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# Locke Lord QuickStudy: IRS Issues Carried Interest Guidance

Locke Lord LLP

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On July 31, 2020, the Internal Revenue Service and the U.S. Treasury Department issued Proposed Treasury Regulations (the “**Proposed Regs**”) providing guidance under the “carried interest” rules of Section 1061 of the Internal Revenue Code of 1986, as amended (the “**Code**”).<sup>1</sup> The Proposed Regs address a number of open questions regarding the scope and implementation of Section 1061 that remained following its enactment as a part of the 2017 Tax Cuts and Jobs Act, and provide additional computational and reporting rules as well as a new transition rule related to certain pre-enactment appreciation. Although the Proposed Regs generally will not be effective until they are issued in final form, certain provisions may at the election of taxpayers be relied upon currently. Taxpayers involved in enterprises that issue carried interests (e.g., private equity funds, hedge funds, real-estate funds, and energy funds) should carefully review the Proposed Regs.

## Key Points of the Proposed Regs