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Romney's Tax Return: Really Nothing Unusual There

By ALAN REYNOLDS Posted 01/25/2012 05:36 PM ET

After the fuss that Republican presidential candidate Newt Gingrich made over his rival's 2010 taxes, it turns out there was nothing in Mitt Romney's return that should have caught anyone by surprise. Not that any facts could possibly discourage political interests from fishing for shadowy insinuations.

Looking around for an objective tax analyst, the New York Times settled for Bill Burton, who happens to run an Obama Super PAC.

Mr. Burton claims Romney "has access to complicated legal maneuvers involving offshore accounts and retirement savings that simply are not available to everyday Americans." That is not so.

The assets of Mitt and Ann Romney have been held in blind trusts since 1993, leaving them with no choice about how or where the money is invested. Accounts in Bermuda or the Caymans would be suspicious only if the resulting interest income was not reported on the tax return — as it obviously was.

As for retirement saving, many taxpayers roll over their company pensions into a tax-deferred IRA just as Romney did. More than 70% of my family's wealth, for example, is in two IRAs and two 401(k) plans. After turning 70 1/2, however, seniors must withdraw sizable amounts each year which are taxed at regular income-tax rates, rather than at the lower rates for capital gains and dividends.

In this respect, Romney's seemingly low tax rate is partly illusory — a temporary reprieve rather than long-term tax savings.

The other main reasons the Romney family appeared to pay a low rate are that (1) they donate $3 million to $4 million a year to charities, and (2) most of their remaining income was taxed at the 15% rate on capital gains and dividends that ends this year.

When Berkshire Hathaway chairman Warren Buffett complained that his 2010 taxes were too low, nobody accused him of taking special advantage of complicated loopholes that are not available to other taxpayers. In fact, Buffett's federal tax rate was significantly lower than Romney's and for essentially the same reasons — charitable contributions and capital gains.

In a New York Times Op-Ed last August, Mr. Buffett revealed that his federal income taxes for 2010 were only 17.4% of his taxable income, before taking account of deductions. Although the media did not report Gov. Romney's federal taxes in the same way they reported Mr. Buffett's, the Romney family also paid 17.6% of taxable income.

Both Buffett and Romney are famously frugal and generous, however, so both had extraordinarily large charitable deductions. After taking account of such deductions, Buffett paid only 11% of his gross income, while Romney paid 13.9%.