



May 6, 2024

The Honorable Tammy Baldwin
United States Senator
141 Hart Senate Office Building
Washington, DC 20510

Dear Senator Baldwin,

On behalf of our nation's venture capital (VC) investors and the entrepreneurs they support, I write to express our strong opposition to the reintroduction of the *Carried Interest Fairness Act*. This legislation would impose a tax increase on venture capital funds in a manner that would devastate the economics of startup investment. Further, this bill runs counter to one of the goals of "Bidenomics" which is to lower costs and help entrepreneurs and startups thrive. We would like to work with you and your colleagues in the Senate to promote entrepreneurship and create thousands of domestic jobs.

U.S. venture capitalists create important partnerships with institutional investors to combine the capital held by pension funds, endowments, foundations, and others. This allows investment to be maximized to create better returns for our country's retirees and non-profit entities. Furthermore, these investments are of a high-risk nature and give innovative young companies the opportunity to operate at a revenue loss for years. These partnerships last on average ten to fifteen years and the VCs work alongside the entrepreneurs providing strategic advice and counsel, sharing their contact networks, and doing anything they can to help the company succeed.

The economic impact of venture capital investment is clear. Research continues to show that new businesses are the engine of job creation in the United States and from 1990 to 2020, employment at VC-backed firms grew almost ten times as fast as the wider economy. Furthermore, a research paper produced by Stanford University finds that of the 1,339 companies that went public between 1974 and 2015, 42 percent can trace their roots to venture capital. In 2023 alone, there were 54,000 VC-backed companies with 6 million employees accounting for 80% of private R&D. Venture capital creates good jobs in strategically important industries, and it would be a mistake to discourage that.

Congress addressed carried interest in the 2017 *Tax Cuts and Jobs Act* (TCJA) to protect long-term investment. The change in law required investors to hold capital assets for three or more years before receiving long-term capital gains treatment. A tax increase on carried interest will disproportionately impact the venture capital ecosystem. It will disrupt the startup investment model, make it more difficult to attract and retain talent across the industry, and will create barriers to entry for new venture capital funds in emerging regions and underrepresented communities. A key ingredient to enhancing economic development in all 50 states.

At a time when our country is post-pandemic, facing cybersecurity challenges and climate change pressures, we need more entrepreneurs working to address these issues. NVCA stands ready to work with you and your colleagues to address our mutual goal of bolstering our economy and promoting policies that lay the foundation for the companies and technologies of tomorrow.

Sincerely,

A handwritten signature in black ink that reads "Bobby Franklin". The signature is written in a cursive, flowing style.

Bobby Franklin
President and CEO

