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Election years bring out the best and worst features of our political landscape. I think it's appropriate that the Republican debates have helped focus attention on the tax returns of the leading candidates of both parties. Because here are a couple of fundamental questions worth thinking about: should all Americans pay tax at the same rate? If not, should those with greater amounts of income pay tax at higher rates?

PRESIDENTIAL (AND WOULD-BE PRESIDENTIAL) TAX RETURNS:

I know it's been years since Al Gore invented the internet. Still, I think it's absolutely amazing that from my desk I can instantly retrieve the 2010 tax returns of Barack Obama, Mitt Romney and Newt Gingrich. And their returns look just like mine. There's the familiar 1040 form, lots of other forms and schedules supporting the numbers on the 1040, and various statements and worksheets further propping up the numbers. Of course, their numbers are not my numbers. . .

◆ **Barack and Michelle Obama:** The Obamas reported AGI (adjusted gross income) of just over \$1.7 million. . .most of this—almost \$1.4 million—was Barack Obama's income from book sales, income that is subject to both income tax and self-employment tax. . .of course his day job helps pay the grocery bill too; our country's CEO reported almost \$400,000 in wage income (no stock options though). . .apparently neither Barack nor Michelle are Warren Buffet; their return reflects a \$122,000 cumulative capital loss, of which \$3,000 (the maximum allowed) was used in 2010. . .total federal tax was \$454,000, an effective tax rate of 34 percent on taxable income of \$1.34 million.

◆ **Newton and Callista Gingrich:** Newt and most recent spouse tabulated AGI of \$3.14 million for 2010. . . \$450,000 of this was wage income from related companies. . .one of those, Gingrich Holdings, Inc., produced another \$2.5 million of the couple's total income. . .Newt wrote off just under \$20,000 in alimony; (there was no breakdown of how much went to wife number one versus wife number two). . .like the Obamas, the Gingriches paid out 34 percent of their taxable income (\$2.9 million) to the IRS, with total federal tax reported at \$995,000.

◆ **Willard "Mitt" and Ann Romney:** These guys play in a different league altogether. . .AGI for 2010 was well over \$21 million. . .about \$16 million of that was capital gain from investment sales and qualified dividends. . .these types of income are taxed at 15 percent or less. . .taxable income was reduced by almost \$3 million for gifts to charity. . .total federal tax was just over \$3 million, an effective tax rate of about 17.5 percent on taxable income of \$17 million.

So is it "fair" that Romney paid federal income tax at half the rate of his rivals? If not, then do we increase the rate paid by the Romneys of the US, or lower the rates on everyone else?

And if it's the latter, just how do we then pay for our parks, roads, bridges, schools and military?

Obama floated several tax proposals in last week's state of the union speech: allowing the Bush tax cuts to expire, thereby raising tax rates for households earning more than \$250,000; assessing a minimum tax rate of 30 percent on households over \$1 million; offering a variety of incentives for US firms to keep jobs and profits within our borders. Nothing significant will be addressed before the November election. Only then will we see the first glimmers of how the federal tax system might change.

IRAs: STILL THE BEST TAX-SAVING STRATEGY AROUND:

Virtually all taxpayers have access to individual retirement accounts. The tax advantages of contributing to these vehicles are hard to beat. Investment options are almost limitless. And you're not spending a dime to seize the chance; you're just moving money from your wallet to a savings account. Interested? Here's a quick review of the basics.

◆ **Traditional IRAs.** Contributions of up to \$6,000 per year may be made. . . contributions for the tax year are due by the following April 15. . . most contributions are fully tax deductible. . . earnings on IRAs accumulate free from current taxation. . . withdrawals are subject to tax at ordinary income rates and some withdrawals prior to age 59½ are also subject to a 10% penalty. . . distributions must commence at age 70½.

◆ **ROTH IRAs.** Contributions of up to \$6,000 per year may be made but are not deductible. . . earnings accumulate free from current tax. . . withdrawals are usually tax free. . . owners are never required to withdraw anything.

◆ **IRA Plans.** Employers and self-employed can establish IRA retirement plans. . . SIMPLE IRA plans are funded primarily by employee withholdings. . . SEP IRA plans are funded exclusively by employer contributions. . . SIMPLE participants can sock away up to \$14,000 from their annual paycheck, plus bank an employer contribution. . . SEP IRA contributions are capped at the lesser of 25 percent of earnings or \$50,000. . . amounts contributed under both SIMPLE and SEP plans are deposited into individual accounts that take on many of the attributes of traditional IRAs.

YOUR NEW TAX DELIVERY SERVICE:

The Larry A Jaffe, PC website client portal is now up and running. We hope that many of you will select this option for delivery of your 2011 tax returns, as well as other documents to be exchanged with our office. So far our tests show the portal is a simple, safe, and secure method of transferring data between our office and our clients via the web.

Newest member of our team as we head into the 2012 tax season is Walter Roland. Walt's not just a CPA but a certified financial planner as well. He comes to us with more than two decades of experience with tax preparation and many years assisting clients with investments.