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**FEDERAL JURY REJECTS ALTRIA GROUP'S
\$24 MILLION TAX SHELTER CLAIM**

LEV L. DASSIN, the Acting United States Attorney for the Southern District of New York, announced today that a federal jury has rejected the \$24 million tax refund claim filed by ALTRIA GROUP, INC., relating to its investment in lease-in, lease-out ("LILO"), and sale-in, lease-out ("SILO") tax shelters. Today's verdict follows a three-week trial in the Southern District of New York before United States District Judge RICHARD J. HOLWELL.

The evidence at trial showed that ALTRIA made purported investments in four properties: a power plant in Georgia, a power plant in Florida, a Dutch wastewater treatment facility, and a New York Metropolitan Transportation Authority railyard in Queens. ALTRIA claimed ownership of the properties, which were owned by tax-indifferent entities (i.e., entities that do not generally pay federal taxes), for the purpose of taking the tax deductions which those entities could not. However, the jury found that ALTRIA never acquired the benefits and burdens of ownership and that the transactions lacked economic substance. The jury accordingly rejected Altria's \$24 million refund claim.

The Department of Justice has reported that hundreds of LILO and SILO transactions were entered into by taxpayers in the late 1990s, and that billions of dollars may be at stake in disputes over these transactions. The Government has prevailed in all four cases (including this one) where such tax shelters have been challenged.

"We are pleased that the jury saw through these transactions to see what they really were -- abusive tax shelters," said Mr. DASSIN. Mr. DASSIN thanked Internal Revenue Service attorneys ABIGAIL FOSTER DUNNIGAN, STEVEN BALAHTSIS and JOHN ARAMBURU for their invaluable assistance, and especially noted the contribution that the late DAVID F.P. O'CONNOR had made to the successful resolution of this matter.

Assistant United States Attorneys DAVID J. KENNEDY,
ROBERT WILLIAM YALEN, LAWRENCE H. FOGELMAN and BERTRAND MADSEN,
along with MATTHEW VON SCHUCH of the Tax Division of the
Department of Justice, litigated the case.

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