

President Trump Seeks to End Carried Interest Tax Preference

by Alan W. Bell, John V. Chase, and Bradley M. Pugh

President Trump met with Republican lawmakers on Thursday, February 6, 2025, to outline his tax priorities, including extending the 2017 tax cuts and expanding the state and local tax deduction. Also included among the priorities was a proposal to tax carried interest at ordinary income rates.

On the same day, Representatives Marie Gluesenkamp Perez and Don Beyer introduced a bill to require carried interest to be taxed at ordinary income rates. Senator Tammy Baldwin and more than a dozen Senate Democrats introduced companion legislation in the Senate. A press release accompanying the House bill indicated that current law “allows investment managers to pay the lower 23.8 percent capital gains tax rate on income received as compensation, rather than the ordinary income tax rates of up to 40.8 percent that they would pay for the same amount of wage income,” implying that the net investment income tax of 3.8% currently applicable to certain capital gain would continue to apply to carried interest, even if taxed at ordinary income rates.

We are continuing to monitor developments with respect to the current proposal and will provide further updates.

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