



Sheldon Adelson's Return on Investment

Billionaire Donor Could Turn \$100 Million Invested in the 2012 Presidential Race into a \$2 Billion Tax Cut If Romney Is Elected

Seth Hanlon August 2012

Introduction

Billionaire casino mogul Sheldon Adelson says he plans to spend \$100 million this year to get former Massachusetts Gov. Mitt Romney elected president. He has already contributed \$36 million to various Republican “super PACs.”¹ That’s a lot of money. But it is far less than the windfall Adelson could reap from Gov. Romney’s tax cuts if he is elected president. Over the course of a four-year presidential administration, Adelson stands to receive a potential tax cut from the Romney tax agenda of more than \$2 billion—an exponential return on a \$100 million investment.

The magnitude of Adelson’s tax windfall can be estimated from public information about his income and wealth and the profits of his company, Las Vegas Sands Corp. Because public information does not give a complete picture of Adelson’s finances, in particular his annual income, we can estimate only parts of the total tax cut that Romney’s policies would give him. Gov. Romney’s tax plan is also vague in key respects. But based on what we do know, Gov. Romney’s tax policies would:

- Cut top tax rates, saving Adelson approximately \$1.5 million on his annual compensation as chief executive of his casino company.
- Maintain the special low rates on dividends, potentially saving Adelson nearly \$120 million on a single year’s worth of dividends, more than enough to recoup his political donations.
- Maintain the special low rates on capital gains, allowing Adelson to make back his political donations in capital gains tax cuts just by selling a fraction of his stock.
- Provide a tax windfall of an estimated \$1.2 billion to Adelson’s company, Las Vegas Sands Corp., on untaxed profits from its Asian casinos, as well as a tax exemption for

future overseas profits. Adelson's casinos already enjoy a special foreign tax exemption from the Chinese administrative region of Macau, and Gov. Romney would make those foreign profits exempt from U.S. taxes as well.

- Eliminate the estate tax, potentially providing a staggering \$8.9 billion windfall to Adelson's heirs.

At the same time, 95 percent of Americans—those making \$200,000 or less—would get a tax increase, on average, from the Romney tax plan.²

Below we explore the magnitude of the various tax cuts Adelson stands to receive if Gov. Romney is elected president on November 6.

Executive compensation

Gov. Romney proposes not only to maintain all of the tax cuts enacted by President George W. Bush but also to cut the top individual tax rate from its current 35 percent to 28 percent.³ The richest Americans have not paid a lower rate since the presidency of Herbert Hoover. President Barack Obama proposes to allow the top rate to revert to 39.6 percent, where it was during the Clinton presidency of the 1990s.

These rates apply to “ordinary” income, including the compensation that Adelson receives as chairman and CEO of Las Vegas Sands. In 2011 Sands paid Adelson \$13.8 million for his services, including salary, bonus, and other compensation.⁴ (A super-wealthy individual like Adelson undoubtedly has far more income that falls in the “ordinary income” category than that, such as interest income, but only his executive compensation is public information.)

If Adelson's compensation is the same next year and the Republican presidential nominee wins the presidential election, then Adelson would get a tax cut of about \$1.5 million on his executive compensation alone. As we will see, that amount is just pocket change compared to the windfall from Gov. Romney's other tax proposals.

Dividends

Another element of Gov. Romney's plan is to maintain the 15 percent tax rate on corporate dividends instituted by President Bush in 2003. President Obama proposes to let the Bush tax cuts on dividends expire, so that dividends are taxed as ordinary income as they were before 2003. The Republican presidential candidate would also repeal a small Medicare tax on the income that high-income households receive from investments, including dividends and capital gains, that was enacted in 2009 to help fund health care reform.⁵

Adelson will reportedly receive about \$419 million in dividends from Las Vegas Sands Corp. this year.⁶ And the cash-rich company is expected to pay future dividends as well.⁷ If Adelson receives the same \$419 million dividend next year as he is expected to receive this year, Gov. Romney's policies would give him a dividend tax cut of \$119 million.⁸

In other words, Adelson could easily recoup the \$100 million he is spending to elect Gov. Romney to the White House solely from tax cuts on corporate dividends in the first year of a Romney administration.

Capital gains

Gov. Romney would also maintain President Bush's 15 percent tax rate on capital gains, which is the lowest since the Great Depression. The Bush capital gains rate has not led to higher investment or economic growth as promised. Instead it has deepened income inequality and tax code unfairness.⁹ President Obama would allow the capital gains rate for the wealthy to revert to the 20 percent rate that existed at the end of the Clinton presidency.

