

STOP THE NEW TAX ON SMALL BUSINESS INVESTMENT

Protect Responsible TCJA Carried Interest Policy that Drives Economic Growth & American Innovation

- ✓ The private equity industry is long on America – supporting small businesses, workers, entrepreneurs, innovation, and tax revenues.
- ✓ After President Trump’s historic tax reform, the private equity industry invested over **\$5.6 trillion** in the American economy – backing over 39,000 small businesses.
- ✓ President Trump’s historic law struck the right balance on carried interest capital gains treatment and encouraged long-term local investment, innovation, and economic growth. We encourage the Trump Administration and Congress to keep this sound tax policy in place and unleash more long-term capital investment that supports jobs, workers, small businesses, and local communities.
- ✓ Over the next five years, the private equity industry will invest over \$3 trillion across America. A new tax on small business investors and entrepreneurs would hurt jobs and discourage the investment and innovation we need for the American economy to grow.

Capital Gains Treatment:

Does not expire in 2025 unlike other major corporate tax provisions – Congress does not need to do anything to protect the long-term investments carried interest incentivizes. In 2017, the TCJA extended the hold time for assets from one to three years for an investor carried interest to be taxed at the long-term capital gains rate –which helped strengthen long-term investment in America.

Is a basic component of partnership tax law and it dates back to the Tax Code’s inception. Carried interest capital gains occurs in virtually any partnership that raises money (profits interest). It is simply an agreement between partners on sharing eventual profits (capital gain) from the sale of a business (capital assets) and is currently taxed appropriately at capital gain rates.

Would not raise significant revenue – The Congressional Budget Office **estimated** that a 2024 proposal targeting carried interest would only raise \$13 billion over ten years – less than one day of federal spending.

New Tax Increases Threaten America's Economy

A [study](#) from University of Southern California Professor Charles Swenson found that raising taxes on carried interest would lead to the:

Elimination of 1.23 million American jobs over ten years

Reduction of \$70 billion in tax revenue over 10 years for federal, state, and local governments

Loss of \$520 million annually in retirement earnings for public pension funds

Support Private Equity and Private Credit's Ability to Power America



Jobs

Private equity invests in every state and Congressional district across America – directly backing over 12 million jobs, which on average, provide \$80,000 in wages and benefits, equating to roughly \$41 per hour for a fulltime worker and nearly \$10,000 thousand more than the average U.S. worker. Throughout the U.S. supply chain, private equity-backed companies created a net of four new jobs per 100 full-time employees this year.

Energy

Private equity fund investments are helping drive the shift towards domestic energy production—from building new plants and expanding oil and gas operations, to maintaining pipelines and extracting critical minerals. Since 2020, private equity firms have invested over \$230 billion in the US energy sector.

Manufacturing

For the past decade, private equity fund investments, incentivized by carried interest, have channeled more than \$1.4 trillion in more than 11,000 manufacturing businesses in every state of the country. Each year, nearly 1,000 manufacturers take on new private equity investments, and it is common to see at least \$100 billion invested into these companies in any given year.

Small Businesses

Small businesses turn to private equity for strategic investments and operational assistance. In 2022, approximately 85% of private equity-backed companies were small businesses that directly employed a total of 1.4 million workers across America. Private equity-backed small businesses, suppliers, and related consumer spending also supported 4.4 million workers, earning \$360 billion in wages and benefits and produced \$615 billion of GDP growth in 2022.

Innovation

Private equity is providing capital and industry expertise to thousands of companies at the leading edge of innovation and addressing many of our most pressing societal challenges. Our investments are funding life-saving medical devices, strengthening cybersecurity, and powering artificial intelligence. Since 2020, private equity firms have invested over \$1 trillion into information technology.

Tax Revenue

Private equity firms and their investments generate significant tax revenues, which strongly support federal, state, and local governments. In 2022, private equity paid \$304 billion in federal, state, and local taxes, with approximately \$208 billion or two thirds going to federal taxes and the remaining \$95 billion going to state and local governments.