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EXCLUSIVE: Funds in the sun;

GOP gubernatorial candidate Bruce Rauner has some of his fortune in the Cayman Islands - long thought of as a haven for tax-dodgers - but his camp insists he's met tax obligations

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SPRINGFIELD - Multimillionaire Republican Bruce Rauner has channeled at least part of his fortune into the Cayman Islands, a Caribbean paradise long criticized as a tax haven for American investors, the Chicago Sun-Times has confirmed.

A Rauner spokesman insisted that the former private equity investor has met his legal tax obligations and properly disclosed to the federal government information regarding at least five investments by him or his firm in a country that has no income tax and a financial system cloaked in secrecy.

Rauner's campaign has refused so far to release a full set of his most recent tax returns to corroborate that and perhaps show the extent and value of those investments in offshore companies. No one has suggested Rauner has done anything illegal. In fact, offshore investments among the wealthy have been a common practice in recent years.

For Rauner, consistently leading Gov. **Pat** **Quinn** in mid-summer polling, it's the same political issue that President [Barack Obama](http://www.nexis.com/search/XMLCrossLinkSearch.do?bct=A&risb=21_T21308977520&returnToId=20_T21309570668&csi=11064&A=0.3891116350650763&sourceCSI=162599&indexTerm=%23PE0009TJP%23&searchTerm=Barack%20Obama%20&indexType=P) used to his advantage against uber-rich Republican [Mitt Romney](http://www.nexis.com/search/XMLCrossLinkSearch.do?bct=A&risb=21_T21308977520&returnToId=20_T21309570668&csi=11064&A=0.3891116350650763&sourceCSI=162599&indexTerm=%23PE0009TJT%23&searchTerm=Mitt%20Romney%20&indexType=P) in the 2012 presidential campaign.

Given the political optics, Rauner's Cayman Island interests are raising questions about why, as a candidate for governor, he would keep any of his wealth in an island nation with a reputation for its pristine, palm-tree-laden beaches - and tax avoidance.

"I'd think someone who anticipates being in the public eye wouldn't be in the Cayman Islands because the question to be asked is, 'Why would you have invested there?' " Richard L. Kaplan, a University of Illinois law professor and internationally recognized expert on U.S. taxation and tax policy.

Three of Rauner's five Cayman Island holdings trace back to GTCR, the Chicago-based investment company that Rauner founded and headed until 2012 when he stepped down to ramp up his bid for governor.

The GTCR holdings did not involve the expenditure of Rauner's personal funds and were set up among the partners of the firm, using equity stakes each had in the company as the basis for their investments, according to Rauner spokesman Mike Schrimpf.

Schrimpf explained the motive of GTCR in establishing an offshore presence and said the candidate's tax obligations weren't affected.

"The main GTCR funds are incorporated in the United States. GTCR creates offshore subsidiary funds when investing in non-U.S. companies," Schrimpf told the Chicago Sun-Times.

"Doing so helps fulfill fiduciary duties to state pension funds and other investors. GTCR investments in domestic companies are kept in the United States," he said. "Bruce's personal tax rate and state tax obligations are not impacted by where the GTCR subsidiary funds are located."

GTCR did not respond to a request for comment.

The Sun-Times compared investments Rauner listed on a state economic disclosure form he filed with the online corporate registry maintained by the Cayman Islands government.

Three of Rauner's Cayman Islands investments are tied to his old firm: GTCR Golder Rauner II AIV Ironshore LP, GTCR Partners IX AIV Ironshore LP, and GTCR Partners X/A&C AIV LP.

A fourth Cayman Islands-linked investment was The Overlook Partners Fund LP, from which Rauner disclosed receiving a capital gain of at least $5,000 in 2012 on his state economic-interest statement. The Overlook Partners Fund is a non-GTCR-related investment fund for which Rauner's personal funds were used, his campaign said.

On his economic-interest statement, Rauner also declared having at least $5,000 worth of stock holdings or deriving $1,200 or more in dividends from a fifth Cayman Islands-based entity, HSBC Holdings PLC. A campaign aide said that investment belongs to Rauner's family foundation. The investment is also one in which every suburban and downstate teacher has a stake because the state Teachers Retirement System holds $67.2 million in HSBC stock.

In addition to their tax advantages, Cayman Islands investments typically aren't accessible to most Americans because they can require minimum $500,000 or $1 million deposits, Kaplan said.

The new disclosure comes as Quinn has tried to gain ground on Rauner by making his wealth a wedge issue. In their 2012 federal taxes, Rauner and wife, Diana, reported $53 million in earnings.

In 2012, Obama used Romney's investments in the Cayman Islands, Bermuda and Switzerland in a devastating presidential campaign commercial overdubbed with Romney singing an off-key rendition of "America the Beautiful."

Obama later took some political heat for nominating a commerce secretary, longtime Chicago businesswoman Penny Pritzker, with her own significant offshore accounts, but the matter never became a significant issue during her confirmation hearing.

Quinn's campaign was quick to borrow from the winning Obama playbook with Romney.

"Republican billionaire Bruce Rauner doesn't just use exotic methods to dodge taxes," Quinn campaign spokeswoman Brooke Anderson said. "He even uses exotic, offshore locations.

"No wonder why Mr. Rauner won't release his full tax returns. He's been stashing money in the Cayman Islands to avoid paying U.S. and Illinois taxes," she said.

But Rauner's campaign stresses he is no tax-dodger.

"Bruce has disclosed all this information to the federal government and is clearly in full compliance," Schrimpf said of Rauner's Cayman holdings. "It's no surprise that **Pat** **Quinn** is still talking about Bruce's taxes instead of the 67 percent tax hike he imposed on the working families of Illinois.