



*The Honorable Charles B. Rangel, Chairman*

*The Honorable Sander M. Levin, Chairman, Subcommittee on Trade*

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## Levin, Democrats Introduce Legislation to End Carried Interest Tax Advantage

*Bill seeks fairness in tax code*

**WASHINGTON** – U.S. Representative Sander Levin (D-MI), was joined by Chairmen Charles Rangel and Barney Frank as well as Ways and Means Committee Members Reps. Pete Stark, Jim McDermott, John Lewis, Richard Neal, Earl Pomeroy, Stephanie Tubbs Jones, John Larson, Rahm Emanuel, Earl Blumenauer, Ron Kind, and Bill Pascrell in introducing legislation today that would ensure that investment fund managers who take a share of the funds' profits as compensation for investment management services, known as "carried interest" would be taxed at an appropriate ordinary income tax rate. Currently, the managers of private investment partnerships are able to receive compensation for these services at the much lower 15% capital gains tax rate rather than the ordinary income tax rate by virtue of their fund's partnership structure.

"Congress must ensure that our tax code is fair. We have to be sure that the lower capital gains tax rate is not being inappropriately substituted for the tax rate on wages and earnings," said Rep. Levin.

"Investment fund employees should not pay a lower rate of tax on their compensation for services than other Americans," continued Rep. Levin. "These investment managers are being paid to provide a service to their limited partners and fairness requires they be taxed at the rates applicable to service income just as any other American worker."

The legislation clarifies that any income received from a partnership, capital or otherwise, in compensation for services is ordinary income for tax purposes. As a result, the managers of

investment partnerships who receive a carried interest as compensation will pay regular income tax rates rather than capital gains rates on that compensation. The capital gains rate will continue to apply to the extent that the managers' income represents a reasonable return on capital they have actually invested in the partnership.

A fact sheet describing the legislation is attached.

The Ways and Means Committee is scheduled to hold a hearing on the issue of tax fairness in July.

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