June 23, 2025

The Honorable John Thune
Majority Leader
United States Senate
511 Dirksen Senate Office Building
Washington, DC 20510

The Honorable Mike Crapo
Chair, Senate Finance Committee
United States Senate
239 Dirksen Senate Office Building
Washington, DC 20510

Dear Majority Leader Thune and Chairman Crapo:

We applaud the U.S. House of Representatives and the Trump Administration for seeking to lower tax barriers and level the global playing field for U.S. businesses. We also appreciate the Senate Finance Committee's willingness to make clarifying changes to mitigate negative impacts to U.S. companies, such as clarifying that the portfolio interest exemption continues to apply in the context of Section 899. The U.S. Treasury market will benefit greatly from this clarity.

However, we remain concerned that Section 899's potential application to all other inbound investment activity is already having a chilling effect on decisions to invest in the U.S. and, going forward, would significantly disrupt U.S. public and private debt and equity markets.

As currently drafted, international investors of all sizes would be incentivized to sell existing U.S. investments in advance of additional withholding and other taxes imposed by Section 899. This unnecessary sell-off will cause U.S. asset values to fall. Moreover, in the case of capital raised but not yet deployed, many international investors are calling on fund sponsors to redirect their investment activities outside the U.S., where the threat of retaliatory measures does not apply. The likely result will be a shift in investment away from the U.S.

Applying Section 899 to all forms of inbound passive investment would result in a significant increase in market volatility and a decline in investment in U.S. companies and our capital markets. The current language would impede capital formation by small- and mid-sized U.S. businesses, reducing their ability to create jobs and spur economic activity. It would also dampen the prosperity of American pensioners and retirees, who routinely invest in commingled foreign investment vehicles alongside a diverse group of unrelated, minority, foreign passive investors.

Notably, an investment entity exclusion was included in the OECD Pillar II Model Rules. Despite the punitive effect of Pillar II, the importance of not disrupting the ability to raise and deploy capital in local capital markets is uniformly recognized.

For all of these reasons, we call on the Senate to include a passive investment exemption in Section 899. We remain committed to working with you and the Administration to include a well-designed passive investment exemption in Section 899 to help minimize market disruptions and avoid unnecessary collateral damage to American businesses and workers.

Respectfully Signed,

Managed Funds Association (MFA)

American Investment Council (AIC)

Investment Company Institute (ICI)

Loan Syndications and Trading Association (LSTA)

National Venture Capital Association (NVCA)

Real Estate Roundtable (RER)