

# HOW MITT MANUFACTURED A CHARITABLE VIEW OF HIS TAXES

This worthwhile piece on the charities Mitt Romney gives millions to (largely, the Mormon Church and the Mormon Church) got me thinking about the chronology of Mitt's 9 month slow reveal (sic) on taxes. The headline takeaway from Mitt's tax returns among Mitt supporters on Friday was his generosity: Mitt gave 30% of his income to charity and why didn't Obama—to say nothing of Joe Biden—give as much.

But look at how that view came about.

|            | 4/18/11     | 1/24/12      | 1/24/12      | 4/13/12   | 9/21/12        | 9/21/12       |
|------------|-------------|--------------|--------------|-----------|----------------|---------------|
|            | O 2010      | R 2010       | R 2011 Est   | O 2011    | R 2011 Claimed | R 2011 Actual |
| AGI        | \$1,728,096 | \$21,646,507 | \$20,901,075 | \$789,674 | \$11,696,951   | \$11,696,951  |
| Charity    | \$245,075   | \$2,983,974  | \$4,020,572  | \$172,130 | \$4,020,572    | \$2,230,772   |
| Percentage | 14.18%      | 13.79%       | 19.24%       | 21.80%    | 29.35%         | 16.43%        |

Romney's tax troubles started in January when Newt Gingrich started pressuring him to release his taxes. So on January 24, Mitt released both his 2010 taxes—which had been submitted October 15, 2011—as well as estimated taxes for 2011—which came with a big “IN PROCESS RETURN” stamped on it and were never signed or submitted.

Those records showed that Mitt had donated 13.79% of his \$21.6 million income in 2010, and 19.24% of his \$20.9 million in 2011.

Of course, by that point, Obama's 2010 tax returns were already public. They showed he had donated 14.18% of his \$1.7 million income. Thus, at that point, it appeared that Obama had donated more to charity in 2010, but Mitt had donated a higher percentage of his income in 2011 than what Obama *had* donated the year before.

Obama released his 2011 tax returns on April 13. They showed he had donated 21.8% of his \$789K

income, or a few percentage points more in charity than Mitt had declared in January.

Mitt, of course, had filed for an extension. So it was not until Friday when we got his 2011 taxes. But that release came in two steps. First, before 2PM, a statement from his Trustee, personal lawyer and longtime associate, Brad Malt. He said the Romneys had donated “nearly 30% of their income” in 2011.

Regarding the newly-filed 2011 Tax Return:

- *In 2011, the Romneys paid \$1,935,708 in taxes on \$13,696,951 in mostly investment income.*
- *The Romneys’ effective tax rate for 2011 was 14.1%.*
- *The Romneys donated \$4,020,772 to charity in 2011, amounting to nearly 30% of their income.*
- *The Romneys claimed a deduction for \$2.25 million of those charitable contributions.*
- *The Romneys’ generous charitable donations in 2011 would have significantly reduced their tax obligation for the year. The*

*Romneys thus limited their deduction of charitable contributions to conform to the Governor's statement in August, based upon the January estimate of income, that he paid at least 13% in income taxes in each of the last 10 years.*

Now, Malt didn't exactly hide what was going on here—that Mitt was claiming to have given money to charity that he didn't declare on his taxes so as to boost his tax rate over the 13% he had discussed earlier in the summer. But the introduction to the bullets—"Regarding the newly-filed 2011 Tax Return"—implied, falsely, that all the information in the bullets came directly from Mitt's tax returns.

Nevertheless, a bunch of reporters took that statement and ran with it, resulting in articles like this one:

**Romney 2011  
taxes: Mitt  
gives more to  
charity than  
President Obama,  
Joe Biden**

Republican presidential nominee Mitt Romney was far more generous to charities than President Barack Obama or Vice President Joe Biden last year, both in dollar terms and as a percentage of

income, tax return data Romney's campaign released Friday indicate.

Romney and his wife, Ann, gave 29.4 percent of their income to charity in 2011, donating \$4,020,772 out of the \$13,696,951 they took in.

Obama and first lady Michelle Obama gave 21.8 percent of their income to charitable organizations last year, donating \$172,130 out of the \$789,674 they made.

Even this more weedy Rick Newman post—probably the first to note the difference between Mitt's estimated and reported income—reported the dollar amount of Mitt's charitable deductions had remained the same.

