

How Mitt Romney and President Obama Would Fare Under Their Two Competing Tax Plans

Nothing better illustrates the difference between President Obama and Mitt Romney when it comes to taxes than how each of them would fare under their competing tax plans.

Citizens for Tax Justice has done the calculations for 2013, based on what the two candidates have proposed. The differences are striking.

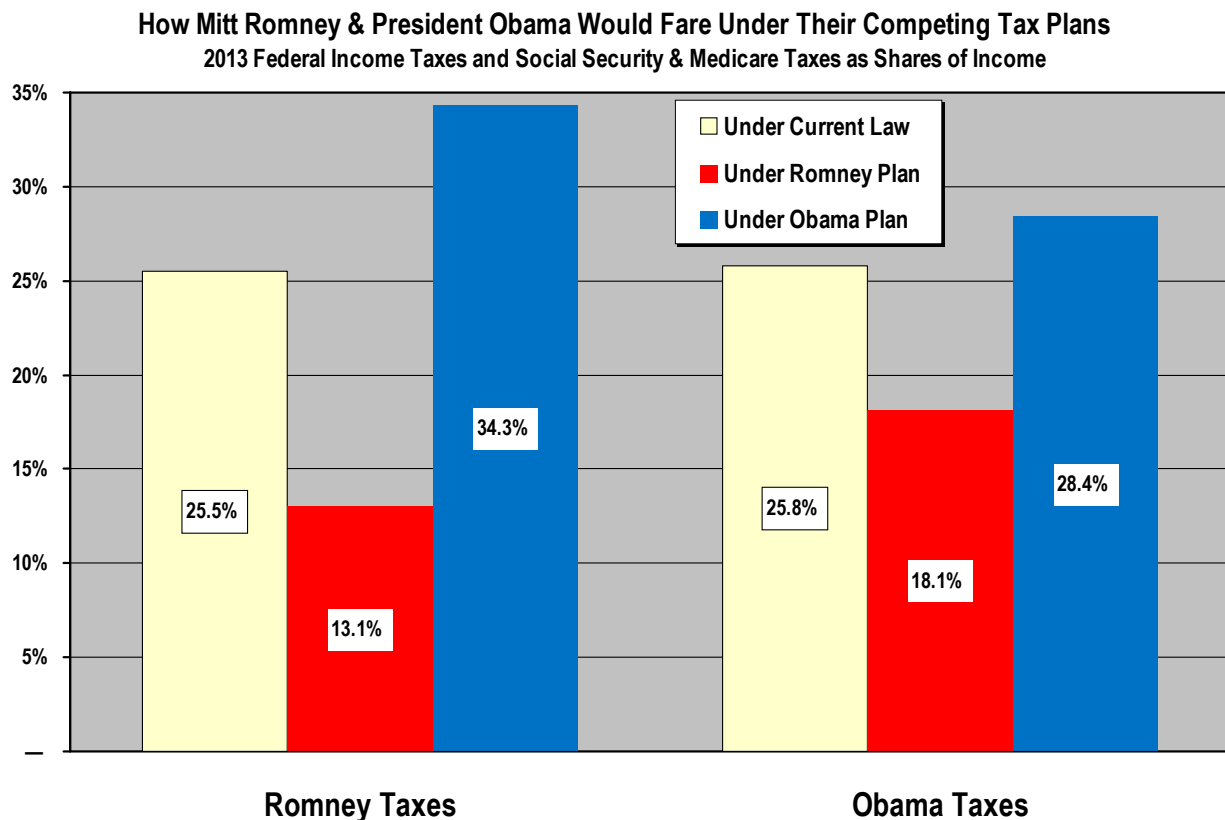
In a nutshell, Obama thinks that very high income people, especially the super-rich like Romney, ought to pay more in taxes to support the country that helped make their success possible. Romney thinks that the big winners in our society, especially the biggest winners like himself, ought to pay a lot less.

