

Working Families Organization to Governor Malloy: “You Can’t Cut Your Way to Prosperity”

Bill to Close “Carried Interest” Tax Loophole Can Add \$520MM/yr to State’s Budget

Bill backed by 35 Co-Sponsors, Millionaires, Researchers, Advocates

HARTFORD - Facing a \$1.5BB deficit and an upcoming budget expected to be laden with additional cuts to services and jobs, lawmakers and advocates will gather today to introduce Proposed Bill 6973, which would close the “carried interest” tax loophole, which would generate more than \$520MM. Similar bills are planned or have been introduced this year in New York, Massachusetts, New Jersey and Rhode Island as part of a regionally coordinated effort between lawmakers. Presently, the tax loophole allows a small, extremely wealthy group of hedge fund and private equity managers to pay much lower taxes for the fruit of their labor than everyone else.

The bill will be announced during a **press conference today at 10:30AM at the Legislative Office Building, Room 1E**. Speakers will include Representatives Porter and Elliott, Lindsay Farrell, Working Families, Morris Pearl, Patriotic Millionaires, Derek Thomas, CT Voices, Charles Khan, Hedge Clippers, and Aracelis Hidalgo, Make the Road CT.

The bill, which has 35 legislative co-sponsors, has the strong support of economic and tax justice advocates the Working Families Organization, Patriotic Millionaires, Hedge Clippers, Make the Road CT, and Connecticut Voices for Children, a fiscal policy organization that advocates for Connecticut’s families.

Lindsay Farrell, Executive Director of the Working Families Organization: “Hedge fund and private equity billionaires charge a fee for investing other people’s money - and call it “carried interest” - to get a lower tax rate than kindergarten teachers and truck drivers,” said Lindsay Farrell, director of Connecticut Working Families Organization. “It’s an absurd and totally unfair loophole that should be closed immediately, especially given the fact that it could raise enough badly needed revenue to narrow Connecticut’s budget deficit by a third, helping working people keep services and care for their families.”

Morris Pearl, Chair of the Patriotic Millionaires, former BlackRock managing director: “The carried interest tax loophole is indefensible - there is no reason why a private equity manager who does not even invest money should get a preferential tax rate that is lower than all of the other Americans who work for a living by using a preferential rate meant for investors. This loophole has continued far too long, allowing the wealthy to put more money into their own pockets while regular Americans pay the price. This is simply not fair.”

With his upcoming budget plan address on February 8th, Governor Malloy has signaled increased cuts to jobs and services in 2017. Since 2015, more than 5,000 working class jobs have been cut along with services to some of the state’s neediest residents.

State Representative Robyn Porter (New Haven): "We all know that this year is going to be an uphill battle in the way of balancing our state's budget as we face a growing deficit of \$1.5B plus. What we should also know is that we cannot rely on cuts alone. We must create revenue streams for the state that will foster a budget based on tax parity."

Charles Khan, Organizing Director at Hedge Clippers: “In order to make a serious attempt to tackle the problems facing the residents of Connecticut we'll need to make strong investments in communities. That is not possible if we continue to let Billionaire Hedge Fund and Private Equity Managers pay less taxes than teachers, or nurses. Our tax code is upside down. Closing the carried interest loophole in CT could raise \$500 million every year for public investments in areas like schools and infrastructure. Its smart common sense policy.”

Economic policy advocates point out that austerity measures alone cannot balance a budget and effectively inflict damage on recovering economies, leading to rising income inequality, which, in Connecticut, is third highest in the country, according to Center on Policy and Budget Priorities. Closing the “carried interest” tax loophole would alleviate the state’s budget constraints, allowing policies that address income inequality and invest in our workers and families to take root, boosting the economy.

Derek Thomas, Fiscal Policy Fellow at Connecticut Voices for Children: “To avoid the continued disinvestment in programs that directly benefit children, we have provided lawmakers with a menu of options for a balanced approach to budget challenges. Closing the carried interest loophole is among the options that would provide critically needed revenue and help to stabilize the state’s revenue systems so that we can continue to make investments in the future.”

State Representative Josh Elliott (Hamden): “In a state that has the second most millionaires per capita, in a budget cycle where we are looking at a \$1.5BB deficit, cutting services exclusively for the working class seems totally out of step with reality. When you couple that with the fact that hedge fund and private equity managers get to play by a completely different set of tax rules than anyone else, you see the need to address the problem immediately. This isn't about raising revenue, nor is it about punishing the wealthy. This is about telling the public that the laws that emanate from the Capitol are fair and rooted in common sense.”

The Working Families Organization fights for economic and racial justice, winning public policies that make a difference in the lives of working families, from paid sick days laws and minimum wage increases to retirement security. WFO's progressive candidates pipeline is recruiting, training and electing the next generation of progressive leaders.

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