The capital gains tax windfall for Adelson is difficult to estimate but potentially massive. Adelson and his family own slightly more than half of Las Vegas Sands Corp., which is valued at \$33 billion, so his stock holdings can be estimated at \$18 billion.¹⁰ His gains on that stock are unknown: There is incomplete public information on what he paid to acquire his stock or subsequently invested in the company.¹¹ But if we reasonably estimate that he has at least \$12 billion in gains on his Las Vegas Sands stock, then the tax savings under Gov. Romney's plan are as large as \$1 billion.¹²

Of course Adelson is unlikely to sell all of that stock (and if he holds all of his stock until he dies, he will never pay capital gains tax on the gain). But given what we have assumed about the amount of his gains, he could more than recoup his \$100 million in political contributions just by selling one-tenth of his stock. Adelson could also benefit from Gov. Romney's plan to maintain the Bush capital gains rates on any investments that he has other than his stake in Las Vegas Sands Corp.

Corporate tax proposals

Gov. Romney's tax plan would cut the corporate rate by nearly one-third to 25 percent. This rate cut and other Romney corporate tax proposals would cut taxes for corporations by more than \$1 trillion over the next decade.¹³ Adelson's Las Vegas Sands Corp. stands to receive billions in tax savings under the Romney tax plan.

Over the past few years, Adelson's casinos have reported tax losses in the United States, and the company's reported U.S. tax expense has been negative. Given that it is already

not paying U.S. corporate taxes on its domestic profits, it is difficult to estimate how much a corporate rate cut could save the company in the future, so this report does not attempt to put a number on it. But in future years, if the company begins to show positive earnings in the United States (including for tax purposes), it would benefit from Gov. Romney's corporate rate cut.¹⁴

The bigger windfall for Adelson's company would likely be through the Romney proposal on overseas corporate earnings. Adelson's casino empire now has a bigger presence in Asia than it does in the United States. The company now operates four hotel-casino resorts in Macau (a special administrative region of China) and another in Singapore.¹⁵ At the end of 2011, Las Vegas Sands held \$5.6 billion in profits overseas on which it had not paid U.S. corporate taxes.¹⁶

A large share of these profits has not only avoided U.S. taxes but local taxes as well. In its annual filing, Adelson's company told investors:

*We have had the benefit of a corporate tax exemption in Macao, which exempts us from paying the 12 percent corporate income tax on profits generated by the operation of casino games. We will continue to benefit from this tax exemption through the end of 2013 [and] request a 5-year extension.*¹⁷

This exemption is surely part of the reason that Las Vegas Sands Corp. paid an overall foreign tax rate of only 8.7 percent over the last five years.¹⁸

Corporations that have stashed profits abroad—and in particular those that have found ways to avoid foreign taxes—stand to receive a giant windfall under the Romney tax plan.¹⁹ Gov. Romney would provide a “tax holiday” for untaxed foreign profits, relieving companies like Las Vegas Sands of ever having to pay more than a nominal tax on them.²⁰ Las Vegas Sands would receive a windfall tax cut of approximately \$1.2 billion on its \$5.6 billion in overseas profits from Gov. Romney's special “holiday” rate on corporate overseas profits.²¹ Given that he owns more than half the company, Adelson's proportionate share of this windfall would be more than \$600 million—six times as much as he will spend to get the Republican candidate elected.

Moreover, Gov. Romney's “territorial tax” proposal would make Las Vegas Sands Corp.'s future overseas profits permanently exempt from U.S. corporate taxes, even as the company pays zero or very low taxes to foreign governments.²² In 2011 the company earned \$2.1 billion in profits overseas. It would ultimately owe about \$565 million in U.S. corporate taxes on those profits under current tax rules²³ but zero under the Romney tax plan.²⁴ Adelson's share of that would be nearly \$300 million—three times what he will spend this year on the 2012 presidential race.

Estate tax

All of these figures are dwarfed by the potential tax windfall that Adelson's family would receive from Gov. Romney's estate tax plan. Since 1916 the United States has imposed a tax on large estates in order to raise revenue and "help to preserve a measurable equality of opportunity" in the words of an original proponent, President Theodore Roosevelt.²⁵ The Romney tax plan would eliminate the estate tax, conferring a colossal windfall on billionaire heirs.

