

News

ALERT: New Carried Interest Tax Statute

December 21, 2017

The new federal tax act includes new Internal Revenue Code section 1061. This statute will force partners who obtained their partnership interest as compensation for services to treat gain recognized by the partnership as short-term capital gain if the partnership owned the asset it sold for less than three (3) years. Additionally, this same rule will almost certainly apply to the sale of partnership interests themselves that are sold within three (3) years of issuance. The effective date is January 1, 2018.

This creates a tax planning opportunity for the next ten (10) days. An individual can sell a partnership or LLC interest owned for less than three (3) years but more than one (1) year to a wholly-owned S corporation, recognize long-term capital gain in 2017 and avoid application of this new statute.

If you have any questions or wish to discuss the above in greater detail, please contact Christopher Scott at 301-961-5135 or at cscott@linowes-law.com.

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