

## United States Senate

WASHINGTON, DC 20510-2309

June 24, 2015

The Honorable Jack Lew  
Secretary  
U.S. Department of the Treasury  
1500 Pennsylvania Avenue, NW  
Washington, D.C. 20220

Dear Secretary Lew:

I am writing to urge you to bring increased transparency to investors and the public about so-called "carried interest" income. Disclosure of carried interest income by private equity and other investment funds as a separate item of income on Form 1065 and reported to each partner on Schedule K-1 will help the government better understand the operation of investment funds and will help public pension funds and other limited partners make informed investment choices on behalf of the pensioners and investors they represent. It will also provide the public with important information on the scope of this carried interest loophole.

The carried interest loophole is just one of many ways that the U.S. tax code offers preferential treatment to the wealthiest Americans. The ability of private equity fund managers to classify their income as carried interest in order to take advantage of lower capital gains taxes allows these managers to avoid billions of dollars in income taxes annually, while Americans in middle-class professions who receive performance pay are required to pay regular income tax rates on their tips or bonuses.

Reforming this inequity has been a focus of Congress and the Administration. However, the lack of transparency in the private equity industry has long hampered efforts to measure the scope of the problem for taxpayers and investors and to understand the full benefits of addressing the problem. While regulators, experts, and investors have raised concerns about the growing effects of the lack of transparency surrounding private equity fee disclosure, the financial industry continues to be able to hide the extent to which the industry is taking advantage of the carried interest income classification from policymakers, taxpayers, and investors.

Your Department has the authority to make a simple change to tax reporting requirements that would increase transparency and encourage greater accountability. I urge you to require that private investment fund partnerships disclose the amount of carried interest paid to general partners in their annual tax filings starting with the 2015 tax year. I believe this modest but important step will assist policymakers at all levels of government working to reduce rising income inequality and support the financial security of the middle class and those striving to join the middle class.

Sincerely,



Al Franken  
United States Senator