Raising Carried Interest Taxes Is a 'Bad Deal': Robert Johnson

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A proposed increase in "carried interest" taxes could raise $19 billion over the next decade, but many business leaders find fault in the idea. Robert Johnson, founder and chairman of privately-held RLJ Companies, shared his insights.

“It’s a bad deal to be raising taxes now and it’s particularly a bad deal to single out one industry—an industry that over the past 6 years has put over $240 billion of pensioners' money into businesses, to create jobs and revitalize the economy,” Johnson told CNBC.

“Our job is to help these unions and pension funds protect their employees when they retire,” he said. “This is why private equity needs to have the freedom to attract the brightest people to this sector.”

Carried interest* is also referred to as the "2-20 ratio," where private equity and hedge fund managers charge an annual fee of 2 percent on the assets under management and earn 20 percent of the profit from those assets. “This [tax] increase is an attempt to go after an easy target that they believe will be no outcry from the public,” Johnson continued.

“But look at pensions—many state pensions are terribly under-funded and if you take away some of the incentive in this industry, it’s going to backfire on the people who need to make sure they have a pension when they retire.”

- **Watch Johnson's Previous Appearance on CNBC (May 5, 2010)**

**Carried interest: A share of any profits that the general partners of private equity and hedge funds receive as compensation, despite not contributing any initial funds.*
Source: ***Investopedia***

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