AFR Americans for Financial Reform

Honorable Member
United States Senate
Washington, DC 20510

June 25, 2025

Dear Senator:

Americans for Financial Reform urges the Senate to make Wall Street and private equity firms pay their fair share in the upcoming budget reconciliation legislation. The sweeping House-passed budget reconciliation bill prioritizes massive tax cuts for the ultra-wealthy while cutting critical programs like healthcare, nutrition assistance, and basic support for working families. The Senate version has only expanded these cuts to Medicaid and other programs. The combination of tax giveaways to the richest people and slashing programs that help everyone else has created the most regressive legislative package in decades that would deepen racial and economic inequality and further strain the economic stability of communities across the country.

The legislation also dismantles oversight and enforcement at agencies like the Consumer Financial Protection Bureau, effectively allowing Wall Street banks and financial predators to exploit people with impunity, leaving families with less in their pockets.

The Senate now has an opportunity to close tax loopholes that reward Wall Street and private equity titans and fuel financial predation, inequality, and corporate abuse. Raising taxes on Wall Street firms that least deserve federal largesse could more than *fully* eliminate the need for cuts to healthcare, nutrition, student loans, and other basic programs that protect families. Here are just ten of the most egregious Wall Street tax giveaways that Congress should end:

1. **Raise the surcharge on stock buybacks ($166 billion):** Stock buybacks are forecasted to hit a record $1 trillion in 2025—fueled by windfalls from a deep cut in the corporate tax rate.[1] Instead of investing in workers, innovation, or productive capacity, firms use buybacks to juice executive compensation, manipulate market valuations, and reward insiders in private transactions.[2] The Inflation Reduction Act of 2022 added a 1 percent tax on corporate stock buybacks[3]—a small but important step toward curbing this wasteful practice. Lawmakers have since proposed going further. Raising the stock buyback surcharge to 4 percent (as in the Stock Buyback Accountability Act) is projected to generate $166 billion in revenue over the next ten

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[1] Chakravarty, Kanchana, Roshan Abraham, and Sruthi Shankar. "Goldman Sachs expects U.S. buybacks to top $1 trillion in 2025." *Reuters*. March 7, 2024.
[2] Americans for Financial Reform and the Institute for Policy Studies. "Taxing Stock Buybacks Strengthens the Real Economy and Raises Nearly $200B for Critical Programs." June 2025.
[3] Internal Revenue Service. [Press release]. "Treasury and IRS announce new regulations on corporate stock repurchase excise tax." IR-2024-101. April 9, 2024.

years while encouraging companies to reinvest in the real economy rather than juicing their stock prices.[4]

2. **Close the carried interest tax loophole ($63 billion):** Private equity executives rake in millions of dollars in performance fees—but unlike nurses or teachers, they don't pay ordinary income tax rates on that portion of their pay. Thanks to the carried interest loophole, they can misclassify a big chunk of their earnings as long-term capital gains and cut their tax bill nearly in half.[5] It's a handout for the ultra-wealthy that undermines basic fairness in the tax code. Treating carried interest earnings as ordinary income could raise as much as $63 billion over the next ten years and discourage private equity's excessive risk-taking.[6]

3. **Eliminate the expansion of the business interest deduction ($60.5 billion):** Both the House and Senate versions of the reconciliation bill include a generous expansion of the allowable interest deduction, which is calculated as a percentage of earnings. The measure uses a bigger earnings calculation (using EBITDA, earnings before interest, taxes, depreciation, and amortization, as opposed to EBIT, or earnings before interests and taxes) that allows companies to deduct more interest. This is a massive gift to private equity firms and other companies that rely on highly-leveraged debt-financing. It essentially subsidizes leveraged buyouts that force the takeover target companies to slash jobs, reduce quality, and sell off assets to service excessive debt. The Joint Committee on Taxation estimates that the Senate version of this change to business interest deductibility could cost the public $60.5 billion over the next decade.[7]

4. **Include the Humans Over Private Equity (HOPE) for Homeownership Act (unscored but $10s of billions):** This measure would disincentivize private equity firms and hedge funds that gobble up single-family homes as rental properties, requiring them to sell all the single-family homes they own over a 10-year period.[8] It would establish a new tax penalty of 15 percent of the sale price (or $10,000, if greater) for funds buying additional single-family homes, takes away depreciation and mortgage interest tax breaks, and imposes a new $5,000 per home tax penalty for funds failing to fully sell off their currently owned single-family homes each year over a 10-year period.

