

News from our Tax and Venture Capital Groups

Compromise on Carried Interest Taxation May be Near

House lawmakers are expected to release legislation soon that will again propose to tax certain partnership and LLC “carried interests” at ordinary income rates. In early 2010, statements from key members of Congress indicated that this particular provision had been discarded due to opposition in the Senate. But with other available revenue-raisers already used for health care legislation, congressional negotiators have returned to carried interests in the search for revenue to offset tax “extender” legislation and other proposals. Read our *Cooley Alert* describing the prior version of this legislation at www.cooley.com/63400.

Various members of Congress have made contradictory statements concerning whether the carried interest tax change can in fact overcome opposition in the Senate,

the likely scope of the changes, whether exemptions will be available for particular industry groups, and how the new proposals will differ from prior versions. However, with other revenue-raisers in short supply, it now appears more likely that some version of carried interest tax changes could be enacted this year. House legislators are apparently considering a revised proposal that would include a “phase-in” or tiered system taxing carry at different rates for particular industry groups for some transition period, with rates ultimately increasing to match regular ordinary income rates.

Further developments expected soon

Various members of Congress have stated a goal of enacting legislation by July 4th. We expect a House bill containing proposed

carried interest changes to be released as soon as next week. We will issue additional Alerts as details become available. If you have any questions about these developments, please contact your Cooley fund attorney or one of the attorneys listed below. ■

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