



How A BDC Industry Advocate Shapes Policies In Washington

Friday, June 13, 2025



Chuck Jaffe, in this episode of The NAVigator podcast interviews Tonnie Wybensinger, Head of Government Relations for the Small Business Investors Association, interviewed at the AICA BDC Forum in New York on June 11. Chuck and Tonnie discuss the role that lobbyists play in the legislative process and how current efforts to improve the tax treatment of business-development companies, as well as to level the playing field with mutual funds when calculating expense ratios for fund-of-funds. Those efforts, which have been ongoing for years, could soon be coming to a head, with the BDC tax-parity legislation included in the "One Big Beautiful Bill" currently winding through Congress.

The podcast can be found on AICA's website by clicking here: <https://aicalliance.org/alliance-content/pod-cast/>

CHUCK JAFFE: I'm talking with Tonnie Wybensinger, head of government relations for the Small Business Investor Alliance, we're talking about business-development companies in the news in Congress, in a special live edition of The NAVigator from the BDC Forum in New York City. Welcome to a special edition of The NAVigator, one of three that we're going to be bringing you this week with interviews from the Active Investment Company Alliance BDC Forum in New York City. It was held on Wednesday, June the 11th, we will bring you the interviews over a couple of days, so make sure you don't miss any of them by following along at [AICAlliance.org](https://aicalliance.org). But this interview, unlike any we've done in the more than 300 episodes of The NAVigator, because my guest is Tonnie Wybensinger, and she's a lobbyist, she's an

industry advocate, and while we say The NAVigator covers every aspect of the closed-end fund and BDC business, from users and investors to fund sponsors and creators, well, we've never talked with a lobbyist before. If you want to learn more about the Small Business Investor Alliance, it is SBIA.org. Tonnie Wybensinger, thanks for joining me on The NAVigator.

TONNIE WYBENSINGER: Thanks so much for having me, and thanks for hosting the panel, you did a great job.

CHUCK JAFFE: Let's jump in on the side of why we need advocates and what advocacy is doing, because we're going to get to something here that any individual investor will be very interested in, which is tax breaks and things along those lines. Explain a little bit about the advocacy process, because we hear lobbyist, and we think bad things.

TONNIE WYBENSINGER: Yeah, not all lobbyists are created equal. My day to day is going to Capitol Hill and talking about small business investors, how it helps America. Most of our members invest in domestic businesses only, as you know, BDCs are required by law to invest 70% in US small businesses, but that number, back of the envelope number is more like 95%. BDC industry has grown significantly, back in the day, I think there were eight BDCs in 2006, and now there's hundreds of BDCs, and so the industry needs someone to be able to go in and talk to policy makers and regulators on a regular basis as Congress turns over on a regular basis. It's a continuous education process, and so that is my job daily, to go in and make sure that regulators and policy makers know what the BDC issues are before them.

CHUCK JAFFE: And of course policy makers right now, let's bring it right up to current events, because what has been tagged as "One Big Beautiful Bill" that everybody has different emotions on, they have emotions on the things they're hearing about in the headlines. The BDC portion of this is not something that the average consumer, average investor knows about, but there is a BDC piece that is going to be a tax benefit to individual investors, so explain what we're looking at there.

TONNIE WYBENSINGER: Sure. Very excited, hopefully it gets through the entire process, which you know is still be negotiated. So in 2017 the Trump tax cuts gave a passthrough deduction to REITs, publicly traded partnerships, S-Corp bank investors, and that was a 20% passthrough deduction for qualified business income, and BDCs were left out. When I've talked to policy makers they said it was an oversight, I've never heard of a policy objection

to it, so after eight years since the tax cuts passed, we were able to get a 23% passthrough deduction for BDC investors, and really excited about it. The Senate is still negotiating their One Big Bill package, and we should know I think by Friday whether the tax parity for BDCs stayed in there. I expect that it will, so you can all look forward to a deduction.

CHUCK JAFFE: And let's also bring that out, because people hear about One Big Beautiful Bill, they hear tax cuts, they're thinking who's getting porked on this or how does this not work the right way, et cetera, but a huge part of this is we're trying to get money to small businesses, we're trying to be able to make it that the business community can be more vital. That is a bipartisan effort that is particularly championed right now by the republicans, but it's a bipartisan effort. So the idea here is by encouraging more of the investment, while there will be a tax cut, there will be increased tax revenues, et cetera, because there'll be more BDC funding, correct?

TONNIE WYBENSINGER: Yeah, that's correct. I was listening to Lindsey Graham who is chair of the Budget Committee, speak the other day, and he made the case, anytime historically there's been a tax cut package, the Congressional Budget Office will say the budgetary impact is much more than it ends up being because there's more tax revenue that comes in because you're able to grow small businesses, they are able to add more employees, and so at the end of the day this is focused on growing American jobs. I think that is the overarching reason why these tax cuts are in the bill, including the BDC tax parity issue, there's also tax incentives for more R&D, there's tax cuts for investing in machinery in your company, there's a lot more write-offs for small businesses, and you know once small businesses are able to do that, they have capital to add more employees and grow their business.

CHUCK JAFFE: So that helps us understand what is happening and why it's happening, but there are other efforts as well, and one of the things that I think people would be surprised to hear that an industry advocate is getting into, is some things that wind up getting into fee disclosures. So there is something I say, it is my favorite acronym because it rhymes with my name, it is called AFFE, nothing ever rhymes with my name, and it is acquired fund fees and expenses. What it really means, is that if you have a fund of funds, a BDC that's investing in other BDCs, where a traditional mutual fund can basically say, "Hey, we're only factoring in underlying expense ratios," they solved this in traditional mutual funds, they didn't solve it in BDCs. I know that you guys have looked at examples where there are funds out there, that

if you don't pay attention and you don't know what you're looking at, you'd see double digit expense ratios that are not anywhere close to double digit expense ratios. How much of that is cosmetic? How much of that is dollars? How much of this is we're trying to fix the wrongs so that everybody's on a level playing field? Because sharpies would know about it, people who are educated, how much of this is there's another benefit to it that maybe we don't see beyond the numbers?