This year, with an exemption of more than \$10 million for couples and a 35 percent top rate, only 0.13 percent of estates are subject to the estate tax. President Obama has proposed a middle-ground compromise: an exemption of more than \$7 million for couples and a 45 percent top rate. Under President Obama's plan, only 0.28 percent of estates would pay any estate tax next year, but estates the size of Adelson's will certainly be among those that do.²⁶

Adelson's net worth is estimated at \$19.7 billion.²⁷ Based on the difference between President Obama's estate tax proposal and Gov. Romney's total abolition of the estate tax, Adelson's heirs could benefit by a staggering \$8.9 billion from estate tax cuts if Romney wins—89 times the amount that Adelson is spending to elect Gov. Romney to the White House.²⁸

That \$8.9 billion could fund Pell Grants for more than 2 million students. It could fund entire federal programs including Head Start early education; the nutrition program for women, infants, and children; cancer research at the National Institutes of Health; or all activities of the National Science Foundation for one year. Or it could help pay down our national debt. Gov. Romney's plan would choose a multibillion-dollar windfall for Adelson's heirs over these priorities. (See Table 1 for a complete breakdown of Adelson's potential return on investment in a Romney presidency.)

TABLE 1
Estimating Sheldon Adelson’s return on investment

\$100 million invested in electing a Republican president could return more than \$2 billion in tax cuts over four years of a Romney administration

Investment in electing Gov. Romney	\$100 million
Tax cuts on CEO compensation	\$1.5 million per year = \$6 million
Tax cuts on dividends	\$119 million per year = \$476 million
Permanent tax exemption for corporate overseas profits	\$300 million per year = \$1.2 billion
Special “holiday” for overseas profits	\$600 million
Total tax cuts for over four years	\$2.3 billion
Return on \$100 million investment	2,200 percent
Total including elimination of estate tax	\$11.1 billion
Return on \$100 million investment	11,000 percent

Note: See text for explanation of these estimates. Gov. Romney’s proposals on capital gains and corporate tax rates, which could add to the windfall, are not included in the table above.

One of 32 billionaires

Adelson is not the only super-wealthy individual spending money to elect Gov. Romney to the White House. At least 32 billionaires have opened their wallets for the Romney campaign or pro-Romney “super PACs.”²⁹

Like Adelson they would undoubtedly receive giant tax cuts if Gov. Romney is elected and implements his tax plan. The nonpartisan Tax Policy Center calculates that the 0.1 percent richest Americans—those with annual incomes exceeding \$2.5 million—would receive an average tax cut of at least \$247,000 from Gov. Romney’s plan.³⁰ For billionaires, as we have seen with Adelson, the windfall could be larger by several orders of magnitude.

A tax cut for Sheldon Adelson and a tax increase for you

By cutting the tax rates paid by the richest Americans on their compensation and investment income, by cutting corporate taxes by \$1 trillion, and by eliminating the estate tax, the Romney tax plan would drain huge amounts of revenues from the U.S. Treasury. Yet Gov. Romney also claims that his plan would be “revenue neutral”—meaning that he would hold revenues to the levels generated by our current tax policies. Therefore, the only way his plan adds up is through a massive tax increase on middle-class and low-income Americans.

An analysis of Gov. Romney’s tax plan by the nonpartisan Tax Policy Center, using extremely generous assumptions, found that the plan would increase the tax burden

on the 95 percent of Americans with incomes of less than \$200,000. Families with children whose incomes are less than \$200,000 would see an average tax increase of more than \$2,000. All Americans with incomes of less than \$200,000 would see an average tax increase of more than \$500. Though the Republican presidential candidate's plan is vague in key respects, the specific tax cuts he has promised to the rich would "mathematically necessitate a shift in the tax burden of at least \$86 billion away from high-income taxpayers onto lower- and middle-income taxpayers," according to the nonpartisan study.³¹

Translation: Sheldon Adelson's tax cut will be coming out of your pocket.

Conclusion

A 2008 magazine profile of Adelson described how the casino magnate's political views were formed: "[A]s his wealth grew, he began to favor tax-averse Republican economic policies." Then the third-richest person in America, Adelson was quoted asking, "Why is it fair that I should be paying a higher percentage of taxes than anyone else?"³² This year, Adelson will spend \$100 million to shape the tax code to his liking through the policies of Republican presidential nominee Gov. Romney. If Romney wins, Adelson and other billionaires will receive giant tax cuts at the expense of most other Americans.

