

United States Senate

WASHINGTON, DC 20510

May 18, 2025

President Donald J. Trump
The White House
1600 Pennsylvania Avenue NW
Washington, DC 20500

Dear Mr. President:

We write to ask that you follow through on your promise to eliminate the carried interest loophole and demand that Congressional Republicans eliminate it in any tax bill they send to your desk.

During your first campaign, you claimed that the carried interest loophole was “ridiculous” and “unfair to American workers” and that the individuals reaping the benefits from the loophole were “getting away with murder.”¹ We agree. Despite the extraordinary profits that private equity funds are raking in each year, the carried interest loophole allows private equity managers to avoid paying their fair share of taxes, often paying tax rates that are lower than middle-class workers.²

When private equity managers oversee an investment fund, they receive a 20% share of the profits earned from the funds’ investments.³ This portion of future profits is known as “carried interest.”⁴ Although carried interest is essentially salary for private equity managers, it is not subject to the ordinary income tax rate of 37% and instead is taxed at the 20% capital gains rate as long as the investments are held for at least three years.⁵ The result? Private equity fund managers who routinely make hundreds of millions of dollars are subject to a tax rate lower than that of an average blue-collar worker making \$85,000 a year.⁶

¹ ProPublica, “Despite Trump Campaign Promise, Billionaires’ Tax Loophole Survives Again,” Alec MacGillis, November 3, 2017, <https://www.propublica.org/article/despite-trump-campaign-promise-billionaires-tax-loophole-survives-again>; CNBC, “Gary Cohn: We ‘tried 25 times’ to cut hedge fund loophole in tax reform bill, but failed,” Tae Kim, December 20, 2017, <https://www.cnbc.com/2017/12/20/cohn-tried-25-times-to-cut-hedge-fund-loophole-but-failed.html>; New York Times, “Wall Street Prepares to Defend a Favored Tax Break, Again,” Andrew Ross Sorkin, Ravi Mattu, Bernhard Warner, Sarah Kessler, Michael J. de la Merced, Lauren Hirsch, and Edmund Lee, February 7, 2025, <https://www.nytimes.com/2025/02/07/business/dealbook/trump-carried-interest-tax.html>.

² NPR, “This tax loophole allows hedge funds to pay a lower rate than middle-income Americans,” July 31, 2022, <https://www.npr.org/2022/07/31/1114759016/this-tax-loophole-allows-hedge-funds-to-pay-a-lower-rate-than-middle-income-amer>.

³ The Hill, “Mr. President, close the carried interest loophole,” Ned Ryun, December 24, 2017, <https://thehill.com/opinion/white-house/366344-mr-president-close-the-carried-interest-loophole/>.

⁴ New York Times, “Private Inequity: How a Powerful Industry Conquered the Tax System,” Jesse Drucker and Danny Hakim, September 8, 2021, <https://www.nytimes.com/2021/06/12/business/private-equity-taxes.html>.

⁵ NPR, “A tax loophole made fund managers rich. Closing it may help pay for the climate bill,” Becky Sullivan, August 3, 2022, <https://www.npr.org/2022/08/03/1115218183/carried-interest-close-tax-loophole>.

Though this massive loophole costs the federal government billions of dollars in revenue,⁷ efforts to constrain it have consistently fallen short.⁸ In a desperate attempt to retain Wall Street's favorite loophole, the private equity industry doles out eye-popping amounts of campaign cash to curry favor with politicians sympathetic to their cause.⁹ And it works.¹⁰ In fact, economists have credited the hedge-fund-led lobbying blitz to the survival of the loophole.¹¹ Overall, the industry doled out almost \$600 million to political campaigns over the last decade,¹² a cheap price tag for a loophole worth upwards of \$63 billion over the next ten years.¹³

It is clear that the private equity industry has fought hard to retain these extraordinary tax giveaways. What is less clear is whether you will allow your party to deviate from your commitments, bow to industry demands, and fail to close the loophole for a second time. You were an avid supporter of closing the carried interest loophole throughout your first campaign and during the first few months of your first administration.¹⁴ Your chief economic adviser even publicly confirmed in September 2017 that you “remain[ed] committed to ending the carried interest deduction.”¹⁵ Yet, only a few months later, your signature legislative package, the *Tax Cuts and Jobs Act*, did virtually nothing to change the loophole.¹⁶

Now, you have another opportunity to get the job done. You have once again confirmed your desire to end the loophole,¹⁷ and we understand that last week you asked Speaker Johnson to

⁶ The Hill, “Mr. President, close the carried interest loophole,” Ned Ryun, December 24, 2017, <https://thehill.com/opinion/white-house/366344-mr-president-close-the-carried-interest-loophole/>.

⁷ NPR, “A tax loophole made fund managers rich. Closing it may help pay for the climate bill,” Becky Sullivan, August 3, 2022, <https://www.npr.org/2022/08/03/1115218183/carried-interest-close-tax-loophole>.

