

Update on “Carried Interest” Legislation: New Levin Bill

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President Obama's budget proposal, released on February 26, 2009, contained the following line item: “Tax carried interest as ordinary income.” On April 3, Representative Sander Levin (D-Mich.) re-introduced legislation (the “New Levin Bill”) to treat income derived from a sponsor's “carried interest” or “incentive allocation” in an investment partnership as ordinary income and to subject that income to self-employment tax. In comments released with the bill, Representative Levin rejected various arguments that have been raised against changes to the taxation of “carried interest” allocations, including the argument that fund managers are similar to entrepreneurs who receive founders' stock in their companies.

If you have any questions regarding the matters covered in this publication, please reach out to any of the lawyers listed below or your usual Davis Polk contact.

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