5. **Executive Compensation ($100-$150 billion):** The tax code allows companies to deduct sky-high executive pay—including stock options and performance bonuses—as if they're ordinary business expenses. It's an unjustified subsidy that fuels inequality. Congress should adopt surtaxes on excessive compensation packages that often reward CEOs for cutting jobs, raising prices, or engaging in risky financial maneuvers. While there's technically a $1 million cap on the

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[4] Wamhoff, Steve. Institute for Taxation and Economic Policy. "Revenue-Raising Proposals in President Biden's Fiscal Year 2025 Budget Plan." March 12, 2024.
[5] Drucker, Jesse and Danny Hakim. "Private Inequity: How a Powerful Industry Conquered the Tax System." *New York Times*. June 12, 2021.
[6] Senator Ron Wyden. "Ending the Carried Interest Loophole Act." November 16, 2023.
[7] Joint Committee on Taxation. "Estimated Revenue Effects Relative To A Current Policy Baseline Of Tax Provisions Contained In A Senate Substitute To Provide Reconciliation Of The Fiscal Year 2025 Budget." JCX-29-25. June 21, 2025 at 2.
[8] Senator Jeff Merkley and Representative Adam Smith. "The HOPE (Humans Over Private Equity) for Homeownership Act." February 27, 2025.

amount of executive pay that public companies can deduct for certain top officers, loopholes still allow excessive compensation to slip through. And private firms—including many of those owned by private equity firms—aren't even subject to these limits, meaning they can continue writing off massive CEO pay packages as ordinary business expenses. Legislation such as the Curtailing Executive Overcompensation (CEO) Act or the Tax Excessive CEO Pay Act, introduced in the 118th Congress, would increase the tax rate on companies with excessive CEO pay and could raise $10 to $15 billion a year, respectively.[9]

6. **Impose a wealth tax on billionaires ($400 billion):** While working people pay taxes on every paycheck, Wall Street billionaires can accumulate enormous wealth—often untaxed for years. A modest tax on extreme wealth would help rebalance a system that's tilted too far toward inherited and accumulated fortunes. Even a 1 percent tax on household wealth over $1 billion would generate $400 billion over a decade.[10]

7. **Impose a financial transaction tax ($300 billion):** Every day, Wall Street firms make millions of trades that serve no productive purpose—just speculation and short-term profit. A small tax on each financial transaction—just pennies per $100—would curb high-frequency trading, raise hundreds of billions in revenue, and begin to reorient the financial system toward long-term investment. A 0.01 percent tax on stock and derivatives trades would generate nearly $300 billion over the next 10 years according to the Congressional Budget Office.[11]

8. **Close the corporate minimum tax loophole for private equity ($35 billion):** The Inflation Reduction Act of 2022 aimed to stop highly profitable corporations from paying little or no federal income tax. One of its key reforms was a 15 percent minimum tax on companies making over $1 billion a year in profits reported to investors—often called book income. But at the last minute, private equity firms lobbied successfully for a loophole that allowed them to count the profits of each company they own separately, sidestepping the $1 billion threshold and avoiding the new minimum tax entirely. Congress should close this loophole and require all firms throwing off $1 billion in profits from their subsidiaries to pay corporate income taxes which is estimated to raise $35 billion over the next decade from the private equity industry.[12]

