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In the News

Bloomberg Law: More Carried Interest Guidance Possible After IRS Punts in Rules

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O'Melveny corporate partner Alexander Anderson commented on the IRS's recently issued final rules surrounding carried interest tax rules for hedge fund managers. The latest iteration made good on calls to simplify the complex regulation, while leaving room for the IRS to issue further guidance, *Bloomberg Law* reported.

For example, guidelines on an exception to the new holding period requirements for capital interests are no longer tied to capital accounts, which show a partner's equity in the partnership. The new approach is more accommodating to hedge fund managers, Anderson noted. "The prior approach risked causing many fund managers' capital interests to be recharacterized as carried interest under these rules even though they employed non-abusive, industry-standard structures," he said.

The new rules also no longer require hedge fund managers to automatically recognize gain and pay taxes after transferring carried interests held for under three years. "Although it may not be an issue in every deal, it is a welcome development for managers that may want to engage in customary estate planning transfers," Anderson added.

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