



June 18, 2021

The Honorable Ron Wyden
Chairman
Committee on Finance
United States Senate
Washington, DC 20510

The Honorable Michael Crapo
Ranking Member
Committee on Finance
United States Senate
Washington, DC 20510

The Honorable Richard Neal
Chairman
Ways and Means Committee
U.S. House of Representatives
Washington, DC 20515

The Honorable Kevin Brady
Ranking Member
Ways and Means Committee
U.S. House of Representatives
Washington, DC 20515

Re: Proposed Taxes on Long-Term Capital Gains

Dear Chairman Wyden, Ranking Member Crapo, Chairman Neal, and Ranking Member Brady:

The undersigned organizations work alongside small businesses across the United States as investors and strategic partners, helping these businesses grow, hire new workers, and make a positive impact on their local communities. We write to express our deep concern over current proposals in Congress that would unfairly tax investments made in small businesses, making it exceedingly harder for our economy to fully recover from the pandemic.

The current debate over tax policy has unfortunately devolved into a caricature of wealth in the United States and has largely ignored the impact that recent tax proposals will have on millions of small businesses, their communities, and their employees. Small business “wealth” is the result of years of sacrifice, dedication, and the sweat equity that millions of entrepreneurs put into the businesses they create. It is not created by speculation in the large public markets, “get rich quick” schemes, or other means that have unfortunately become the justification for raising taxes on small businesses and their investors. Small business wealth is created by hard work, perseverance, patience, and confidence in the long-term return on an investment.

Our firms provide long-term, patient capital to small businesses, many of which would struggle or fold entirely if they did not have partners to invest in their growth. It can take years or even decades for investors to realize profits from the commitments they make to their portfolio companies. Disincentivizing such investment would have serious, long-term ramifications for small businesses and our economy and would make it even harder for entrepreneurs to get their ideas off the ground.

Our firms largely operate and provide capital to small businesses that are located most commonly outside of Silicon Valley and Wall Street. The investments we make are in areas of the country that are underserved by traditional lenders or otherwise passed over. We are often the lifeline that businesses look towards to navigate a difficult period or achieve their growth objectives. According to a recent report, in 2020, private equity firms were invested in 16,000 businesses throughout the United States which collectively employed 11.7 million workers.¹ 86% of these were small businesses.

Tax increases on long-term capital gains, which include carried interest, are taxes on small business owners, their families, their employees, and their investors. The current proposed tax policy is the exact opposite of what is needed to reinvigorate our economy, create jobs, and provide upward mobility. When a small business is sold after operating for years, it can often be for more than the proposed \$1 million threshold of what is being deemed as “wealthy,” and therefore taxed at a double rate. In many cases, the entire sale proceeds of a family-owned business could be that family’s entire retirement nest egg and college savings fund. Doubling the taxes for such a sale does not contribute to tax “fairness” – it only serves as a punitive measure after years of the sacrifice, hard work, risk, and investment that go into building a business.

We urge Congress to consider the impact these proposed tax increases will have on Main Street businesses and their investors, and to reject changes to the tax code that penalize entrepreneurship and small business investment. We look forward to working with members on this critical issue as the tax debate evolves.

Sincerely,

The Riverside Company

Cleveland, OH

NewSpring Capital

Radnor, PA | Towson, MD | Denver, CO

Diamond State Ventures

Little Rock, AR | Destin, FL

Salem Investment Partners

Greensboro, NC

HealthEdge Investment Partners

Tampa, FL | Atlanta, GA

Eagle Private Capital

St. Louis, MO

Dos Rios Partners

Austin, TX

Tonka Bay Equity Partners

Minnetonka, MN

Midwest Growth Partners

West Des Moines, IA | Omaha, NE

Route 2 Capital Partners

Greenville, SC | Charleston, SC

Jefferson Capital Partners

Mandeville, LA

North Atlantic Capital

Portland, ME

Resolute Capital Partners

Nashville, TN

AAVIN Equity Advisors

Cedar Rapids, IA | Kansas City, MO
Monona, WI

¹ https://www.investmentcouncil.org/wp-content/uploads/pe_economic_contribution_report_2020.pdf

Pivotal Capital Partners
Menlo Park, CA | Prairie Village, KS

Tecum Capital Partners
Pittsburgh, PA

LNC Partners
Reston, VA

Brass Ring Capital
Minnetonka, MN

Kian Capital
Atlanta, GA | Charlotte, NC

Dubin Clark & Company
Boston, MA | Jacksonville Beach, FL

Argosy Private Equity
Wayne, PA

LFE Capital
Naples, FL

GMB Capital Partners
Minneapolis, MN

High Street Capital
Chicago, IL

Argentum Group
New York, NY

Oxer Capital
Columbus, OH

Capitala Group
Charlotte, NC

Plexus Capital
Raleigh, NC

Merion Investment Partners
Radnor, PA | Santa Monica, CA

Brookside Capital Partners
Stamford, CT | Los Angeles, CA
Naples, FL | Boston, MA

LBC Small Cap
Radnor, PA

Saratoga Partners
New York, NY

Aldine Capital Partners
Chicago, IL

GarMark Partners
Stamford, CT

Convergent Capital
Minneapolis, MN | Newport Beach, CA

Tregaron Capital Co.
Palo Alto, CA

Independent Bankers Capital Funds
Dallas, TX

The Tokarz Group Advisers, LLC
Purchase, NY | Cincinnati, OH | Chicago, IL

Pine Street Capital Partners
Albany, NY

SBJ Capital
Walnut Creek, CA

Concentric Investment Partners
Raleigh, NC

Gemini Investors
Wellesley, MA

Lake Country Capital
Edina, MN

SharpVue Capital
Raleigh, NC

Parkway Capital
Lutherville, MD | Wellesley, MA

Graycliff Partners
New York, NY | Seattle, WA
Richmond, VA | Louisville, KY

Boathouse Capital

Wayne, PA

Stellus Capital Management

Houston, TX

Valesco Industries

Dallas, TX

Kidd Company, LLC

Greenwich, CT

Spell Capital Mezzanine

Minneapolis, MN

Topmark Partners

Tampa, FL

Cadence Bank, N.A.

Atlanta, GA | Houston, TX

Seacoast Capital

Danvers, MA | San Francisco, CA

Horizon Technology Finance

Farmington, CT | Pleasanton, CA

Maranon Capital

Chicago, IL

Bluehenge Capital Management, LLC

Baton Rouge, LA | Dallas, TX | New York, NY

Petra Capital Partners

Nashville, TN

Granite Creek Capital Partners

Chicago, IL

HCAP Partners

San Diego, CA

Spring Capital Partners

Lutherville, MD | Radnor, PA

Farragut Capital Partners

Washington, DC

Lineage Capital

Boston, MA

Capital Alignment Partners

Nashville, TN | Newport Beach, CA

Five/I Enterprises LLC

Atlanta, GA

Serra Ventures, LLC

Champaign, IL | San Diego, CA | Chicago, IL

Corbel Capital Partners SBIC

Los Angeles, CA

Central Valley Fund

Davis, CA | San Diego, CA | Fresno, CA

DCA Partners

Sacramento, CA

Patriot Capital

Baltimore, MD | Chicago, IL

Dallas, TX | Atlanta, GA