November 19th, 2026

The Honorable Jason Smith
Chairman
Committee on Ways and Means
U.S. House of Representatives
Washington, DC 20515

Re: Support for H.R. 652, the Small Business Investor Tax Parity Act

Dear Chairman Smith:

On behalf of the undersigned organizations representing America's small businesses, investors, lenders, and job creators, we write to urge your support for H.R. 652, the Small Business Investor Tax Parity Act, introduced by Representative Jodey Arrington. This legislation would build upon the One Big Beautiful Bill Act (OBBBA) by improving the tax treatment of eligible investors receiving qualified Business Development Company (BDC) interest dividends and encouraging private investment in American small and middle-market businesses.

We commend your leadership in advancing the OBBBA, particularly its provisions encouraging domestic manufacturing, business investment, and economic growth in rural communities. By making the Section 199A deduction permanent, restoring full expensing for qualifying investments, and expanding incentives for domestic production, Congress established a framework to encourage businesses to invest, expand, and create jobs here at home.

Ensuring these businesses have access to the capital necessary to take advantage of these incentives is an important next step.

Congress established BDCs in 1980 to address a financing gap affecting growing American businesses that often lack access to traditional bank lending or public capital markets. By law, BDCs must invest at least 70 percent of their assets in qualifying investments, principally private and smaller U.S. businesses. BDCs also operate within a federal regulatory framework that includes asset coverage requirements, board oversight, and valuation obligations.

Today, BDCs provide an important source of financing for manufacturers, healthcare providers, transportation companies, and other middle-market employers seeking to expand operations, purchase equipment, and create jobs. This financing model complements President Trump's priorities of revitalizing American manufacturing, strengthening domestic supply chains, and attracting investment to rural and underserved communities.

Tax incentives encourage investment. Access to capital helps make that investment possible.

Despite their important economic role, BDC shareholders face an inconsistency under the federal tax code. Section 199A allows individual taxpayers and certain trusts and estates to deduct up to 20 percent of certain income, including qualified real estate investment trust (REIT) dividends, subject to existing limits. Yet BDC interest dividends do not receive comparable tax treatment.

H.R. 652 would address this disparity by extending Section 199A treatment to qualified BDC interest dividends. The deduction would be available to noncorporate taxpayers—individual investors, including retirees, and certain trusts and estates—who receive qualifying dividends included in taxable income and meet Section 199A requirements. For example, a retiree holding BDC shares in a taxable brokerage account could benefit; dividends retained in a tax-advantaged retirement account would not create a separate personal deduction. Only the portion of dividends meeting the bill's definition would qualify. The deduction is claimed by the shareholder, not by the BDC or its investment manager on management fees.

Importantly, the OBBBA made Section 199A permanent, recognizing the importance of tax certainty in encouraging investment and economic growth. Extending comparable treatment to qualified BDC interest dividends would be a logical continuation of that effort, reinforcing the role of private capital in financing American businesses.

Chairman Smith, we appreciate your leadership in advancing policies that strengthen American competitiveness and economic opportunity. We respectfully urge you to support H.R. 652 and work toward its consideration by the Ways and Means Committee.

Congress created BDCs to help American businesses access the capital they need to succeed. Giving eligible individual investors, including retirees, comparable tax treatment on qualified BDC interest dividends would build upon the OBBBA's investment incentives and support continued private-sector financing for American businesses.

Thank you for your consideration.

Sincerely,

Institute for Portfolio Alternatives

Investment Company Institute

Managed Funds Association

Small Business Investor Alliance

U.S. Chamber of Commerce

cc: The Honorable Brendan Boyle, U.S. House of Representatives
The Honorable Jodey C. Arrington, U.S. House of Representatives