



## Metropolitan Transportation Authority

State of New York  
October 31, 2006

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The Honorable Charles E. Grassley  
Committee on Finance  
United States Senate  
219 Dirksen Senate Office Building  
Washington D.C. 20510

Dear Chairman Grassley:

The Metropolitan Transportation Authority ("MTA"), a public benefit corporation and public authority of the State of New York, is writing to you to raise our concerns regarding the retroactive application of the newly enacted IRC section 4965 on the MTA resulting from MTA's role in certain lessee in transactions.

MTA is concerned that the excise tax (The Tax Increase Protection and Reconciliation Act, Section 516) may be applied retroactively to transactions that were entered into prior to the IRS issuing any guidance or stating any concern that certain transactions may be tax shelters or enactment of any legislation effecting certain leasing transactions. Between 1997 and 2003, the MTA was the lessee in several LILO and SILO transactions involving assets with an appraised fair market value of approximately \$2.9 billion. Retroactive imposition of a substantial excise tax could have a material adverse impact on MTA's ability to serve our riding public.

As Treasury and the IRS drafts regulations implementing TIPRA section 516, we ask that the Senate Finance Committee focus on the economics of the underlying lease transaction and review pertinent existing IRS Revenue Rulings and court filings regarding these types of leveraged lease transactions. We believe that the Committee has the opportunity to provide the Treasury Department with a definition of "proceeds" and guidance on the allocation of both net income and proceeds that is consistent with existing rulings that would also avoid the imposition of a punitive, retroactive tax. Therefore, MTA asks the Committee to include a provision in the Tax Technical Corrections Bill (S. 4026) clarifying the key definitions in TIPRA section 516.

Thank you for your consideration of our views. For a more detailed explanation of the issue, we have attached a copy of our comment letter to the Treasury Department and IRS. If you have any further questions, please feel free to contact me.

Sincerely,

cc: Mark Prater  
Pat Heck  
Bob Winters  
John Buckley