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Dear Jesse:

Although we may differ in our basic philosophical outlook on financial and economic matters, I enjoyed speaking with you on Wednesday. As I mentioned during our conversation, I won't dignify questions regarding purported facts drawn from improperly obtained documents. If indeed, as you claim, you have gained access to "sensitive and personal financial information" from my tax returns, you will have undoubtedly seen that in no way were any of my activities even remotely questionable or designed for the purpose of tax avoidance. Indeed, in the years you question, I made absolutely no income. This leads me to believe that your target might be "the system" as opposed to me personally. Nevertheless, you should be aware that I reserve all of my rights with respect to any damage to my firm or business relationships that may occur as a result of your publication of confidential information.

I am aware of the reputation your publication enjoys and have great respect for your commitment to do "serious, careful, fair and accurate reporting in the public interest." I am therefore perplexed by the nature of your questions, which seem to imply – which I hope is not purely for the purpose of sensationalism – some impropriety on my part.

As to your question concerning the propriety of income taxes paid by rich people in this country, I don't believe that investors, wealthy or otherwise, should be pilloried for risking capital. Quite the opposite, I think the strength of our economy relies in part on such activity being encouraged. I obviously don't make the tax laws, but I do observe them scrupulously – and I believe strongly that any insinuation to the contrary would border on defamation.

As I believe you are aware, an individual's adjusted gross income (AGI) includes only gross investment income. However, an individual's income tax liability is based on his taxable income and not AGI. In computing taxable income, individuals are entitled to deduct investment expenses (including interest) from investment income. In some years when I do very well in the market, my investment income far exceeds my investment expenses and I have significant federal income tax liabilities. In other years (including the specific years you asked me about, during which – unfortunately for me – my investment income was dwarfed by my interest and other investment expenses), the opposite is true. That is the way of Wall Street. So to answer what I understand to be your basic question – do I think it is appropriate for an individual to pay no income taxes in a year where he had absolutely no income, the answer is emphatically yes. **That is why they are called income taxes.**

As to your question regarding my borrowing activities, while I will again decline to discuss confidential and proprietary information, I will assure you that the lending institutions with which I do business are not in the habit of giving money away. In addition, my expenses (i.e., deductions) are basically interest on borrowings that are used to invest in and further the productivity of my various businesses. These borrowings are not used to finance an overly extravagant lifestyle, as admittedly is the case with some. Any insinuation that I have engaged in borrowing or other transactions to improperly avoid taxation is simply untrue.

Sincerely yours,

CARL C. ICAHN