

# Sens. Baldwin, Manchin, Brown: Introduce Tax Reform Legislation to Close Carried Interest Tax Loophole

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Contact: [press@baldwin.senate.gov](mailto:press@baldwin.senate.gov), 202-224-6225

*Carried Interest Fairness Act Will Eliminate Private Equity Tax Break and Make Wealthy Fund Managers Pay Ordinary Income Rates Like Workers Do*

WASHINGTON, D.C. – U.S. Senators Tammy Baldwin (D-WI), Joe Manchin (D-WV), and Sherrod Brown (D-OH) today introduced tax reform legislation to close the carried interest tax loophole that benefits wealthy money managers on Wall Street.

Currently, the carried interest loophole allows investment managers to pay the lower 20 percent long-term capital gains tax rate on income received as compensation, rather than the ordinary income tax rates of up to 37 percent that they would pay for the same amount of wage income.

The *Carried Interest Fairness Act* will require carried interest income to be taxed at ordinary rates. According to the Joint Committee on Taxation, closing this loophole will raise \$15 billion in revenue over 10 years.

“Our legislation will bring fairness to a rigged tax system that favors wealthy Wall Street hedge fund managers and allows them to pay a lower tax rate than many Wisconsin workers. It’s simply unfair for our workers to pay a higher tax rate than a millionaire or billionaire on Wall Street,” **said Senator Baldwin**. “Trump broke his promise to close this loophole and actually signed a Republican tax bill that kept it in place. President Biden has called on Congress to close the carried interest tax loophole and this legislation will do it. Now let’s get it done and use this revenue to

invest in workers and economic growth.”

“For far too long, hedge fund managers working on Wall Street have not paid their fair share in taxes. Currently, there is a loophole in our tax code that allows investment managers to pay less taxes for wage income than the ordinary West Virginian and American worker. This legislation would close this loophole to ensure wealthy hedge fund managers are paying the fair amount in taxes. I urge my colleagues on both sides of the aisle to support this commonsense legislation that treats all workers fairly,” **said Senator Manchin.**

“The carried interest loophole is yet another example of Wall Street executives exploiting our tax code to pad their pockets rather than invest in workers and Main Street,” **said Senator Brown.** “Corporate greed is fundamental to the Wall Street business model — and workers aren’t going to get their fair share until we change it. It’s past time for Congress to put workers first.

For years, President Trump promised to close the carried interest tax loophole but failed to do so. In 2017, Senate Republicans rejected an amendment to their tax bill, introduced by Senator Baldwin and supported by every Democratic Senator, to close the loophole. Trump then signed the 2017 tax bill and failed to keep his promise to eliminate the tax break for wealthy hedge fund managers.

President Biden’s American Families Plan calls on Congress “to close the carried interest loophole so that hedge fund partners will pay ordinary income rates on their income just like every other worker.” The White House said in a fact sheet on the plan, “Permanently eliminating carried interest is an important structural change that is necessary to ensure that we have a tax code that treats all workers fairly.”

The *Carried Interest Fairness Act* is cosponsored by Senators Cory Booker (D-NJ), Dianne Feinstein (D-CA), Mazie Hirono (D-HI), Tim Kaine (D-VA), Amy Klobuchar (D-MN), Ed Markey (D-MA), Jack Reed (D-RI), Bernie Sanders (I-VT), Chris Van Hollen (D-MD), Elizabeth Warren (D-MA), and Sheldon Whitehouse (D-RI).

The legislation is supported by AFL-CIO, The Agenda Project, American Family Voices, American Federation of Government Employees, American Federation of State County and Municipal Employees, American Federation of Teachers, American Postal Workers Union, Americans for Financial Reform, Catholics in Alliance for the Common Good, Center for Popular Democracy Action, Communications Workers of

America, Consumer Action, Courage Campaign, Credo, Democracy for America, Economic Policy Institute, Franciscan Action Network, Friends of the Earth, Hedge Clippers, International Federation of Professional & Technical Engineers, Institute for Policy Studies, Media Voices for Children, MoveOn.org, National Education Association, NETWORK, The Other 98%, Patriotic Millionaires, People's Action Institute, Presente.org, Public Citizen, Service Employees International Union, Strong Economy for All Coalition, The Rootstrikers at Demand Progress, UNITE-HERE, U.S. Public Interest Research Group, United Auto Workers, Working America, and the Working Families Party.

More information about the legislation is available [here](#). An online version of this release is available [here](#).