FEDERAL NEWS CLIPS
May 30, 2012

ALTRIA SETTLES ISSUES WITH IRS
Posted by Zachs Equity Research
NASDAQ
May 29, 2012

Altria Inc. (MO), the world's leading cigarette manufacturer and the owner of the popular brand Marlboro, has entered into an agreement to settle all its disputes with the Internal Revenue Service (IRS).

The company will pay approximately $500 million for federal and state income taxes as well as the related estimated interest to settle the dispute with the IRS. Out of the $500 million, Altria will pay $450 million by the end of the second quarter of 2012, pertaining to the federal income taxes and related estimated interest with respect to the 2000 through 2010 tax years.

In June 2011, the IRS had concluded the review of Altria's consolidated federal income tax returns for the year 1996 through 2003. IRS decided to disallow the tax benefits enjoyed by PMCC (a business unit of Altria) regarding some leveraged lease transactions entered into by PMCC. IRS had referred to these transactions as lease-in/lease-out ("LILO") and sale-in/lease-out ("SILO") transactions.

As per the Accounting Standards Codification, PMCC had shown the transactions as leveraged lease transactions for the financial reporting and as leases under case law and applicable IRS administrative guidance for the 1996 through 2009 tax years for income tax purposes.

Altria, however, was of the opinion that the tax treatment of PMCC's LILO and SILO transactions on federal and state income tax was in compliance with the prevailing tax laws and contested the disallowance of benefit in federal court. However, the ruling came in favor of IRS.

As of fiscal year ended December 2011, Altria, as part of the settlement of federal income tax payments and interest with respect to the LILO and SILO transactions for the 1996 through 2003 tax years paid a total of approximately $1.1 billion.

As per the agreement, the company has decided not to claim any benefits in future tax years.

Altria had recorded a charge of $627.0 million during fiscal 2011 in anticipation of charges for the transactions entered into by PMCC. However, due to lower than estimated interest expense on tax underpayments, the company has made a benefit of 3 cents per share. Taking this benefit into account, the company revised its earnings estimate from a range of $2.25 to $2.31 to a range of $2.28 to $2.34.

The company's new collaboration with Okono A/S to develop innovative, non-combustible nicotine-containing products for adult tobacco consumers marks the company's ability to presume the sentiments of the consumers. There has been a general shift of consumers to low risk and smokeless tobacco products. The new venture will help the company gain market share in the industry.

However, increased smoking restrictions in the U.S. and Europe since 2010 had a significant impact on cigarette consumption.

Further, the FDA has also proposed a ban on menthol, in tune with the Tobacco Control Act. As per the act, menthol cigarettes have an adverse impact on public health and therefore the removal of menthol would be beneficial.

The proposed ban is under review. This type of a ban will lead to serious black market for the products, which would be incredibly detrimental to all parties. We thus prefer to remain on the sidelines.

Currently, we have a long-term Neutral recommendation on Altria, which carries a Zacks #3 Rank (short-term Hold rating).

Originally published here: http://community.nasdaq.com/News/2012-05/altria-settles-issues-with-irs-analyst-blog.aspx?storyid=144710#ixzz1wMTc7JxG

SENATE TRANSPORTATION BILL WOULD DIVERT $669 MILLION FROM TRUST FUND OVER 10 YEARS

By Anthony Adragna
Bloomberg BNA
May 30, 2012

Diversion of Storage Tank Cleanup Funds

Key Development: The Senate-passed transportation bill would divert $669 million from the Leaking Underground Storage Tank Trust Fund over the next 10 years to help fund transportation projects.

What's Next: House and Senate conferees will consider the provision as part of their ongoing negotiations on the surface transportation reauthorization bill.

Proposed language in the Senate-passed transportation bill would result in $669 million being diverted from the Leaking Underground Storage Tank (LUST) Trust Fund over the next 10 years to help fund transportation projects, according to a report from the Joint Committee on Taxation.

The May 25 report examined the financial impacts from the House and Senate versions of the transportation bill, which a conference committee is trying to combine into a final version.

The Senate bill would take one-third of the future revenue from the storage tank fund, which is financed by a 0.1-cent tax on each gallon of gasoline sold in the United States, and direct that money to the Highway Trust Fund. The joint committee estimated that would divert $669 million from the LUST fund over a decade.

That is in addition to a proposed $3 billion transfer from the LUST fund, which would occur immediately upon the bill's adoption and nearly deplete the current fund. The House version of the bill does not contain any language relating to the LUST fund.

According to the report, the Senate bill would divert $16 million from the LUST fund in 2012 and $337 million in total between 2012 and 2017.

Created in 1986 and currently estimated to contain $3.6 billion, the LUST fund allows the Environmental Protection Agency to oversee and enforce storage tank cleanups, conduct inspection of sites, and pay for site cleanups when the owner is unavailable or unknown.
Industry Groups Opposed.

Sherri Stone, vice president of the Petroleum Marketers Association of America, told BNA May 29 the group is vehemently opposed to what it considers “robbing the trust fund.”

Stone said the group had reached out to members of Congress and found that many did not fully understand the provisions. The group has several supporters of its efforts “lined up” to block the diversion, but Stone said she had not heard of any official discussions between conferees about the LUST fund provisions.

PMAA has lobbied Congress to release additional funds from the trust fund for years. If releasing additional funds “is not going to happen, you must be overtaxing us or call it what it is--an additional highway tax,” Stone said. “But don't play games with these funds.”

The Society of Independent Gasoline Marketers of America, another outspoken critic of the proposed transfer in the Senate bill, was unavailable for comment.
Taxpayer Group Supports Transfer.

Taxpayers for Common Sense, a nonprofit group whose goal is to reduce government waste, said the proposal remains one of the most financially sound in the transportation package.

“As long as we remain at reasonable funding levels to support federal cleanup programs, we're not opposed to the transfer,” Erich Zimmermann, transportation policy adviser with the group, told BNA.

Originally published here: http://www.bna.com/senate-transportation-bill-n12884909702/