

MEMO# 31181

April 30, 2018

California Legislative Proposal to Tax Carried Interest

[31181]

April 30, 2018 TO: ICI Members

Tax Committee SUBJECTS: State Issues

Tax RE: California Legislative Proposal to Tax Carried Interest

The ICI submitted the attached opposition letter to California Assembly Bill 2731 which purports to impose a 17% surtax on carried interest. Although carried interest is not usually a concern for regulated investment companies (RICs), this bill is overly broad and could include employees who receive stock as part of their compensation or employees who invest their own money in RICs managed by their employer.

The letter strongly recommends that the mutual fund industry be exempted from the surtax—because fund managers are not compensated for their portfolio management services by receiving carried interest. The letter also recommends express exemption from the surtax for employees who receive company stock as part of their compensation and for income from capital provided by owners.

Katie Sunderland
Counsel - Tax Law

[Attachment No. 1](#)

[Attachment No. 2](#)