

Mitt Romney's tax returns: key points

In the face of mounting pressure, Mitt Romney has released his tax returns. We take a look at some of the key findings

- [Mitt Romney's 2011 tax returns – the original documents](#)
- [Mitt Romney's 2010 tax returns – the original documents](#)

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Mitt Romney and his wife Ann reported no wage income in 2010 and 2011. Photograph: Charles Dharapak/AP

- In a joint federal return, Romney and his wife Ann reported an income of **\$21.7m** in 2010 and **\$20.9m** in 2011. On that income, they paid **\$3m** in tax for 2010, an effective rate of 13.9%. For last year, they expect to pay **\$3.2m**, a rate of 15.4%.
- A closer look at the returns reveals that the pair's income is derived mostly from capital gains, interest and dividends from investments. This sort of investment income is taxed at around **15%** versus a maximum of **35%** for wage earners. For both years, the Romneys reported **no wage income**.
- Capital gains made up about 51% of Romney's income for 2011, standing at **\$10.7m** (made up of short-term capital gains of **\$1,090,082**, and long-term gains of **\$9,610,097**) and about 58% of his income for 2010, standing at **\$12.6m** (comprised of short-term gains of **\$454,539** and long-term gains of **\$12,118,710**.)

Short-term capital gains are made on assets held for a period of one year or less, while long-term gains are made on assets held for more than a year.

- Romney reported taxable interest of about **\$4m** for 2011 and **\$3.3m** for 2010.
- He also reported dividends of **\$3.2m** for 2011 and **\$4.9m** for 2010, of which **\$1.9m** and **\$3.3m** respectively were qualified dividends. Qualified dividends are ordinary dividends that meet the requirements to be taxed as net capital gains. In other words, they are subject to a much lower rate than ordinary income.
- The New York Times reports that Benjamin Ginsberg, the Romney campaign's chief counsel, disclosed in a conference call that Romney, who negotiated a carried interest deal when he retired from private equity firm Bain Capital in 1999, earned **\$7.4m in carried interest** from Bain in 2010, and is expected to get **\$5.4m** in 2011.

Carried interest is usually paid to the investment manager of a private equity firm or hedge fund as a performance fee carved out of the fund's profits – and hence designed to incentivise the manager to promote its best interests.

Carried interest is advantageous from a tax perspective, as it is recognised as a firm earns income. Since private equity firms typically invest on a long horizon, such income is classified as a long term capital gain, taxable at a maximum of **15%**. A simultaneous advantage is the deferral of taxation.

- Romney's itemised deductions included charitable contributions of close to **\$3m** in 2010, and over **\$4m** in 2011, mainly through tithing to the Mormon church. An appendix to his tax returns reveals that in 2010 and 2011, he donated **\$1.5m** and **\$2.6m** respectively to the Church of Latter-Day Saints. In 2011, he also donated **\$500,000** to the Tyler Foundation, which provides support to families of children with epilepsy.
- Comparing Romey's 2010 return to that of Newt Gingrich shows that Romney's adjusted gross income is almost **seven times** Gingrich's, but his **charitable donations are about 37 times**. Strikingly, his **total tax is just three times Gingrich's**.
- Romney reported speaking fees of just **\$100,500** in 2011, down from **\$529,000** in 2010.
- Reuters reports that Romney's holdings include an undisclosed amount based in the Cayman Islands and other overseas entities. His advisers have underscored that his holdings are in three blind trusts and that he does not make decisions about how the money is invested.
- MIT Sloan accounting professor Michelle Hanlon points out that despite having offshore accounts, Romney is abiding by the law. "The thing people should focus on is if you don't like how he's being taxed that's a problem with the system and that should instigate reform," she says. "He reports he has this income that's off shore and he subjects it to US taxation where it should be; that's important to recognise."

• Notably, Romney's 2011 return shows no investment in municipal bonds. "It looks to me that he's concerned about the financial stability of states and local government," says New York tax attorney Thomas Egan. "Maybe he doesn't feel so good about the local economy as a resident of Massachusetts. It tells me that he's very afraid that municipalities could go bankrupt."

• With a **104-page form 1040** for 2011, and a **203-page** one for 2010, navigating Mitt

Romney's tax returns is no walk in the park. Comparing President Obama's tax returns with Mitt Romney's, Egan says: "Obama's are super simple ... Mitt's a complicated guy. He's difficult to understand." Both Obama and Romney, however, claim no deductions, except for agent's fees. "Typically you see a ton of stuff on this," says Egan. "They're trying to keep it clean."

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