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IRS Files Lien against Goldman Partnership

The IRS has filed a tax lien against Goldman Sachs Mitsui Marine Derivative Products, a Goldman Sachs Group partnership that specializes in selling derivatives to US municipalities. The amount in the lien is \$1.55 million that arises out of unpaid taxes in the year 2009.

This action by the IRS has caused unnecessary publicity for a partnership that has already been focused on over its dealings with municipalities and state agencies. Technically, the lien is filed because Goldman Sachs Mitsui Marine Derivative Products failed to pay withholding taxes as a US entity with a foreign partner. Goldman Sachs Mitsui is a Delaware-based joint venture between Goldman Sachs and Mitsui Marine & Fire Insurance Co of Japan. The partnership was formed in 1993.

A tax lien is a legal claim on the assets of the person or company against whom the lien is filed. It is to make sure that the US government gets paid first before other creditors out of the assets to which the lien is attached. It is quite usual for the IRS to file a tax lien once they determine that taxes have not been paid. The filing of a lien often brings about negotiations between the IRS and the debtor that results in a settlement. When that happens, the lien is lifted.

At the same time, Goldman Sachs Mitsui Marine Derivative Products is implicated in antitrust lawsuit brought by various US cities and towns.

The municipalities of these cities and towns allege that a few financial services firms conspired to fix prices and bids on a wide-range of derivatives products, including so-called interest rate swaps. One of the financial services firms named by the municipalities is Goldman Sachs Mitsui.

The lawsuit is still ongoing in a federal court. In April last year, a federal court judge denied Goldman's application to be dismissed from the proceedings. In their regulatory reports, Goldman stated that some of its affiliates are under federal investigation in connection with 'the trading of municipal derivative instruments.'

Over the last 20 years, Goldman Sachs Mitsui was a major player in selling derivative products to municipalities and government agencies seeking to protect themselves from fluctuating interest rates. The interest rate swaps were often sold in connection with bond offerings by government agencies.

That said, there is no sign that the IRS tax liens are connected to the lawsuits and related investigations.