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What Does Trump's Released Tax Return Really Show?



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Unless you have been living in a cave the past week, you know that MSNBC host Rachel Maddow broke the story of the leak of two pages of President Trump's 2005 tax return. While the news has been met with expectedly different opinions from those on the left and the right, from a purely tax and accounting point of view and not a political standpoint, what does the president's tax return actually reveal?

First of all, with only two pages, the return is obviously incomplete and little more than a teaser, but it does disclose some notable information.

As you probably already know, there were no bombshells about ties to Russian businesses or anything about the extent of President Trump's charitable giving or lack thereof. The documents, obtained by investigative reporter David Cay Johnston, indicate that Trump paid taxes of \$38 million on income of \$150 million. How Johnston acquired the documents remains unknown.

Generally speaking, a person's tax returns are not as transparent or as revealing as you might think. The wealthier a person is, the more complex the return is, and as a rule, the more complex the return, the *less* it may actually reveal. Not only is this an incomplete return, so that we do not get to see things like his entire list of itemized deductions, but it would also be helpful if we had the supporting forms, known as schedules, in addition to the Form 1040.

What Trump's 2005 Return Does Reveal

So, what can we learn from the leaked return? Not very much really, or at least, not the kinds of things that many Americans were hoping for.

We know that Trump, as was [reported](#) by the *New York Times*, which had obtained a 1995 tax return, took a huge write-off for "construction losses" – in excess of \$100 million. Those and other write-offs would have amounted to the Trumps paying a mere 4 percent in federal income taxes that year, if they had not also triggered the alternative minimum tax (AMT). The AMT is a supplemental tax placed on extremely high-net-worth individuals to help ensure they pay their fair share.

With the AMT, the Trumps paid about 24 percent in taxes. That is still far below the 35 percent maximum tax rate, but perfectly legal, and not something unusual for billionaires, particularly those in real estate, which allows more deductions and write-offs than practically any other business.

Interestingly enough, [elimination of the AMT](#) is part of President Trump's proposed tax overhaul.

Questions Raised by the Return

Like any leaked, yet incomplete, information, the 2005 return raises more questions than it answers. From an accounting standpoint, a few things jump out. There is a line in the return that indicates that Trump paid significantly less taxes on significantly less income in the prior year of 2004. Also intriguing is Line 12 of the return, which lists more than \$40 million in “self-employment income.” I know myself and my fellow CPAs would like to know where this income came from.

The nearly \$103 million that was written off as “business losses” is kind of a catchall. Without the more detailed return and supporting documents, we cannot be sure if these were indeed all construction losses, or other losses that could include anything from nonbusiness or noninvestment income to gambling losses.

It is still interesting to ponder where the leaked return came from. It is stamped “Client Copy,” which means it is unlikely that it came from President Trump’s accountants. It may have come from Trump himself, or perhaps a bank where he applied for a loan, as banks will often only ask for those first two pages before requesting a complete return from the IRS.

Many of the things that most of the people who were clamoring during the campaign for Trump to release his tax returns were not found in the leaked partial return. Had we been able to get a look at a full set of Trump’s tax returns, we would have more complete information about his income sources, his expenses, and many other things that were not included on his financial disclosure forms. These would include his deductions for charitable donations, any unusual tax credits, and foreign investments or holdings in foreign bank accounts.

Until then, we can only speculate what else these returns may reveal to paint a more complete picture of the commander in chief’s financial history.