

RESOLUTION **RULES, ELECTIONS & INTERGOVERNMENTAL RELATIONS**

WHEREAS, any official position of the City of Los Angeles with respect to legislation, rules, regulations or policies proposed to or pending before a local, state or federal governmental body or agency must have first been adopted in the form of a Resolution by the City Council with the concurrence of the Mayor; and

WHEREAS, general partners at hedge funds and private equity funds manage clients' assets on an incentive-based compensation model; and

WHEREAS, in addition to an annual fee to manage the fund's assets, fund managers receive a cut of the profits beyond an agreed-upon expected rate of return, which is known as carried interest; and

WHEREAS, under federal tax law, carried interest is not taxed at the income tax rate, which is 37% for those in the top federal income bracket, but instead at the capital gains rate, which is 20% for top income earners; and

WHEREAS, this federal tax loophole allows some of the wealthiest Californians to pay reduced taxes on money they make as fund managers; and

WHEREAS, the California Franchise Tax Board estimates that closing this loophole at the State level could result in between \$450 million and \$700 million annually for the State; and

WHEREAS, AB 2731 (Gipson) would close this loophole by imposing an additional tax rate of 17% on the portion of a taxpayer's taxable income derived from management of a hedge fund's assets; and

WHEREAS, revenue from AB 2731 would be deposited into a College, Career, and Community Ready Fund to pay for career technical education, early childhood education, and emotional and mental health support counselors;

NOW, THEREFORE, BE IT RESOLVED, with the concurrence of the Mayor, that by the adoption of this Resolution, the City of Los Angeles hereby includes in its 2017 - 2018 State Legislative Program SUPPORT for AB 2731 (Gipson), which would close the carried interest loophole by levying an additional tax rate of 17% on the portion of a taxpayer's taxable income derived from managing a hedge fund or private equity fund and would allocate the revenues to various education purposes.

PRESENTED BY: 

MARQUEECE HARRIS-DAWSON
Councilmember, 8th District

SECONDED BY: 

ORIGINAL

MAY 11 2018

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