

GUNNING FOR CASH COWS

CONGRESS EYES TAX LOOPHOLES

By PAUL THARP

June 22, 2007 -- It's open-hunting season in Washington on closing tax loopholes of Wall Street's super-rich - but some believe it's mostly just noisy blanks for now.

Outraged politicians say they're rightly pushing new laws in the Senate and House to erase a cushy tax loophole benefiting just a handful of headline-grabbing deals - namely the public offering of Blackstone Group and a few other big investment pools cashing out in public offerings before markets cool off.

The cautious are betting that a specific law aimed at the public money pools could come by Christmas and will likely bring in billions in new taxes that currently are falling through narrow cracks in the tax code.

House Ways and Means Chairman Charles Rangel (D.-N.Y.) wants to hold his own hearings on taxing the private equity industry and other business partnerships.

What's scaring Wall Street is the Senate plan to kill off the tax loopholes across the huge landscape of private partnerships, which involve trillions of dollars. The prize: Tens of billions in new taxes to cover growing red ink.

"Blackstone is just the tip of the iceberg," said Dawn Levy, a tax expert with the Washington lobbying firm of Cassidy & Associates.

She and other lobbyists on all sides of the loophole issue agree that a big overall law isn't likely to emerge anytime soon.

"You won't see a huge monolithic bill that will take care of everything. The changes will be incremental, over time," Levy said.

The Senate Finance Committee staff see it differently.

"Any change would have a ripple effect through the whole economy," said one insider.

"The tax loopholes have tentacles that reach everywhere and it's difficult to make changes without upsetting the balance."

Levy, meanwhile, hopes that a new set of rules and regulations could be leveraged from the passage of the new Blackstone bill, even though its scope may appear to be limited.

"It could allow the option of throwing out a wider net to see who regulators could catch," Levy said.

Meanwhile, the private equity industry and venture fund crowd are stepping up lobbying pressure. Some members of Congress are in a quandary about possibly biting the hand that feeds them.