PENSIONS EUROPE

Date: June 16, 2025
Subject: European Pension Investors' Concerns Regarding Section 899 of the One Big Beautiful Bill Act
Ref: B/2025/145/

To:
The Honorable Mike Crapo
Chairman
Senate Committee on Finance
219 Dirksen Senate Office Building
Washington, DC 20510

The Honorable Ron Wyden
Ranking Member
Senate Committee on Finance
219 Dirksen Senate Office Building
Washington, DC 20510

Dear Chairman Crapo and Ranking Member Wyden,

On behalf of PensionsEurope, representing 25 national pension associations from 22 European countries and over €6 trillion in retirement assets, we respectfully submit this letter to raise serious concerns regarding **Section 899** of the **One Big Beautiful Bill Act (H.R. 1)**.

As major institutional investors in the U.S. economy, European pension funds allocate significant long-term capital through U.S. equities, bonds, infrastructure, real estate and private equity—often via U.S.-based asset managers. We are concerned that Section 899, as currently drafted, may have unintended consequences for pension investors.

1. Pension Funds Are Not the Target—and Should Not Be the Casualty

Section 899 aims to deter foreign jurisdictions from implementing discriminatory taxes on U.S. multinationals, such as digital services taxes (DSTs), diverted profits taxes

PensionsEurope
Montoyerstraat 23 rue Montoyer
1000 Brussel – Bruxelles
IVZW/ AISBL, Nr 0473.016.045

Tel : +32 2 289 14 14
www.pensionseurope.eu
info@pensionseurope.eu

(DPTs), or Pillar Two undertaxed profits rules (UTPR). However, U.S. pension funds are passive long-term investors and are not within the scope of these foreign unfair taxes. Based on the principle of reciprocity, we would have expected that European pension funds would likewise not be targeted by Section 899.

In both the U.S. and Europe, pension systems primarily serve ordinary people, middle-class workers and retirees. Approximately 60% of European pension payments are financed through investment returns. A blanket application of Section 899 withholding taxes on dividend income would erode retirement income security for millions and could diminish the U.S. market's attractiveness as a destination for long-term global capital.

2. Risk of Capital Outflows and Higher U.S. Borrowing Costs

With the U.S. stock market representing 60% of global equities, Section 899 could significantly alter portfolio allocations. Proposals suggesting withholding rates as high as 50% on U.S. dividends for investors from "discriminatory jurisdictions" are financially unsustainable for pension funds. Over time, this could lead to capital outflows, reducing foreign participation in U.S. equity, and may impact broader U.S. economic indicators.

3. Recommendations for Senate Consideration

To mitigate unintended harms and preserve alignment with various tax treaty partners, we respectfully ask the Senate to consider the following modifications:

a) Explicit Carve-Out for Pension Funds

Amend Section 899 to explicitly exclude regulated foreign pension fund institutions from the definition of "applicable persons." Alternatively, ensure that dividend received by pension funds is not subject to additional withholding under this provision.

b) Clarify Portfolio Interest Exemption

While we understand that portfolio interest is exempt from Section 899, this needs to be unambiguously stated in the statute to give certainty to market participants and withholding agents.

c) Postpone Implementation to 1 January 2027

Allow adequate time to assess the impact of tax treaties and other legal concerns to avoid hasty decisions and unintended consequences. Time is needed for legislative adaptation and to provide clarity around which jurisdictions may be classified as "discriminatory ". Thus we suggest delaying the effective date by one year, to January 1, 2027.

We appreciate the Senate Finance Committee's efforts to promote tax fairness while maintaining the integrity of global capital markets. We stand ready to support a balanced solution that protects both U.S. policy interests and the integrity of cross-border pension investment.

Please do not hesitate to contact us should you require further information or dialogue.

Yours sincerely,

Jacques Van Dijken

Chairperson, PensionsEurope
PensionsEurope

Matti Leppälä

Secretary General
PensionsEurope