

PATRIOTIC MILLIONAIRES

Patriotic Millionaires
1701 K St NW, Suite 750
Washington, DC 20006

New York State Legislature
State St. and Washington Ave
Albany, NY 12224

January 6, 2018

Dear Senator Young, Assemblywoman Weinstein, and other members of the state Legislature,

Thank you for the opportunity to address you all on an issue as important as the carried interest loophole.

I represent a group called the Patriotic Millionaires, a collection of wealthy individuals deeply troubled by the growing economic inequality throughout our nation, and here in New York as well. We believe that our nation is weakened and diminished when the wealthy get to play by their own set of rules while everyone else falls behind, and that is why we are so concerned with the carried interest tax loophole.

This egregious, unfair loophole has allowed some of the wealthiest people in this country to avoid paying their fair share for far too long, leaving the middle class to carry the burden of funding the government in their stead. In the face of inaction in Washington, it is beyond encouraging to see that New York state is prepared to lead by example. The inclusion of a carried interest "Fairness Fix" in the Executive Budget Proposal is a major step towards tax fairness for our great state, and I urge all of you to preserve this important provision in the final state budget.

The carried interest loophole is truly one of the most outrageous examples of an unjust loophole in our tax code. People who run venture capital funds and hedge funds perform a valuable service, making lots of money for their clients, and are rightfully paid very well in return, but there is no reason that they should be entitled to a special, lower tax rate that only they can take advantage of. Those who make the most money should pay taxes on it like everyone else. It is absurd that some of the highest earning people in our state actually have tax rates lower than the majority of New Yorkers.

The investment managers who benefit from carried interest have created a legal fiction of being partners with their clients, which they then use to take advantage of a tax break meant for investors by claiming that their pay for their work is actually a gain on a long term capital investment. This makes as much sense as someone who mows lawns wanting to pay taxes at the long term capital gains rate, because he increased the value of the houses whose lawns he'd mowed.

The argument made by the defenders of the carried interest loophole is that we must all play by their rules, or they will take their money and leave. But their attempt at economic blackmail ignores a crucial point - those people who move to avoid state taxes have moved long ago. The people who care about nothing but their tax rate live in Kansas or Alabama, not New York.

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The Empire State has the most vibrant economy and is the home for the most innovative companies not because we have the smallest government, but because we have the government that has the resources to supply education and public services that make people want to move here and live here. New York is New York in large part because of the services the state provides, and by closing the carried interest loophole, we can and will do more to make this a place people want to live.

There is an incredible opportunity here for the state of New York. The math is easy. The estimated \$3.5 billion dollars this proposal will take in from the carried interest fairness fee will come from just a few thousand of the richest New Yorkers, those who have paid less than their fair share for decades, but it will materially improve the lives of millions of New Yorkers.

Thank you for your consideration.

Kind regards,

Morris Pearl
Chair of the Patriotic Millionaires