

Rauner and Pritzker want to keep their offshore money a secret. Here's what we know.

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FULL TEXT

When it comes to their money, Republican Bruce Rauner and Democrat J.B. Pritzker operate from the same financial playbook often used by the super rich, one that relies heavily on secrecy.

Both candidates for governor have released vague and incomplete information about their wealth. Both have declined to provide their entire federal and state income tax returns so that voters might see where the two politicians' financial interests intersect – or potentially conflict – with the business of the state of Illinois. And both have investments in opaque offshore tax havens – holdings that are more extensive than previously known, the Tribune has found.

Rauner and Pritzker have investments registered at the Uglund House, a five-story building in Grand Cayman that thousands of companies use as their address to minimize taxes. As he sought to crack down on offshore tax havens in 2009, President Barack Obama called the place either “the largest building in the world or the largest tax scam in the world.”

Daniel Berman, a former deputy international tax counsel for the U.S. Treasury Department, said places like the Cayman Islands are known for secrecy, lax regulations and little or no taxes. He said that does not mean people are breaking the law, noting that avoiding taxes – as opposed to evading them – is a fully legal tax behavior. The candidates' tax returns could provide voters a fuller explanation of how Pritzker and Rauner use offshore financial strategies to avoid taxes and hide assets from public scrutiny as they seek to occupy the Governor's Mansion and make decisions about spending and how much others will pay in taxes.

“It's not the case that every investment in the Cayman Islands is abusive,” Berman said. “It can be a legitimate business in the Cayman Islands, if you report income and assets and are complying with the tax law. Of course, they won't show their full tax returns, so we don't know.”

Pritzker and Rauner are the wealthiest individuals to ever seek the governor's office in Illinois. If elected, Pritzker would become the nation's richest governor, eclipsing Tennessee Gov. William Haslam. Forbes last week pegged Pritzker's wealth at \$3.2 billion, while Haslam, whose family owns the Pilot Flying J truck stop chain, is worth an estimated \$1.8 billion.

Rauner did not make the magazine's list of the world's billionaires. In 2014, he told the Tribune he's worth at least \$500 million. Last month, Rauner declined to reveal a specific number, saying his net worth is “less than one-third” of Pritzker's.

The Tribune sent detailed questions to both campaigns. Neither Pritzker nor Rauner would directly answer questions about their fortunes, nor would either say how much he was worth. Instead, both campaigns issued responses attempting to distance their respective candidate from offshore investments.

“Gov. Rauner has already gone far beyond what is required regarding his tax filings and statement of economic interests,” Rauner campaign spokesman Will Allison said. “Beyond that, all of the governor's investments are in blind trust procedures and he would not be able to discuss with specificity the details of those investments.”

Pritzker benefits from trusts that were established years ago, campaign spokeswoman Galia Slayen said.

“J.B. is occasionally listed on documents related to the foreign trusts because he has a beneficial interest in the trusts, but he has no role, does not make decisions, or receive distributions from the foreign trusts,” she said.

Experts say investing offshore typically gives no tax advantages to U.S. investors like Rauner and Pritzker. Income from offshore investments is still subject to U.S. taxes, but investing offshore is secretive and conceals the nature of the investments.

Some of that is done at Ugland House, the Grand Cayman building that's the listed address for about 18,000 companies and investment funds. None of the companies registered there are physically housed in the building. Maple and Calder, an international law firm with clients around the world, is the building's sole tenant. The firm has said Ugland House has been unfairly criticized by the media and politicians who do not fully understand offshore investing.

Steven Rosenthal, a tax lawyer and senior fellow at the Urban-Brookings Tax Policy Center in Washington, D.C., said funds are set up in places like the Cayman Islands to attract foreign investors and tax-exempt U.S. investors such as pension funds and university endowments.

Typically, investments are handled through partnerships, and one would need to see the detailed tax schedules for Rauner and Pritzker to better understand their financial ties to offshore investments, Rosenthal said.

Rauner and Pritzker each have released the first two summary pages of their tax returns, but have declined to release the lengthy schedules that would provide greater detail about their capital gains, dividends, deductions and business partnerships.

In reporting on the candidates' finances, the Tribune obtained some records about Pritzker's and Rauner's offshore interests through a reporting partnership with the International Consortium of Investigative Journalists, which maintains a database of millions of leaked financial records collectively known as the Paradise Papers. The bulk of the Paradise Papers, which were first obtained by the German newspaper *Suddeutsche Zeitung*, come from Appleby, a century-old law firm that provides legal services to large corporations and wealthy individuals.

The Tribune also examined the tax returns for Rauner's and Pritzker's charitable foundations, a registry of Cayman Island corporations, U.S. Securities and Exchange Commission documents, and the candidates' statements of economic interest — required by law and released publicly — that list entities they have a financial interest in but not the dollar amount invested.

In Illinois, candidates are not required to release their tax returns, although it has become common practice for those seeking public office to do so.

David Yepsen, former director of the Paul Simon Public Policy Institute at Southern Illinois University, said Rauner and Pritzker owe it to the public to disclose more about their wealth. He favors candidates' providing statements of net worth, which would include the value of property they own, and list who owes them money and who they owe money to.

"Everybody knows these two guys are rich," Yepsen said. "We need to understand where that wealth is. Political leaders need to take steps to restore confidence in government and nowhere is that more important than in Illinois."

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Pritzker has poured a record \$146 million of his own money into his campaign, despite reportedly earning \$28 million over the past three years. So where's all the campaign cash coming from? »

Rauner often attacks Pritzker for secret offshore dealings, accusing him of hiding money to avoid taxes. But the governor won't talk about his own Cayman Islands funds, including one invested in after he took office. »

Credit: Todd Lighty

DETAILS

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Location:	Cayman Islands United States–US Illinois Washington DC Tennessee
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Company / organization:	Name: International Consortium of Investigative Journalists; NAICS: 519110; Name: Securities & Exchange Commission; NAICS: 926150; Name: Department of the Treasury; NAICS: 921130; Name: Suddeutsche Zeitung; NAICS: 511110; Name: Urban-Brookings Tax Policy Center; NAICS: 541720; Name: Twitter Inc; NAICS: 519130; Name: Public Policy Institute; NAICS: 813410; Name: Pilot Flying J; NAICS: 447110
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