

**IRS****News Release**

Media Relations Office

Washington, D.C.

Media Contact: 202.622.4000

[www.irs.gov/newsroom](http://www.irs.gov/newsroom)

Public Contact: 800.829.1040

## **IRS Sees Strong Response to LILO / SILO Settlement Offer**

IR-2008-121, Oct. 21, 2008

WASHINGTON — The Internal Revenue Service today announced a strong turnout by corporate taxpayers seeking to settle Lease-In/Lease-Out (LILO) and Sale-in/Sale-Out (SILO) transactions.

More than two-thirds of corporations that received the LILO/SILO settlement offer have decided to accept the offer to participate in the initiative. Those accepting the offer had more than 80 percent of the total number of LILO and SILO leases. These leases involve about 80 percent of the dollars in dispute and will require the corporations to concede billions of dollars in tax deferrals. Participation in the settlement remains preliminary until final closing agreements are reached between the individual corporate taxpayers and the IRS.

“This broad response from some of the nation’s largest corporations reflects the success of the IRS campaign against aggressive tax shelters,” said IRS Commissioner Doug Shulman. “Corporations that have chosen to settle have done the right thing by putting this behind them. For those who failed to take us up on this offer, we will vigorously pursue their cases.”

LILOs and SILOs involve complex arrangements in which some of the nation’s largest corporations purportedly leased or purchased large assets, such as foreign rail systems or sewer systems, and immediately leased them back to their original owners. Under these arrangements, corporate taxpayers put off recognition of current income for tax purposes for many years.

The IRS designated LILOs as listed transactions in 2000. SILOs were designated in 2005. Since then, the government has gone to court and successfully challenged these transactions as having no purpose other than creating tax benefits. Prior to the settlement initiatives, there were hundreds of these transactions that had yet to be fully examined or adjudicated fully. The large percentage of eligible corporations electing to participate in the settlement offer substantially lessens the examination inventory.

The LILO/SILO settlement initiative is the latest in a series of efforts to detect, deter and resolve individual and corporate tax shelters. Over the past eight years, the IRS has vigorously attacked tax shelters through examination, litigation and administrative guidance. Where appropriate, settlement offers have been a useful tax administration tool.

“In the end, all American taxpayers benefit because this strong response to a settlement offer frees up IRS staff to actively pursue other compliance priorities,” Shulman said.

Under the terms of the settlement offer, corporations that elected to participate have a number of conditions to satisfy to reach a final closing agreement with the IRS. The IRS expects to finalize most of the closing agreements within several months.