

House Passes Bill That Would Eliminate Capital Gains Treatment For Carried Interests

By **Kenneth E. Werner**

On December 9, 2009, the House of Representatives passed H.R. 4213, the “Tax Extenders Act of 2009.” This bill would extend a number of expiring tax provisions. As one of the revenue offsets for these extensions, the bill would generally prevent any income with respect to carried interests in investment partnerships held by service providers to such partnerships from being characterized as capital gains. Instead, all such income would be treated as ordinary income. This change in the law would be effective for partnership tax years ending after December 31, 2009 (with only post-December 31, 2009 income being affected for non-calendar year partnerships). Whether this provision will be accepted by the Senate is far from certain.

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If you would like a copy of the bill, or wish to discuss its implications, please call your usual contact at Richards Kibbe & Orbe LLP or the person listed below.

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Memorandum

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