9. **Reverse IRS Enforcement Underfunding (over $2 trillion):** None of these loopholes would be as lucrative without chronic under-enforcement. For years, Wall Street has operated with little fear of oversight, thanks to decades of IRS budget cuts. As a result, audit rates for complex pass-through businesses like private equity firms have dropped by 40 percent since 2010 to a level which a former IRS official described as "almost nonexistent."[13] The Trump IRS budget cuts and staff purges could encourage tax scofflaws who know they can get away with violating tax

[9] Senator Sheldon Whitehouse. "Curtailing Executive Overcompensation (CEO) Act." November 2, 2023; Senator Bernie Sanders. "Tax Excessive CEO Pay Act." January 22, 2024.
[10] Saez, Emmanuel and Gabriel Zucman. University of California, Berkeley. Letter to Senator Elizabeth Warren. February 24, 2024.
[11] Congressional Budget Office. "Options for Reducing the Deficit: 2025 to 2034: Financial Transaction Tax." December 12, 2024.
[12] Stein, Jeff. "With Sinema's help, private equity firms win relief from proposed tax hikes." *Washington Post*. August 7, 2022.
[13] Drucker, Jesse and Danny Hakim. "Private Inequity: How a Powerful Industry Conquered the Tax System." *New York Times*. June 12, 2021.

laws. The Yale Budget lab estimates that the combination of IRS downsizing and people flaunting the IRS could cost us $2.4 trillion over the next decade. Congress should restore IRS funding and focus resources on complex firms like private equity.[14]

10. **Allow the pass-through loophole to expire instead of making it permanent or expanding the deduction to 23 percent ($820 billion):** Created by the 2017 Trump-GOP tax law and slated to expire after 2025, this tax loophole allows so-called "pass-through" business owners—which includes partnerships such as law firms, private equity firms, and hedge funds—to deduct 20 percent of their qualified business income before calculating their taxes. Pass-through businesses don't pay income taxes themselves; instead, profits and losses are passed through to the business owners, who pay any tax due on their personal returns. This is another tax break for the rich: Pass-through income is heavily concentrated at the top, with nearly two-thirds of the deduction going to households earning over $410,000 and more than half captured by those making above $1 million. The House-passed bill would make this tax break permanent and extend it from 20 to 23 percent. The Institute on Taxation and Economic Policy estimates that, in 2026, 92 percent of the benefits would go to the richest 20 percent and 55 percent to the top 1 percent.[15] This tax break also fuels racial inequality as white families receive a disproportionate 90 percent of the benefits.[16] The Joint Committee on Taxation's estimates confirm that this is one of the most costly and regressive provisions of the House bill, potentially costing $820 billion over ten years.[17]

Wall Street billionaires and private equity barons have extracted billions of dollars through these tax loopholes, all while financing mass layoffs, rent hikes, bankruptcies, and fossil fuel extraction that harms workers, communities, and the planet. Congress must close these loopholes, taxing extreme wealth, end unjustified subsidies, and fund robust enforcement to make Wall Street pay its fair share and transform the financial system to support workers, families, and communities instead of subsidizing predation and rewarding wealth over work. It's time for a tax code that works for everyone—not just the richest firms and individuals.

Thank you for your consideration,

Americans for Financial Reform

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[14] Yale University. Yale Budget Lab. "The Revenue and Distributional Effects of IRS Funding." April 24, 2025.

[15] Institute for Taxation and Economic Policy. "Two Ways a 2025 Federal Tax Bill Could Worsen Income and Racial Inequality." March 26, 2025.

[16] Cronin, Julie-Anne, Portia DeFilippes, and Robin Fisher. U.S. Department of the Treasury. Office of Tax Analysis. "Tax Expenditures by Race and Hispanic Ethnicity: An Application of the U.S. Treasury Department's Race and Hispanic Ethnicity Imputation." Working Paper No. 122. January 2023.

[17] Joint Committee on Taxation. "Estimated Revenue Effects Of Tax Provisions To Provide For Reconciliation Of The Fiscal Year 2025 Budget As Passed By The House Of Representatives On May 22, 2025." JCX-26-25 R. June 2, 2025 at 1.