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Mitt's Taxes Stoke “Carried Interest” Flames

Mitt Romney has *finally* confirmed what everyone knew—he’s been a savvy investor. He may not be paying Warren Buffett’s reputed 11% rate, but he’s mostly paid 15%, a far cry from 35% on service income. We know wealthy people like Buffett and Romney benefit from a 15% dividends and capital gain rate.

But as a tax lawyer for [30 years](#), I’ve always thought it odd that “carried interests”—something primarily about performing services—are taxed like capital. In exchange for providing the service of managing investors’ assets, fund managers often receive a portion—often 20%—of the fund’s profits, or carried interest. A comprehensive overhaul of the tax code is overdue, but the rule that private equity and hedge fund managers are taxed at capital gain rates on carried interests could be changed in the interim.

Mitt’s tax talk is shining a bright light on it. Ways and Means Committee Ranking Member Sander Levin (D-MI) has twice authored legislation to tax carried interests as ordinary income. Levin first tried in 2007. It has passed the House four times since. It has yet to pass the Senate.



Levin notes that "Gov. Romney's statement that his tax rate is close to 15% likely reflects that he has benefited from a loophole that we have been trying to close for years. In 2007, I introduced legislation to close that loophole and it has passed the House four times as part of broader measures. When Gov. Romney says his tax rate mostly reflects returns on his own investment, he needs to clarify how much this is truly money that he invested himself and how much is carried interest income that he earned managing other people's money. Conflating the two is at the heart of this tax equity debate."

Timeline of Action on Carried Interest Legislation:

June 22, 2007 — Rep. Levin introduces H.R. 2834 to treat carried interest as ordinary income. Original co-sponsors include Ways & Means Chairman Rangel and Financial Services Chairman Frank.

November 9, 2007 — The House of Representatives approves carried interest legislation as part of H.R. 3996, which included tax extenders, an AMT "patch" and other provisions.

June 22, 2008 — The House of Representatives approves carried interest legislation as part of H.R. 6275, the Alternative Minimum Tax Relief Act of 2008.

April 2, 2009 — Rep. Levin reintroduces legislation to treat carried interest as ordinary income (H.R. 1935) for the 111th Congress.

December 9, 2009 — The House of Representatives approves carried interest legislation as part of H.R. 4213, which extended various expiring tax provisions.

May 28, 2010 — The House of Representatives approves carried interest legislation as part of amendments to the Senate-passed version of H.R. 4213.

2012 — Rep. Levin to reintroduce carried interest legislation.

For more, see:

[After Iowa Squeaker, Getting Our Mitts On Mitt's Taxes](#)

[Only The Little Kardashians Pay Taxes](#)

[In Taxes, Kim Kardashian Is More Buff Than Buffet](#)

[Mitt Romney's Teachable Knowledge on Capital Gains](#)

[Quelle Horreur! Mitt Romney Pays 'About 15% Tax Rate'](#)

[Warren Buffett's Effective Federal Income Tax Rate Was Just 11%](#)

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