

New York State Proposes to Tax Carried Interest Earned by Non-resident Partners

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The 2009 New York State budget proposed by Governor David Patterson yesterday contains a provision that would, effective January 1, 2009, impose New York tax on carried interest income allocated to non-residents of New York. It appears that the bill would require that (i) investment management services performed by a partnership or other entity in New York be treated as a business carried on in New York, and (ii) individual partners treat as New York source income their shares of carried interest for investment management services performed in New York.

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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