

Romney Paid 13.9 Percent Tax Rate on \$21.6 Million 2010 Income

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(For more campaign coverage, see ELECT.)

By Richard Rubin

Jan. 24 (Bloomberg) -- Republican presidential candidate Mitt Romney earned \$21.6 million in 2010 and paid 13.9 percent of that amount in income taxes, using the preferential rate on investment income and charitable deductions to pay a smaller share of his earnings than top wage earners typically do.

The former private-equity executive and Massachusetts governor earned more than half of his income from capital gains and dividends, which are taxed at a top rate of 15 percent, rather than the 35 percent top rate for ordinary income. His campaign showed his tax returns to reporters last night and will release them publicly today.

"Oh, I'm sure people will talk about it," Romney said during a debate last night. "I mean, you'll see my income, how much taxes I've paid, how much I've paid to charity. You'll see how complicated taxes can be."

Romney's income puts him near the very top of U.S. taxpayers. In 2008, according to the IRS, the median adjusted gross income was \$33,048, which Romney made in less than a day. Reaching the top 1 percent of taxpayers required \$380,354 in adjusted gross income, about Romney's earnings in a week.

The campaign also is releasing an estimated tax return for 2011 showing that Romney had an effective tax rate of 15.4 percent on \$20.9 million in adjusted gross income. That return hasn't been filed with the Internal Revenue Service.

The discussion of Romney's tax returns has reignited the political debate over the tax treatment of investments and particularly carried interest. That's the profits stake that private-equity managers receive from successful investments even if they don't invest their own money. It's taxed at capital gains rates, and President Barack Obama and many Democrats want to reverse that policy, calling it unfair.

Carried Interest

Romney's 2010 income included \$7.4 million in carried interest, said Ben Ginsberg, national counsel for the campaign. Romney was an executive at Bain Capital LLC. Romney received \$5.5 million in carried interest in 2011.

Billionaire investor Warren Buffett, who is calling for raising taxes on high-income Americans, said he blames Congress, not Romney, for the governor's tax rate.

'Wrong Policy'

"It's the wrong policy to have," Buffett told Bloomberg Television's Betty Liu in an interview yesterday. "He's not going to pay more than the law requires, and I don't fault him for that in the least. But I do fault a law that allows him

and me earning enormous sums to pay overall federal taxes at a rate that's about half what the average person in my office pays."

In 2008, according to IRS statistics, fewer than 15 percent of taxpayers earning more than \$200,000 had effective tax rates of less than 15 percent.

Romney, who lost the South Carolina primary Jan. 21, is competing in the Jan. 31 contest in Florida against his main rival, former House Speaker Newt Gingrich.

Ginsberg said Romney would fare better financially under Gingrich's tax plan than under his own. Gingrich would end all taxation of capital gains; Romney wouldn't let high-income taxpayers receive that break.

The 203-page return of Romney and his wife, Ann, along with returns from trusts and a foundation, provide a glimpse into the candidate's financial life. The net worth of the 64-year-old Romney is between \$190 million and \$250 million, according to an estimate from his campaign.

Itemized Deductions

In 2010, the Romneys had more than \$4.5 million in itemized deductions, including almost \$3 million in charitable contributions. The couple donated \$1.5 million in 2010 to the Church of Jesus Christ of Latter-Day Saints, which also received donations from the family's foundation. They contributed \$2.6 million to the Mormon church in 2011, according to the estimated return.

Anthony Nitti, a tax partner at WithumSmith & Brown in Aspen, Colorado, said Romney's return is a "pretty extreme example" of someone receiving income at preferential tax rates on investments.

"For a high net-worth individual, there's nothing here that surprises me," said Nitti, who reviewed the return for Bloomberg News.

'Sophisticated' Tax Planning

Nitti, who works with high-income clients, said the Romneys' trusts have investments in such places as the Cayman Islands. Even if the Romneys didn't make those investment decisions, he said, "there's some sophisticated tax planning going on."

The 2010 return shows that the Romneys' blind trusts have invested in an array of assets based around the world, including the Caymans. The Romneys had a bank account in Switzerland, the return shows. The account has since been closed, said Brad Malt, a partner at Ropes & Gray LLP in Boston who operates the family's blind trusts.

"I thought that was prudent as a matter of diversification for trusts of this size," he said. "I would like to emphasize that this bank account, in contrast to some that we've read about that have been the subject of criminal activity, is a fully legal, fully disclosed, fully reported bank account."

Malt, who began working as the Romneys' trustee in 2003, said that during that time he was unaware of any IRS audit of the couple's tax returns.

Romney's income likely didn't place him among the top 400 taxpayers. For the past several years, reaching that list required an adjusted gross income of more than \$100 million.

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