

# IRS News Release

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## **Merck Agrees to Pay IRS \$2.3 Billion**

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WASHINGTON —The IRS announced today that it had entered into an agreement that resolves several disputed tax issues with Merck & Co., Inc. and its subsidiaries. The agreement will result in a payment to the government of approximately \$2.3 billion in federal tax, net interest and penalties, and resolves all issues that had been in dispute between the parties for the tax years 1993-2001. The resolution is one of the largest achieved in recent years by the Service and a taxpayer through the examination process.

Both the IRS and Merck acknowledge that reaching an agreement of this magnitude was the result of cooperation by both parties. To facilitate this agreement, the IRS and the taxpayer used various issue management strategies, including the Fast Track Settlement Program.

Among the significant issues resolved were three issues that resulted from Merck's use of minority equity interest financing transactions. The execution of these agreements should facilitate the ability of the IRS and the taxpayer to move forward and effectively address tax issues arising in subsequent examination years.