

Private Investor Coalition Background & Advocacy

Private Investor Coalition

March 1, 2023

Background

What is PIC?

- Community of shared interests
- Focus on issues impacting SFOs
- Resource for disseminating information
- Unified voice on legislative and regulatory issues

Background

Significant Accomplishments

- Creation of the Family Office Exemption
- Expanded Accredited Investor Definition
- Won SEC No-Action Relief under Regulation BI
- Defeated mandatory FIFO treatment for capital gains
- Defeated harmful Section 2704 rules by Treasury

Background

Activities Overview

- **Annual Meeting**
 - May 1st & 2nd 2023, Willard Hotel, Washington DC
- **Member Calls**
 - Gerald Seib (WSJ), Charlie Cook (Cook Political Report), Sen. Ron Wyden (D-OR), Rep. Patrick McHenry (R-NC), etc.
- **Congressional Coffees**
 - Meet-and-greets designed to further develop relationships with key lawmakers
- **Political Action Committee**
 - Contributed to 17 members of Congress this cycle equally divided between parties

- **Last Congress Recap**

- Last year's BBB represented existential threat to private companies and family offices
- Inflation Reduction Act: Avoided the worst of the BBB -- Corporate minimum tax, share buyback tax, IRS funding, loss limitation rules

- **New Congress**

- Gridlock rules
- Implications of narrow majorities
- Shift to agencies and oversight committees?
- Lots of talk about tax reform

- **Opportunities for Compromise?**

- Must Pass Items: Debt limit, government funding, agriculture bill, NDAA

- **Fiscal Cliff**

- 2026 expiration of TCJA provisions

Regulatory Issues: CTA

Corporate Transparency Act (CTA) enacted January 2021

- Requires covered entities to report sensitive information regarding their beneficial owners under penalty of fines, jail time
- Will impact 2 million newly-formed entities and 5+ million existing entities every year
- Reporting takes effect beginning 2024

PIC's response

- Submitted comments
- Meet with regulators & lawmakers
- Supporting NSBA lawsuit filed November 15

Regulatory Issues: Additional Threats

ENABLERS Act

- Targets lawyers and accountants, but broad language would potentially cover the owners, board members, officers and employees of almost every businesses, foundation, charity and trust in U.S.
- Passed House last June as part of FY23 NDAA
- Goal of targeting private companies will continue into 2023 and beyond

Private Funds Rule

- Proposed rule published by SEC in March 2022 imposes new requirements for private fund advisers
- PIC's Response: Submitted comments arguing treating a family office's client as a private fund is inconsistent with the goals of the regulations

Regulatory Issues: Additional Threats

S. 4857 - Private Markets Transparency and Accountability Act

- Requires private company registration with the SEC based on financial thresholds (\$700m valuation or \$5b in revenue with 5,000 or more employees)

H.R. 4620 - Investment Advisers Act Amendments

- Limits the investment advisor exemption for family offices
- FOs with \$750m AUM or are highly leveraged would be required to register
- Passed House Financial Services Committee last year

S. 1981 / H.R. 6595 – Accelerating Charitable Efforts (ACE) Act

- Imposes new limitations on Donor Advised Funds
- Qualified DAF has 14 years to distribute, Non-Qualified (existing) DAF has 50 years
- 50-percent excise tax imposed on funds not distributed within specified timeframe

Next Steps

Tax Policy Quiet Time

- Inflation Reduction Act avoided the worst policies of the BBB
 - Provisions opposed by PIC and its allies represented an existential threat to SFOs
- Divided government for the next two years shifts focus to setting the groundwork for the 2025 “fiscal cliff” negotiations

Regulatory Challenges will Continue

- Final CTA regulations highlight importance of legal challenge
- Additional disclosure efforts (e.g. ENABLERS Act) pose a threat and are likely to continue in future years
- Lots of agency activity that will impact family offices

Why Join PIC Now

A larger PIC has more influence to assist single family offices

We are the primary group advocating for single family offices in Washington, providing a viewpoint that is effective, balanced, and unified

We help educate offices so member families:

- Spend less money with attorneys on compliance
- Stay ahead of proposed tax and regulatory changes to assist in planning

Our constituency is being targeted like never before

- Proposed regulations may impact your office and you'll want assistance addressing them

Group is non-profit and controlled by a board of single family offices

Membership is \$10,000 per year

We can provide materials and schedule calls to assist in decision making

- If interested please email: membership@privateinvestorcoalition.com

Thank You