

MITT ROMNEY IMPLICATED IN SON-OF-BOSS TAX SCAM

Romney's close personal and business relationship with the Marriott family goes back a long ways. Willard Mitt Romney was named after his father's good friend, Marriott hotel magnate J. Willard Marriott. Romney has served on Marriott International Inc.'s Board of Directors for 11 of the past 16 years since 1993 and six times he served as chairman of its audit committee, placing him in charge of reviewing the company's financial reporting. As a director, he oversaw the company's tax planning. According to a report by Bloomberg News, while serving as a director and chairman of the audit committee, Marriott engaged in what has become the most notorious tax shelter to date, the infamous "Son-of-Boss" tax ploy that generated \$71 million in bogus tax deductions for the company.

The Son-of-Boss ploy was presented by an investment banker to the tax department at Marriott in January, 1994. It involved generating a \$71 million tax loss through a series of phony transactions involving the sale of \$81 million in mortgage notes through partnerships created solely for the purpose of executing the tax shelter. IRS disallowed the loss and Marriott sued in the U.S. Court of Claims, which ruled in IRS's favor., [Marriott v U.S.](#), 83 Fed Cl. 291 (2008). The company then appealed and the court of appeal sided with IRS, rejecting Marriott's claim that the transaction was legitimate, [Marriott v U.S.](#), 586 F3d 962 (2009).

Given Romney's background as chairman of Bain Capital, governor of Massachusetts and business experience with leverage buy-outs and hedge funds, it is not credible that he believed the tax shelter was legitimate. Under Romney's watch, IRS disallowed the deductions and Marriott fought the case in court. The U.S. Department of Justice denounced the shelter as "fictitious," "artificial," "spectral," an "illusion" and a "scheme."

Note: Years later, the international accounting firm, KPMG, pled guilty to tax crimes in association with the Son of Boss tax shelter and entered a deferred prosecution

agreement with the government. Also, there have been criminal indictments of others who aggressively promoted the scheme, although to date, none of the clients who participated in the tax shelter, including Marriott, has been implicated in criminal activity.