economy, AFL-CIO, American Economic Liberties Project, American Federation of Teachers, Americans for Financial Reform, Center for Popular Democracy, Coalition for Patient-Centered Care, Communications Workers of America, Community Catalyst, Economic Policy Institute, Indivisible, Massachusetts Nurses Association, National Employment Law Project, National Nurses United, National Women's Law Center, Private Equity Stakeholder Project, People's Action, Public Citizen, SEIU, Strong for All, Student Borrower Protection Center, Take Medicine Back, Take on Wall Street, UNITE HERE, United for Respect, Working Families Party, Worth Rises*

Over the last two decades, private equity activity in the economy has exploded. Since 2020, private equity fund assets continue to grow exponentially, reaching nearly $8 trillion in 2023 compared to $4.5 trillion in 2020. Private equity funds have purchased companies in nearly every sector of economy—from nursing homes, to newspapers, to grocery stores—laying off hundreds of thousands of workers and ruining thousands of companies in the process.

The private equity industry claims to invest in companies while also earning high returns for investors by using their capital to buy companies, using funds' management expertise to make the companies' operations more efficient, and then selling the companies at a profit. In reality, private equity funds often load up debt on the companies they buy, strip them of their assets, and extract exorbitant fees, guaranteeing payouts for themselves regardless of how the investment performs, and walking away from workers, communities, and investors if the bets go bad.

It's time to level the playing field, protect workers, consumers, and investors, and force private equity firms to take responsibility for the companies they control by closing the loopholes that allow them to capture all the rewards of their investments while insulating themselves from risk. The **Stop Wall Street Looting Act** will:

- **Require Private Investment Funds to Have Skin in the Game:** Firms, the firm's general partners, and their insiders will all be on the hook for the liabilities of companies under their control—including debt, legal judgments and pension-related obligations—to better align the incentives of private equity firms and the companies they own. Liability would not extend to the fund's limited partners, ensuring that only those that control portfolio firms are on the hook. In order to encourage more responsible use of debt, the bill ends the tax subsidy for excessive leverage and closes the carried interest loophole.
- **End Looting of Portfolio Companies**. To give portfolio companies a shot at success, the bill limits how much money private equity firms can extract from companies and closes the loophole that private equity firms have used to hide certain assets from bankruptcy courts. Every transaction since Steward Health Care was bought by private equity would be subject to review as part of Steward's bankruptcy to determine whether it can be clawed back as a fraudulent transfer.
- **Protect Workers, Customers and Communities.** This proposal prevents private equity firms from walking away when a company fails and protects stakeholders by:
    - o Prioritizing workers' pay in the bankruptcy process and amending the laws to increase the priority claims for unpaid earnings and other benefits from $10,000 to $20,000 per worker.

    - Creating incentives for job retention so that workers can benefit from a company's second chance.
    - Ending the immunity of private equity firms from legal liability when their portfolio companies break the law, including the WARN Act. When workers at a plant are shortchanged or residents at a nursing home are hurt because private equity firms force portfolio companies to cut corners, the firm should be liable.
    - Expanding protections for striking workers by clarifying unfair labor practices and the employer duty to bargain.
- **Empower Investors by Increasing Transparency:** Private equity managers will be required to disclose fees, returns, and other information about their funds and the corporate loans they make so that investors can monitor their investments. This would have required Cerberus to disclose the terms of its investments in Steward Health Care, which Cerberus continues to withhold from Congress.
- **Put Guardrails Around Accessing Public Funds**. Firms receiving any funds from a federal or state agency must publicly disclose how the funds are used and will be prohibited from acquiring any company or making a distribution to investors for two years after receipt.
- **Drive REITs out of Health Care.** Prohibits payments from federal health programs to entities that sell assets or use assets for a loan collateral made to a Real Estate Investment Trust (REIT); repeals a rule in the Tax Code that allows taxable REIT subsidiaries to exert influence on the operations of health care entities; and removes the 20 percent pass-through deduction, passed in the 2017 Trump tax cuts, for all REIT investors. Ralph de la Torre executed a sale-leaseback transaction of the Steward properties in exchange for a $1.25B payout from a REIT; this would have banned the hospitals from continuing to receive federal dollars upon executing the property sale—thus likely preventing the sale.