



Metro

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In this issue:

- [Transit Industry Launches Major Effort to Fight Potential Excise Tax](#)
- [El Camino Real Mission Bells Centennial Celebration](#)
- [Upcoming CEO Meetings and Events](#)
- [Of Note](#)

Transit Industry Launches Major Effort to Fight Potential Excise Tax

Metro and other transit properties in California and throughout the U.S. have mounted an aggressive campaign to fight the potential imposition of federal excise tax payments stemming from previously-approved leveraged lease transactions. Recently-enacted tax legislation includes a provision that may levy retroactive excise taxes on governmental entities, such as transit agencies and local governments, who entered into lease transactions in prior years. These transactions, which were encouraged and approved by the Federal Transit Administration as a form of innovative financing, have commonly been used by transit agencies, including Metro, to generate revenue.

While the provision in question is somewhat ambiguous and subject to interpretation and regulatory action by the U.S. Department of the Treasury, it has the potential of imposing millions of dollars of retroactive excise taxes on lease agreements that were completed years ago. The retroactive nature of this tax is unprecedented and highly discriminatory against state and local governments.

Depending on the Treasury's interpretation of the statute, the financial impact to Metro could be anywhere from zero (best case scenario) to over \$300 million (worst case scenario). Other transit properties throughout California and the country, particularly large metropolitan agencies such as Bay Area Rapid Transit and New York Metropolitan Transportation Authority, face a very similar situation.

In recent weeks, Metro has actively engaged members of Congress and key players within the Administration to not only raise awareness of this egregious provision, but also to enlist their support to influence the outcome of the Treasury's rulemaking process. The Treasury Department is expected to issue guidance as early as next week. However, it is not known if these regulations

will directly address the particular aspects of this provision that pertain to transit agencies.

Attached for your information is a [Board Box](#) dated July 20, 2006 that describes the issue in more detail. Board members will be kept informed of any developments in the days and weeks ahead.

El Camino Real Mission Bells Centennial Celebration

Caltrans is holding a [ceremony](#) at 10:00 a.m. on Tuesday, August 15th at the El Pueblo de Los Angeles Historical Monument near Olvera Street to celebrate the 100th anniversary of the placement of the first El Camino Real mission bell marker in Los Angeles. The event will also honor Caltrans' restoration of the mission bell marker system throughout California. The agency has placed 555 new mission bell markers along the historic El Camino Real route.

Upcoming CEO Meetings and Events

Next week I will be meeting with Senator Barbara Boxer, Congressman Adam Schiff, Supervisor Gloria Molina, and Directors David Fleming, Bonnie Lowenthal, Ara Najarian and Bernard Parks. I will also attend a Glendale City Council Meeting regarding the 710 Tunnel Feasibility Study and August's Regionwide CEO Meeting. Additionally, I will be interviewed by KCET's Life & Times program.

Of Note

On August 12, 1995, the Metro Green Line opened from Norwalk to Redondo Beach.

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