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Endnotes

- 1 Seth Cline, "Sheldon Adelson Willing to Spend \$100 Million to Beat Obama," U.S. News and World Report, June 14, 2012, available at <http://www.usnews.com/news/articles/2012/06/14/sheldon-adelson-willing-to-spend-100-million-to-beat-obama>; "2012 Top Donors to Outside Spending Groups," available at http://www.opensecrets.org/outsidespending/donor_detail.php?cycle=2012&id=U0000000310&type=i&super=N (includes gifts from his wife Miriam Adelson).
- 2 Samuel Brown, William Gale, and Adam Looney, "On the Distributional Effects of Base-Broadening Income Tax Reform" (Washington: Urban-Brookings Tax Policy Center, 2012), available at <http://www.taxpolicycenter.org/publications/url.cfm?ID=1001628>.
- 3 Calculations based on Gov. Romney's tax proposals contained in: Mitt Romney for President, "Believe in America: Mitt Romney's Plan for Jobs and Economic Growth" (2011), available at <http://www.mittromney.com/sites/default/files/shared/BelieveInAmerica-PlanForJobsAndEconomicGrowth-Full.pdf>.
- 4 "2012 Proxy Statement," available at http://files.shareholder.com/downloads/ABEA-242MDE/1944657105x0x564198/FB6B4BB0-F001-41AD-A961-6FEBACC0D695/LVS_2012_Proxy_Statement.pdf. Adelson's compensation included compensatory stock options valued at \$1,825,000, which are likely not taxed in the year they are granted, as well as some nontaxable fringe benefits. Accordingly, the estimate of the tax cut on his compensation assumes that his taxable compensation is \$12 million.
- 5 The Medicare tax on net investment income is 3.8 percent and would go into effect in 2013. It applies only to households with adjusted gross income of \$250,000 or more (\$200,000 for singles).
- 6 Adelson and his family own approximately 52.4 percent of Las Vegas Sands Corp, which has announced that it will pay about \$800 million in shareholder dividends this year. "2012 Proxy Statement"; Alexandra Berzon and Kate O'Keeffe, "Adelson Cashes In on Turnaround at Sands," *The Wall Street Journal*, February 6, 2012.

