**Carried Interest Fairness Act of 2021**  
Senators Baldwin, Manchin, and Brown

The carried interest loophole allows investment managers to pay the (currently) 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 requires 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.

President Biden’s American Families Plan said this about carried interest: "The President is also calling 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. While equalizing tax rates on wages and capital gains will address this disparity, 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."

President Trump’s Tax Cuts and Jobs Act “failed to eliminate [the] key deduction used by wealthy investment firms that Trump had vowed to kill,” leading PolitiFact to rate this a “Promise Broken.” Senate Republicans rejected an amendment to the tax bill by Senator Baldwin to close the loophole, which all Senate Democrats supported in 2017.

**Cosponsors:** Manchin, Brown, Warren, Van Hollen, Sanders, Markey, Kaine, Reed, Booker, Feinstein, Klobuchar, Hirono, and Whitehouse.