Mitt Romney:

- Under his own tax plan, Mitt Romney would pay only 13.1 percent of his \$23 million income in federal income tax, Social Security tax and Medicare tax.
- Under Obama’s plan, Romney would pay a 34.3 percent federal tax rate

President Obama:

- Under his own tax plan, President Obama would pay 28.4 percent of his \$874,000 income in federal income tax, Social Security tax and Medicare tax.
- Under Romney’s plan, Obama would pay only an 18.1 percent federal tax rate.



CTJ's calculations are based the latest tax returns released by the candidates, for 2011 in the case of President Obama and for 2010 in the case of Mitt Romney. The income figures were adjusted for inflation to put both at 2013 levels.

Obama's tax plan, which is spelled out in detail in his budget proposals, would extend the Bush income tax cuts for all but the highest earners. He would also repeal the loophole that allows wages earned as a "carried interest" to be treated as lightly taxed capital gains. And he would limit the tax savings from itemized deductions to 28 percent of the amount deducted.

Romney's tax plan would extend all of the Bush income tax cuts, reduce regular income tax rates (on non-capital gains and dividend income) by 20 percent, and repeal the Medicare tax expansion enacted in the Affordable Health Care Act. Romney has said he would also eliminate some tax breaks, but he has not specified even one of them. But clearly he does not plan to close the loopholes that matter most to him, i.e., the special low rates on capital gains and qualified dividends (which are part of the Bush tax cuts he has pledged to extend) and the special treatment of wages received as a "carried interest" as capital gains (asked whether he would close the "carried interest" loophole, Romney has said, "With regard to carried interest associated with venture capital, real estate, private equity, I do not believe in raising taxes").

Tables with more details on the analysis are on the next three pages.

How Mitt Romney & President Obama Would Fare Under Their Two Competing Tax Plans in 2013 (Federal Income Taxes and Social Security & Medicare Taxes)

Mitt Romney	Effective Tax Rate	\$ change from 2013 current law	% tax change from 2013 law
Romney under 2013 current law	25.5%		
Romney under his own plan	13.1%	\$ -2,811,000	-49%
Romney under Obama plan	34.3%	+2,001,000	+35%
<i>Addendum:</i>			
Romney 2010 actual tax rate	14.7%		

President Obama	Effective Tax Rate	\$ change from 2013 current law	% tax change from 2013 law
Obama under current 2013 law	25.8%		
Obama under his own plan	28.4%	\$ +23,100	+11%
Obama under Romney plan	18.1%	-67,200	-29%
<i>Addendum:</i>			
Obama 2011 actual tax rate	23.0%		

Sources of tax changes vs. 2013 law	Effects on	
	Romney	Obama
Romney Plan:		
Extend all Bush tax cuts	-1,854,824	-31,529
Reduce regular income tax rates by 20%	-117,618	-29,940
Repeal health care reform act Medicare tax	-838,618	-5,727
	-2,811,060	-67,196
Obama Plan:		
Extend most Bush regular income tax rate cuts	-8,671	-8,671
No capital gains treatment of carried interest	+1,533,886	—
Limit tax benefit of itemized deductions to 28%	+475,651	+31,724
	+2,000,866	+23,053

Notes: Mitt Romney's income is as reported on his 2010 tax return. President Obama's income is as reported on his 2011 tax return. All figures were adjusted for inflation to make 2013 calculations.

