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## **Citizens for Tax Justice Report Urges Congress To Block MCI's \$9.5 Billion Tax Loophole Grab**

MCI, the notorious telecommunications company formerly known as WorldCom that committed the nation's largest accounting fraud to date, is trying to milk the public even further by creating an enormous tax loophole that could cost America's taxpayers as much as \$9.5 billion over the next few years, according to a new report issued by the nonprofit Citizens for Tax Justice (CTJ).

"This loophole is indefensible, and Congress should clarify the law to assure that MCI's latest attempted raid on the U.S. Treasury is foiled," said CTJ Director Robert S. McIntyre. "MCI has victimized the public enough with its unprecedented accounting fraud. Our lawmakers must act quickly to stop MCI from taking billions of dollars more out of the pockets of honest taxpayers."

According to the CTJ report, MCI is trying to get around a longstanding requirement that companies whose debt is cancelled must pay tax on the forgiven debt, in this case cancelled debt of between \$19 billion and \$27 billion. The tax code allows companies coming out of bankruptcy to postpone the tax temporarily, but MCI claims that its tax—between \$6.7 billion and \$9.5 billion—should be totally eliminated.

To reach this bizarre conclusion, MCI argues that its cancelled debt should be ignored because the loans were technically incurred by its financial arm. Of course, the borrowed money was then used to finance MCI's overall operations, but MCI then claims that this inconvenient fact is irrelevant.

Although the purpose and history of the tax law in question make it clear that MCI's position is indefensible, the language of the federal statute in question is not as clear as it could be. Bipartisan legislation now pending in the Senate and House would remedy this oversight.

**A five-page briefing paper explaining in more detail the issues in  
MCI's attempted tax scam is attached.**

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