TONNIE WYBENSINGER: Yeah, so in 2006 when this funds of funds, the AFFE issue went into effect, the industry was smaller, it has grown so it's significantly more important to the industry. And because it went into effect, the BDCs were removed from the indices, so there was a 25% drop in institutional investment because an acquiring fund doesn't want to give their shareholders inaccurate information, and their shareholders are like, "Why are you investing in something that's double digit costs versus 42 basis points?" And so I think the fix will really increase institutional investment, but at the end of the day the goal is to get them back on the indices which they were removed from. That allows for more passive investing, and I just think the acquiring funds will be excited to invest in more BDCs.

CHUCK JAFFE: Let's talk a little bit also about the process. Again, we don't have a lot of faith in our congressmen. How often do you say, "I want to talk to you about BDCs," and they think you're talking about "big damn companies" or something else that BDC could stand for? How much of this is they're willing, they understand that they need to be pliable, but they also don't understand any of the issues? Like are there folks in Congress and in the Senate who truly understand the workings of BDCs?

TONNIE WYBENSINGER: There are. I don't think it's a Congress-wide understanding, but we have champions and we've been talking to Congress about this for years, so we've been able to secure champions in both the House and the Senate. They're members who sit on Financial Services Committee, which they're technically subject-matter experts on all things cap markets, and also in the Senate. So we have gotten a bill introduced, an AFFE bill introduced in the House over four congresses in a row, but this Congress we've been able to get it passed unanimously by the Financial Services Committee, I expect it will pass the House of Representatives, the full house, very soon, and we are working on getting more attention in the Senate on it. Right now they have One Big Beautiful Bill that they're focused on, but once that's done we'll be able to pay more attention and educate more senators.

CHUCK JAFFE: The education process here, how much of this is also behind the scenes, where it's really about getting their staffers, the same way that small businesses need you as an advocate or that individual investors need whichever individual investor group might be advocating for them? How much of this is really we need to have the discussions at a level that says you and other lobbyists and advocates are bringing the issues up, and you're getting them to the right staff people who are able to plant a bee in the right bonnet to get this done?

TONNIE WYBENSINGER: So our focus often is on the staff of the committees of jurisdiction, like I said, those that oversee the cap markets, but staff in congress turns over a lot. Over the last eight years since I've been at SBIA, I've had to go in, there'll be a new staffer the next week that I need to go in and talk about AFFE. So it's a constant education process, but if you've worked in DC for 24 years like I have, you know where to focus your energy, and those are certain staffers that work for certain members, and it's a constant education process.

CHUCK JAFFE: Well, thank you so much for educating us, I appreciate you taking time to join me on The NAVigator.

TONNIE WYBENSINGER: Well, thanks for having me. I think one of the most important things that I can leave the audience with is that most members of Congress are there for the right reasons. If you are a constituent and you talk to them about issues that are important to them, they will hear you, so I recommend your audience, reach out to their member of Congress and let them know what's important.

CHUCK JAFFE: Great advice, and that goes way beyond the BDC and closed-end fund business. Tonnie Wybensinger is head of government relations for the Small Business Investor Alliance, the website is [SBIA.org](https://sbia.org). If you want to get more information on business-development companies, closed-end funds, and interval funds, go to [AICalliance.org](https://aicalliance.org), the website for the Active Investment Company Alliance. The NAVigator is brought to you by the Active Investment Company Alliance, it is here for you every Friday, make sure you don't miss an episode by subscribing or following along on your favorite podcast app. And if you like us, leave us a review, send us a question to TheNAVigator@AICalliance.org, and tell your friends. We'll be back with more closed-end fund fun for you next week.

Recorded on June 13th, 2025

To request a particular topic for The NAVigator podcast please send an email to:

TheNAVigator@AICalliance.org

Click the link below to go to the home page of Active Investment Company Alliance to learn more:
<https://AICalliance.org/>

Disclosure: *Views and opinions expressed are for informational and educational purposes only as of the date of production/writing/speaking and may change without notice at any time based on a multitude of factors. Speaker's/presenter's/author's opinions are their own and may not necessarily represent the opinions of AICA, its Board, or its staff. Materials may contain "forward-looking" information that is not purely historical in nature, such as projections, forecasts, market return estimates, proposed or expected portfolio composition, and other items. Listed closed-end funds and business development companies trade on exchanges at prices that may be above or below their NAVs. There is no guarantee that an investor will be able to sell shares at a price greater than or equal to the purchase price or that a closed-end fund's discount will narrow. Non-listed closed-end funds and business development companies do not offer investors daily liquidity but rather offer liquidity on a monthly, quarterly or semi-annual basis, often on a small percentage of shares. Closed-end funds often use leverage, which can increase the fund's volatility (i.e., risk). Actual distribution amounts may vary with fund performance and other conditions. Past performance is no guarantee of future results. This material is not intended to be a recommendation or investment advice, does not constitute a solicitation to buy, sell or hold a security or an investment strategy, and is not provided in a fiduciary capacity. Shares of closed-end funds are subject to investment risks, including the possible loss of principal invested. Closed-end funds frequently trade at a discount to their net asset value (NAV).*