

United States Senate
COMMITTEE ON FINANCE
WASHINGTON, DC 20510-6200

September 24, 2026

The Honorable Scott Bessent
Secretary
Department of the Treasury
1500 Pennsylvania Avenue NW
Washington, DC 20220

Dear Secretary Bessent:

We write to ask whether you will uphold your commitment to pay the Medicare tax you avoided during your time as a hedge fund manager in light of last week’s Second Circuit opinion about the scope of the limited partner exception.¹

During your Senate confirmation process, we learned that you avoided over \$910,000 of Medicare tax related to your work as a founding partner of the hedge fund Key Square Group.² Your failure to pay this tax hinged on a position regarding the scope of the limited partner exception to self-employment tax that was contrary to the established (and Tax Court-approved) IRS position on the scope of that exception.³ Despite seeking a role as a cabinet secretary in the federal government—the Treasury Secretary, a role that oversees the IRS—you refused to align your tax filings with that established IRS position. Instead, citing ongoing litigation, you agreed only to set aside money in a reserve fund while you took a “wait and see” approach.⁴

That approach has run its course. Last week, the Court of Appeals for the Second Circuit sided with the IRS when it ruled that the limited partner exception doesn’t apply to a partner who is “limited in name only” and upheld the IRS’s functional analysis test for determining limited partner status. Thus, the law of the land for the Second Circuit—which includes New York and Connecticut, where your hedge fund was headquartered and operated—is now the IRS position that you disregarded during your confirmation process.

Your avoidance and delay tactics have already cost the Medicare trust fund hundreds of thousands of dollars. Now that the appellate court has spoken, will you use your reserve fund to pay the avoided tax?

Sincerely,

¹ See *Soroban Capital Partners LP v. Commissioner*, No. 25-2079 (2d Cir., September 17, 2026).

² See The New York Times, <https://www.nytimes.com/2025/11/12/us/politics/scott-bessent-irs-loophole.html>

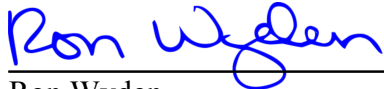
³ See IRC § 1402(a)(13); see also *Soroban Capital Partners LP v. Commissioner*, 161 T.C. No. 12 and *Denham Capital Management LP v. Commissioner*, T.C. Memo. 2024-114.

⁴ See Responses to Questions for the Record to Scott Bessent, at pgs. 23–24 (January 16, 2025), https://www.finance.senate.gov/imo/media/doc/responses_to_questions_for_the_record_to_scott_bessent.pdf

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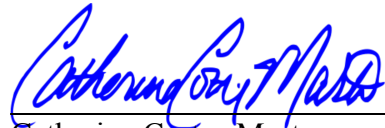
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United States Senator
Ranking Member, Committee
on Finance



Sheldon Whitehouse
United States Senator



Margaret Wood Hassan
United States Senator



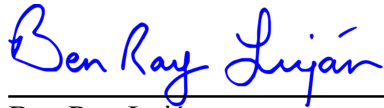
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