Romney federal income, social security and payroll taxes	2010 tax return	Age to 2013 106%	Taxes in 2013 under		
			2013 law	Obama	Romney
Income					
Wages	—	—	—	7,825,949	—
Taxable Interest	3,295,727	3,485,431	3,485,431	3,485,431	3,485,431
Tax-exempt interest	557	589	589	589	589
Total dividends	4,923,348	5,206,739	5,206,739	5,206,739	5,206,739
Qualified dividends	3,327,678	3,519,222	—	—	3,519,222
State tax refund	826,064	873,613	873,613	873,613	873,613
Sch C	593,996	628,187	628,187	628,187	628,187
Capital gains	12,573,249	13,296,974	13,296,974	5,471,025	13,296,974
Long-term gains	12,118,710	12,816,272	12,816,272	4,990,323	12,816,272
Carried interest	7,400,000	7,825,949	7,825,949	—	7,825,949
Other gains	1,482	1,567	1,567	1,567	1,567
Schedule E	-279,884	-295,994	-295,994	-295,994	-295,994
Other income	-272,638	-288,331	-288,331	-288,331	-288,331
Tax return total income	21,661,344	22,908,186	22,908,186	22,908,186	22,908,186
Income for effective rate	21,373,783	22,604,026	22,604,026	22,604,026	22,604,026
Adjustments					
Half of SE tax	14,576	15,461	15,461	15,461	15,461
Domestic production deduction	261	276	276	276	276
Total adjustments	14,837	15,737	15,737	15,737	15,737
AGI	21,646,507	22,892,449	22,892,449	22,892,449	22,892,449
Itemized deductions	4,519,140	4,779,265	4,097,793	4,100,437	4,779,265
PEs (2)	7,300	7,700	—	—	7,700
Taxable income	17,120,067	18,105,484	18,794,656	18,792,012	18,105,484
Taxable w/o Itcg & q divs	1,673,679	1,769,990	5,978,384	13,801,689	1,769,990
Tax thereon			2,329,983	5,420,388	470,472
Tax on capital gains & qualified dividends			2,563,254	998,065	2,450,324
Income tax so far	2,873,054		4,893,238	6,418,453	2,920,796
AMT	232,989		—	—	—
ID limitation tax				+475,651	—
Total income tax	3,106,043		4,893,238	6,894,104	2,920,796
OASDHI tax	29,151		869,541	869,541	30,923
Total tax with OASDHI tax	3,135,194		5,762,779	7,763,645	2,951,719
Effective tax rate	14.7%		25.5%	34.3%	13.1%
Payroll taxes					
Social Security (12.4%)	13,243	14,099	14,099	14,099	14,099
Medicare	15,908	16,824	855,442	855,442	16,824
Total	29,151	30,923	869,541	869,541	30,923
Medicare tax base					
2.9%	548,555	580,131	580,131	8,406,080	580,131
+0.9%	—	—	330,131	8,156,080	—
3.8%	—	—	21,990,711	14,164,762	—

Obama federal income, social security and payroll taxes	2011 tax return	age to 2013 104%	Taxes under		
			2013 law	Obama	Romney
Income					
Wages	394,821	411,458	411,458	411,458	411,458
Interest	10,694	11,145	11,145	11,145	11,145
Dividends (nq)	3	3	3	3	3
Schedule C	441,369	459,967	459,967	459,967	459,967
Capital loss	-3,000	-3,000	-3,000	-3,000	-3,000
Schedule E (royalty)	698	727	727	727	727
Tax return total income	844,585	880,300	880,300	880,300	880,300
Income for effective rate	838,674	874,141	874,141	874,141	874,141
Adjustments					
SE tax	5,911	6,159	6,159	6,159	6,159
Self-employed SEP	49,000	51,065	51,065	51,065	51,065
Total adjustments	54,911	57,224	57,224	57,224	57,224
AGI	789,674	823,076	823,076	823,076	823,076
Itemized deductions	278,498	290,233	270,842	273,486	290,233
Exemptions	14,800	15,400	—	—	15,400
Taxable income	496,376		552,234	549,590	517,443
Tax thereon	143,603		181,228	172,557	119,759
AMT	12,491		—	—	—
ID limitation tax	—		—	+31,724	—
Income tax	156,094		181,228	204,281	119,759
OASDHI taxes	36,514		44,077	44,077	38,350
Tax w/ all payroll taxes	192,608		225,305	248,359	158,109
Effective tax rate	23.0%		25.8%	28.4%	18.1%
Payroll taxes					
Social Security (12.4%)	13,243	14,099	14,099	14,099	14,099
Medicare	23,270	24,251	29,978	29,978	24,251
Total	36,514	38,350	44,077	44,077	38,350
Medicare tax base					
2.9%		836,238	836,238	836,238	836,238
+0.9%			586,238	586,238	—
3.8%			11,875	11,875	—