U.S. SENATE COMMITTEE ON

Finance

SENATOR CHUCK GRASSLEY, OF IOWA - CHAIRMAN

http://finance.senate.gov

M E M O R A N D U M

To: Reporters and Editors
Re: Boeing's government settlement, potential deductibility
Da: Friday, July 7, 2006

Sen. Chuck Grassley, chairman of the Committee on Finance, with jurisdiction over taxes, has signed a letter from Sen. John McCain, also signed by Sen. John Warner, expressing concern over whether the Boeing Company will be able to deduct any of its $615 million settlement with the government over hiring and contracting manipulation. Grassley raised concern about the deductibility of government settlements in prior instances, including Wall Street firms' "global settlement" with the Securities and Exchange Commission over conflicts of interest in stock research in 2003. The Government Accountability Office issued a report on the issue in 2005 at his request (available at http://www.gao.gov/new.items/d05747.pdf). Grassley made the following comment on the Boeing case.

"I'm very troubled that Justice Department officials have reached a $615 million settlement and don't seem to have a ready answer as to whether Boeing will be able to deduct the settlement payment. If Boeing is able to deduct the settlement because the Justice Department did not characterize it as a penalty, the real penalty to Boeing could be millions and millions of dollars less than advertised. If the Justice Department failed to take into account the tax implications of the $615 million-settlement, that's inexcusable. The private sector pays close attention to the tax implications of every settlement dollar paid. Unfortunately, all too often the federal government seems too busy preparing its press release on a settlement to bother considering the tax laws."

The McCain-Grassley-Warner letter follows.