


1 
2 Councilmember Anita Bonds


Councilmember David Grosso

3 
4 Councilmember Robert C. White, Jr.

5
6
7
8
9
10
11 A BILL
12

13 _____
14
15 IN THE COUNCIL OF THE DISTRICT OF COLUMBIA
16
17 _____
18
19

20 To amend Subchapter VIII of Chapter 18 of Title 47 of the District of Columbia Official Code to
21 require a surtax on the carried interest income of hedge fund and private equity managers
22 in the District.
23

24 BE IT ENACTED BY THE COUNCIL FOR THE DISTRICT OF COLUMBIA, That
25 this act may be cited as the "Closing the Carried Interest Tax Loophole Act of 2018".
26

27 Sec. 2. Subchapter VIII of Chapter 18 of Title 47 of the District of Columbia Official
28 Code is amended as follows:

29 (a) Section 47-1808.01(6) of the District of Columbia Official Code is amended by
30 adding a new subparagraph (D) to read as follows:

31 "(D) Beginning after tax year December 31, 2018, a taxpayer that
32 maintains an investment management services interest."

33 (b) Section 47-1808.02 of the District of Columbia Official Code is amended by adding
34 new paragraphs (3) and (4) to read as follows:

35 "(3) "Investment Management Services Interest" means:

36 “(A) An interest in an unincorporated business that is held by a person
37 who provides a substantial quantity of any of the following services to the unincorporated
38 business, directly or indirectly, while in the active conduct of the trade or business:

39 “(i) Advising the unincorporated business as to the advisability of
40 investing in, purchasing, or selling a specified asset;

41 “(ii) Managing, acquiring, or disposing of specified assets;

42 “(iii) Arranging financing to acquire specified assets; or

43 “(iv) Any activity in support of the services described in sub-
44 subparagraphs (i) through (iii).

45 “(B) Notwithstanding subparagraph (A) of this paragraph, a partner or
46 shareholder in an unincorporated business shall not be deemed to hold an investment
47 management services interest if at least 80% of the average fair market value of the specified
48 assets of the business during the taxable year consists of real estate.

49 “(4) “Specified asset” means a security, as defined in section 475(c)(2) of the
50 Internal Revenue Code (26 U.S.C. § 475(c)(2)), real estate held for rental or investment, an
51 interest in a partnership, a commodity, as defined in section 475(e)(2) of the Internal Revenue
52 Code (26 U.S.C. § 475(e)(2)), and options or derivative contracts to any of these.”.

53 (c) Section 47-1808.03(a) of the District of Columbia Official Code is amended by
54 adding a new paragraph (9) to read as follows:

55 “(9) For the taxable year beginning after December 31, 2018, a surtax, which shall
56 be in addition to any tax levied pursuant to paragraph (8) of this subsection, at the rate of 19%
57 upon taxable income derived from an investment management services interest in an
58 unincorporated business, whether domestic or foreign, until such a time when a federal law

59 having an identical effect is applicable to such income earned in all of the states and territories.”

60 in its place.

61 Section 3. Fiscal impact statement.

62 The Council adopts the fiscal impact statement in the committee report as the fiscal
63 impact statement required by section 4a of the General Legislative Procedures Act of 1975,
64 approved October 16, 2006 (120 Stat. 2038; D.C. Official Code § 1-301.47a).

65 Section 4. Effective date.

66 This act shall take effect following approval by the Mayor (or in the event of veto by the
67 Mayor, action by the Council to override the veto), a 30-day period of congressional review as
68 provided in section 602(c)(1) of the District of Columbia Home Rule Act, approved December
69 24, 1973 (87 Stat. 813; D.C. Official Code § 1-206.02(c)(1)), and publication in the District of
70 Columbia Register.

71