END SPECIAL TAX BREAK FOR INVESTMENT MANAGERS

MARYLAND
FAIR FUNDING
COALITION

Like thousands of other Maryland workers, from restaurant servers to salespeople, private equity and hedge fund managers are paid partly on the basis of their performance. Unlike other workers, wealthy fund managers pay a special, low tax rate on this income – not the standard income tax rate.

This special treatment violates core principles of effective tax policy by taxing similar activities at different rates. It shifts tax responsibility away from those who can best afford to pay, and costs millions of dollars in Maryland and nationally that could be used to support vital public services. Wealthy fund managers in Maryland should pay their fair share.

ENDING THE CARRIED INTEREST LOOPHOLE IN MARYLAND WOULD RAISE **ABOUT $79 MILLION PER YEAR.**

HOW IT WORKS:

Powerful investment managers convinced Congress to create a special tax loophole just for their industry. This is known as the "carried interest loophole."

Their regular compensation for managing multi million-dollar investment funds is classified as "carried interest" and taxed at the capital gains rate, rather than the income tax rate. The top federal tax rate on capital gains income is 23.8 percent, far below the 40.8 percent top rate on income people earn from work.

This legislation closes that loophole by applying a 19 percent state income surtax on income that is attributable to investment management services provided in Maryland.

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