- 7 John Dobosz, "Sheldon Adelson's Cash Macau: Las Vegas Sands Kicks Out Coin," *Forbes*, July 26, 2012, available at <http://www.forbes.com/sites/johndobosz/2012/07/26/sheldon-adelsons-cash-macau-las-vegas-sands-kicks-out-coin/>.
- 8 Under President Obama's proposals and current law, dividends would be taxed at the top ordinary rate of 39.6 percent in addition to the 3.8 percent Medicare tax on net investment income for high-income individuals. Gov. Romney would keep the dividend rate at 15 percent and repeal the 3.8 percent Medicare tax. Therefore, dividends received by high-income investors would be taxed at 28.4 percent less under Romney.
- 9 See: Chye-Ching Huang, "Chart Book: 10 Things You Need to Know About the Capital Gains Tax" (Washington: Center on Budget and Policy Priorities, 2012), available at <http://www.cbpp.org/cms/index.cfm?fa=view&id=3798>.
- 10 "LVS: Las Vegas Sands Corp. Common St," available at <http://finance.yahoo.com/q?s=LVS> (last accessed August 30, 2012).
- 11 Adelson reportedly invested \$1 billion in cash in the company in 2008. Berzon and O'Keefe, "Adelson Cashes In on Turnaround at Sands." Furthermore, some of his stock he likely received as compensation or by exercising options given as compensation, which would mean that he would have already paid taxes on some of it.
- 12 The difference between the Romney rate on capital gains (15 percent) and the Obama rate (23.8 percent, including the Medicare tax) is 8.8 percent.
- 13 "Table T11-0088," available at <http://www.taxpolicycenter.org/numbers/displayatab.cfm?Docid=2969&DocTypeID=5>.
- 14 Through the first two quarters of 2012, Las Vegas Sands reported an operating income for its U.S. properties of more than \$161 million. Las Vegas Sands Corp., "Las Vegas Sands Reports Second Quarter 2012 Results," Press release, July 25, 2012, available at http://files.shareholder.com/downloads/ABEA-242MDE/1976163117x0x585648/cd15b4aad58d-4e24-9482-5ea312f6ca3c/LVS_News_2012_7_25_General_Releases.pdf. Romney's tax plan proposes an "immediate" corporate tax cut to 25 percent, with any cuts in tax breaks paying for further cuts to the corporate rate. See: Mitt Romney for President, "Believe in America," p. 44.
- 15 "All Properties," available at <http://sands.com/properties/>.
- 16 Las Vegas Sands Corp., 2011 Form 10-K, note 11 (Income Taxes).
- 17 2011 10-K, p. 32.
- 18 Las Vegas Sands Corp., 2011 Form 10-K, note 11 (2007-2011, including current and deferred tax expense).
- 19 Currently, U.S. corporations generally must pay U.S. corporate taxes when they bring overseas profits back to the United States but are allowed a credit for foreign taxes paid. So a company that has not paid much in the way of foreign taxes would have to pay close to the full U.S. corporate rate when it brings home its profits.
- 20 See: Matt Viser, "Romney's Plan for Tax Breaks Stirs Debate," *The Boston Globe*, March 11, 2011, available at http://www.boston.com/news/nation/articles/2011/03/11/romney_wants_to_draw_firms_back_to_us/; "Fact Checking the Republican Debate on the Economy," *The New York Times*, October 11, 2011, available at <http://thecaucus.blogs.nytimes.com/2011/10/11/fact-checking-the-republican-debate-on-the-economy/>; Travis Waldron, "Romney Endorses Massive Corporate Tax Giveaway That Failed to Create Jobs in the Past," *ThinkProgress*, June 13, 2012, available at <http://thinkprogress.org/economy/2012/06/13/499190/romney-endorses-massive-corporate-tax-giveaway-that-failed-to-create-jobs-in-the-past/>.
- 21 Under current rules, when the company repatriates its profits, it would owe U.S. tax before credits of \$1.97 billion (35 percent of \$5.62 billion). Given that it has paid an 8.7 percent effective foreign tax rate, we assume that it would have \$489 million in foreign tax credits (8.7 percent of \$5.62 billion) available to offset its U.S. tax bill. The resulting tax would be \$1.48 billion. With a repatriation holiday under which foreign profits were taxed at a 5.25 percent rate (consistent with other repatriation holiday proposals such as H.R. 1834, 112th Congress), the U.S. tax would be \$295 million. The difference is \$1.18 billion.
- 22 Mitt Romney for President, "Believe in America."
- 23 Foreign tax credits are again assumed to be equal to 8.7 percent of foreign earnings based on the company's foreign effective tax rate.
- 24 Some territorial proposals impose a nominal U.S. tax of about 1 percent. Details lacking, it is unclear whether Romney's territorial proposal would.
- 25 "Tax History Project: The Income Tax Arrives," available at <http://www.taxhistory.org/www/website.nsf/Web/THM1901?OpenDocument>.
- 26 "Table T11-0156," available at <http://www.taxpolicycenter.org/numbers/displayatab.cfm?DocID=3037>.
- 27 "Bloomberg Billionaires Index," available at <http://topics.bloomberg.com/bloomberg-billionaires-index/> (last accessed August 30, 2012).
- 28 For purpose of the estate tax, the value of Adelson's estate could be reduced by estate planning, including charitable contributions.
- 29 Clare O'Connor, "Sheldon Adelson Tops Romney Donor List That Now Includes 32 Billionaires," *Forbes*, June 13, 2012, available at <http://www.forbes.com/sites/clareoconnor/2012/06/13/sheldon-adelson-tops-romney-donor-list-that-now-includes-32-billionaires/>.
- 30 Brown, Gale, and Looney, "On the Distributional Effects of Base-Broadening Income Tax Reform"; "Table T11-0172," available at <http://taxpolicycenter.org/numbers/displayatab.cfm?Docid=3047>. That is a highly conservative estimate of the windfall: The TPC study assumes that Gov. Romney eliminates all major tax breaks for rich individuals even though the handful of tax breaks that Gov. Romney has proposed eliminating exclusively benefit the working poor and middle-class families paying for college. The study also disregards the \$1 trillion revenue hole left by Romney's corporate tax cuts.
- 31 Brown, Gale, and Looney, "On the Distributional Effects of Base-Broadening Income Tax Reform."
- 32 Connie Bruck, "The Brass Ring," *The New Yorker*, June 30, 2008, available at http://www.newyorker.com/reporting/2008/06/30/080630fa_fact_bruck.