The final deduction for charitable giving is the same as on the estimated returns earlier this year: About \$4 million. Since that hasn't changed, there must have been other deductions Romney was able to claim.

But of course, the IRS doesn't have a 1040 category for "charitable contributions you claim you've made but you're not actually going to deduct."

And a few hours later, when the campaign released Mitt's actual tax returns, it reflected only \$2,250,772 in donations—or 16.43% of the \$13.7 million Mitt claimed as income, which works out to be a higher percentage than Obama donated in 2010, but a lower percentage than the President donated in 2011.

|                                                                                                                          |  |    |            |         |
|--------------------------------------------------------------------------------------------------------------------------|--|----|------------|---------|
| <b>Gifts to Charity</b>                                                                                                  |  | 18 |            | 56,304. |
| 16 Gifts by cash or check. If you made any gift of \$250 or more, see instructions. . . . SEE, STATEMENT, §.             |  | 16 | 1,330,199. |         |
| 17 Other than by cash or check. If any gift of \$250 or more, see instructions. You must attach Form 8283 if over \$500. |  | 17 | 920,573.   | STATE 5 |
| 18 Carryover from prior year (see instructions).                                                                         |  | 18 |            |         |
| 19 Add lines 16 through 18.                                                                                              |  | 19 | 2,250,772. |         |
| <b>Casualty and Theft Losses</b> 20. Casualty or theft losses. Attach Form 4696. (See instructions.)                     |  | 20 |            |         |

And—as Newman noted right away (and returned to after the actual returns were released) but has yet to be explained by either the campaign or

any journalists/tax analysts I've seen—Mitt's stated income dropped dramatically since his January release.

So here's the mystery: Between January and October of this year, Romney's adjusted gross income for 2011 fell by \$7.2 million. And it dropped by nearly \$8 million compared with his AGI in 2010. His federal tax liability also fell, by similar proportions.

The most likely explanation is that Romney's accountants transferred income from Romney's personal return to one of the three trusts that also generate considerable income, almost all of it from investments.

Now, I'm not sure what happened with the income—I assume we'll find an answer to that as more tax experts keep sifting through these returns. But the effect—assuming Mitt really did give \$4 million to charity last year—was to dramatically increase the percent of Mitt's income that went to charity. Far enough, in fact, to become higher than Obama's donation percentage.

But as of right now, the only information we have reflecting a higher amount of donations is the earlier unsigned release and Malt's legally non-binding statement. And Malt has been making politically convenient "blind" decisions for Mitt as recently as June 15.

And if you look at the chronology of the reporting—the colored table above—it looks like it could be a carefully manipulated effort to try to get Mitt's donations above those of Obama's; certainly, that's the line the campaign tried (and to a large degree succeeded) in spinning on Friday.

I don't mean to be an asshole. Maybe the manipulative games Mitt did happen just as he said: he didn't report deductions, presumably to bring the tax rate for his unexplained \$7.2

million lower income up over 13%, and in doing so, with the dramatically lowered income, Mitt just happened to boost his donations above the level Obama gave at. But the point is, we don't know, and we may never know, particularly if Mitt loses; we just have a series of legally non-binding declarations to that effect (interestingly, the change in donations came in the cash portion, not the portion that is presumably stocks, which might be something Bain could track).

One more piece of evidence suggests Mitt's claimed story may not be the truth, that he may not have donated as much as he claims to have. The Pricewaterhouse Coopers statement doesn't say anything about what Mitt paid or donated in 2010 and 2011; it only reflects what he did from 1990 to 2009. But it does tell us how much Mitt tends to donate. And for 20 years, Mitt has averaged 13.45%, which is just slightly less than the 13.79% he gave in 2010, and is in the vicinity of the 16.43% his official tax returns reflect, but is way off what he claims to have donated. And if he ever gave 30% before 2011, it would mean there were multiple years when Mitt didn't tithe his required 10% to his Church (to bring the 1990-2009 average up over 13%).

Mitt may well have given 30% of his income last year, as he claims: but we're just taking him on his word—**about taxes!**—something he has refused to be honest about. But if he did give 30%, he likely did so as part of a shell game involving lowering his stated income to try to beat Obama in donations while still keeping his tax rate above an absurd 13%.