

Carried Interest Fairness Act of 2025

The carried interest loophole 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. The Carried Interest Fairness Act requires carried interest income to be taxed at ordinary wage rates.

President Biden’s FY2025 Budget Request included a provision to close the carried interest loophole in the same manner—by taxing a partner’s share of income in an investment services partnership at ordinary rates. According to the Treasury proposal, closing this loophole will raise \$6.5 billion in revenue over 10 years.

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: Van Hollen, Murray, Schatz, Markey, Klobuchar, Kaine, Merkley, Reed, Hirono, Warren, Sanders, Booker, and Welch

This legislation is supported by: American Federation of Government Employees, American Federation of State, County and Municipal Employees, Communications Workers of America, American Federation of Teachers, Americans for Tax Fairness, Alliance for Retired Americans, Patriotic Millionaires, 20/20 Vision, Main Street Alliance, Public Citizen, Small Business Majority, Economic Policy Institute, Americans for Financial Reform, Take on Wall Street, Community Catalyst, and the National Women’s Law Center