



# TaxNewsFlash

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## Proposed regulations under section 1061, “carried interest” rules (text of regulations)

The IRS today posted on its website a version of a notice of proposed rulemaking (REG-107213-18) as guidance under section 1061—the provision that is often referred to as the “carried interest” rules.

Section 1061—added to the Code by the 2017 tax law (Pub. L. No. 115-97), the law that is often referred to as the “Tax Cuts and Jobs Act” (TCJA)—recharacterizes certain net long-term capital gains of a partner that holds one or more applicable partnership interests as short-term capital gains. An applicable partnership interest is an interest in a partnership that is transferred to or held by a taxpayer, directly or indirectly, in connection with the performance of substantial services by the taxpayer, or any other related person, in any applicable trade or business.

Read the [proposed regulations](#) [PDF 520 KB] (162 pages)

As noted in the introduction to the preamble, these proposed regulations also amend existing regulations on holding periods to clarify the holding period of a partner’s interest in a partnership that includes in whole or in part an applicable partnership interest and/or a profits interest.

The version of the proposed regulations released by the IRS today includes the following statement:

*This document has been submitted to the Office of the Federal Register (OFR) for publication and is currently pending placement on public display at the OFR and publication in the Federal Register. The version of the Proposed Regulations released today may vary slightly from the published document if minor editorial changes are made during the OFR review process. The document published in the Federal Register will be the official document.*

The purpose of this report is to provide text of the proposed regulations.

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