



FOR IMMEDIATE RELEASE

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Contact: Timothy Svoboda, (202) 225-2476

Grothman's Tax Fairness Act Brings Equity to the Tax Code

(Washington, D.C.) – Today, Congressman Glenn Grothman (WI-06) introduced the *Tax Fairness Act* to bring more equity to the U.S. tax code by eliminating the carried interest loophole used by private equity, venture capital, and hedge fund managers to receive preferential tax treatment.

What does that mean?

When high-flying hedge fund managers control funds comprised of money from other investors, they receive a certain percentage for themselves called “carried interest” to incentivize them to manage the fund to the best of their ability. According to [Investopedia](#), carried interest “serves as the primary source of income” for the fund managers and is traditionally “around a quarter of the fund’s annual profit.”

Though carried interest is intended to be the primary source of income for fund managers, it is not taxed as regular income, but at the capital gains rate. For hedge fund managers, this is usually 20 percent. This means that these hedge fund managers are raking in millions, sometimes hundreds of millions, of dollars each year at a reduced tax rate. This is how [Warren Buffett](#) has a lower tax burden than his secretary.

“Many people say the tax code is unfair and as a former tax preparer, I concur. The ‘carried interest loophole’ is a prime example, as this loophole allows hedge fund managers to pay taxes at capital gains rates, which are often lower than the individual’s tax bracket. There is no reason high-flying hedge fund managers should be paying a lower rate than the manufacturing worker, pipe-fitter or mechanic doing twice the work,” said Grothman.

How does the *Tax Fairness Act* fix this?

The *Tax Fairness Act* will eliminate the loophole created by carried interest and tax the money made from it for what it is, regular income.

“I believe in a fair and consistent tax code,” said Grothman. “Most hard-working Americans are not able to treat their income as capital gains and therefore do not have access to this special tax treatment. To eliminate this inequity, my bill will close the loophole by taxing carried interest as ordinary income.”

“The federal government should not be in the business of picking winners and losers. The ‘carried interest loophole’ creates an unfair advantage for Wall Street over Main Street. President Trump campaigned on a promise to close this loophole, but, for whatever reason, never did. At a time when tax increases on working-class Americans that would devastate the economy appear to be in play, the Tax Fairness Act will end this special tax benefit and reward hard work with tax fairness.”

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U.S. Rep. Glenn Grothman (R-Glenbeulah) is serving his fourth term representing Wisconsin’s 6th Congressional District in the U.S. House of Representatives.



Link to the release: <https://grothman.house.gov/news/documentsingle.aspx?DocumentID=2281>