⁸ CNBC, “Lobbyists shielded carried interest from Biden’s tax hikes, top White House economist says,” Christina Wilkie, September 30, 2021, <https://www.cnbc.com/2021/09/30/lobbying-kept-carried-interest-out-of-bidens-tax-plan-bernstein-says.html>.

⁹ New York Times, “Private Inequity: How a Powerful Industry Conquered the Tax System,” Jesse Drucker and Danny Hakim, September 8, 2021, <https://www.nytimes.com/2021/06/12/business/private-equity-taxes.html>.

¹⁰ CNBC, “Lobbyists shielded carried interest from Biden’s tax hikes, top White House economist says,” Christina Wilkie, September 30, <https://www.cnbc.com/2021/09/30/lobbying-kept-carried-interest-out-of-bidens-tax-plan-bernstein-says.html>.

¹¹ *Id.*

¹² New York Times, “Private Inequity: How a Powerful Industry Conquered the Tax System,” Jesse Drucker and Danny Hakim, September 8, 2021, <https://www.nytimes.com/2021/06/12/business/private-equity-taxes.html>.

¹³ Office of Senator Ron Wyden, “Ending the Carried Interest Loophole Act,” https://www.finance.senate.gov/imo/media/doc/ending_the_carried_interest_loophole_act_one_pager.pdf.

¹⁴ ProPublica, “Despite Trump Campaign Promise, Billionaires’ Tax Loophole Survives Again,” Alec MacGillis, November 3, 2017, <https://www.propublica.org/article/despite-trump-campaign-promise-billionaires-tax-loophole-survives-again>; CNBC, “Gary Cohn: We ‘tried 25 times’ to cut hedge fund loophole in tax reform bill, but failed,” Andrew Harn, December 20, 2017, <https://finance.yahoo.com/news/gary-cohn-apos-tried-25-155433069.html>.

¹⁵ ProPublica, “Despite Trump Campaign Promise, Billionaires’ Tax Loophole Survives Again,” Alec MacGillis, November 3, 2017, <https://www.propublica.org/article/despite-trump-campaign-promise-billionaires-tax-loophole-survives-again>.

¹⁶ *Tax Cuts and Jobs Act*, H.R. 1, <https://www.congress.gov/115/bills/hr1/BILLS-115hr1enr.pdf>.

¹⁷ New York Times, “Trump Wants to Kill Carried Interest. Wall Street Will Fight to Keep It,” Grady McGregor, March 8, 2025, <https://www.nytimes.com/2025/03/08/business/dealbook/trump-carried-interest.html>.

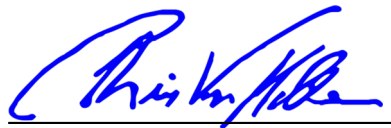
close the carried interest loophole.¹⁸ Notably, the House Ways and Means Committee defied your wishes and chose to advance legislation that does not eliminate the carried interest loophole.¹⁹

So, Mr. President, will you get it done?

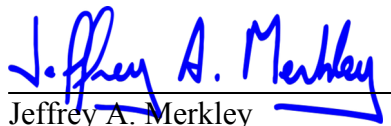
Sincerely,

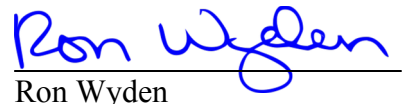

Elizabeth Warren
United States Senator

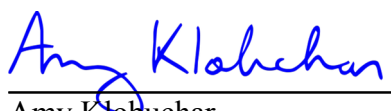

Tammy Baldwin
United States Senator


Chris Van Hollen
United States Senator

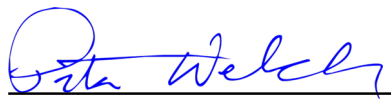

Sheldon Whitehouse
United States Senator

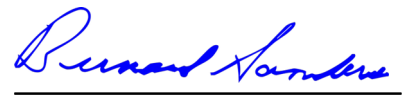

Jeffrey A. Merkley
United States Senator


Ron Wyden
United States Senator


Amy Klobuchar
United States Senator


Jack Reed
United States Senator


Peter Welch
United States Senator


Bernard Sanders
United States Senator

¹⁸ Reuters, “Trump urged US House Speaker Johnson to raise top tax rate, sources say,” David Morgan and Steve Holland, May 8, 2025, <https://www.reuters.com/world/us/trump-urged-speaker-johnson-raise-top-tax-rate-source-says-2025-05-08/>.

¹⁹ MSN, “House panel releases sweeping GOP tax bill,” May 12, 2024, Mychael Schnell, <https://www.msn.com/en-us/news/politics/house-panel-releases-sweeping-gop-tax-bill/ar-AA1EDpCa?ocid=TobArticle>.