



U.S. SENATE COMMITTEE ON

Finance

SENATOR CHUCK GRASSLEY, OF IOWA - CHAIRMAN

<http://finance.senate.gov>

MEMORANDUM

To: Reporters and Editors
Re: Boeing's government settlement, potential deductibility
Da: ___ Wednesday, July 26, 2006

Sen. Chuck Grassley, chairman of the Committee on Finance, with jurisdiction over taxes, earlier this month 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. Today, the Boeing Company announced it will not seek tax deductibility for the settlement, although the bulk of the settlement is tax deductible. Grassley made the following comment on that announcement.

“It’s good Boeing won’t seek a tax deduction for its \$615 million settlement. That’s the right decision. However, Boeing’s lawyers believed the settlement was tax deductible. This tells me Department of Justice lawyers failed to take into account the settlement’s tax treatment and allowed Boeing’s lawyers to effectively negotiate a 35 percent discount. Any junior lawyer knows to look at a settlement’s tax treatment, yet Justice lawyers were asleep at the switch. That’s inexcusable. The Justice Department has to pay attention to the tax treatment in these big settlements. We can’t depend on having klieg lights from Congress for the right thing to happen. Justice should be doing it right from the beginning. I want to commend Senator McCain for his leadership in the Boeing issue. I’m glad we have this result, but we need the right result every time. For that to happen, the Justice Department has to do a better job of paying attention to the tax consequences of settlements. In the meantime, I’ll keep working to advance my legislation clarifying what is and isn’t deductible in settlements.”