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IRS slaps lien on Goldman derivatives partnership

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- * The \$1.5 million tax lien was filed this month
- * Tax lien stems from unpaid 2009 taxes
- * Goldman and a Japanese insurer are partners in entity
- * Entity writes derivatives contracts for municipalities

By [Matthew Goldstein](#)

NEW YORK, Jan 25 (Reuters) - A Goldman Sachs Group Inc (GS.N: [Quote](#), [Profile](#), [Research](#), [Stock Buzz](#)) partnership that specializes in selling derivatives to U.S. municipalities owes \$1.55 million in unpaid federal taxes.

The U.S. Internal Revenue Service filed a federal tax lien against the Goldman partnership earlier this month for an unpaid balance of taxes from 2009.

Although the tax assessment is a drop in the bucket for Goldman, which earned \$8.35 billion in 2010, it's another dose of unwelcome attention for a partnership that has already attracted unwanted scrutiny over its dealings with municipalities and state agencies.

Goldman spokesman Michael DuVally said the firm is working with the IRS to resolve the issue, but Goldman believes "we have paid all the relevant taxes."

The lien against the partnership, Goldman Sachs Mitsui Marine Derivative Products, stems from an IRS assessment of unpaid withholding taxes by a U.S. entity with a foreign partner, according to the filing. The IRS made the assessment last September.

Goldman Sachs Mitsui, formed in 1993, is a Delaware-based joint venture between Goldman Sachs and Mitsui Marine & Fire Insurance Co of Japan.

The IRS slaps a tax lien on a company or an individual to protect its legal interest and make sure the federal government gets paid before other creditors.

Once the IRS determines there is an unpaid balance on a tax bill, it "typically moves quickly to file a lien," said tax attorney Bryan Skarlatos.

The filing of a tax lien -- an occasional occurrence when it comes to large banks -- often sparks negotiations and a settlement. It's not uncommon for liens to be removed a few months after the IRS files them.

The Goldman partnership, meanwhile, is embroiled in antitrust litigation brought by various cities and towns across the U.S. The municipalities allege that numerous financial services firms, including Goldman Sachs Mitsui, conspired to fix prices and bids on a wide-range of derivatives products, including so-called interest rate swaps.

The lawsuits are still pending in federal court. Last April, a federal judge presiding over some of the price-fixing cases, denied Goldman's motion to be dismissed from the proceedings.

In regulatory filings, Goldman has said some of its affiliates are being investigated by government agencies in connection with "the trading of municipal derivative instruments."

There is no indication the tax lien is related to those investigation and lawsuits.

Still, over the past two decades, Goldman Sachs Mitsui, which initially was capitalized with \$75 million, was a significant seller of derivatives products to municipalities and other government agencies looking to hedge their exposure to fluctuations on interest rates. The interest rate swaps were often sold in connection with bond offerings by government agencies.

In 2009, Bloomberg News reported that New Jersey was still paying \$1 million a month to the Goldman partnership on an interest swap deal on a series of transportation bonds, even though the state had redeemed the notes in 2008.

A 1999 report by Moody's Investors Service on the partnership said it was set up to act "as an intermediary in the over-the-counter derivatives market for various affiliates of The Goldman Sachs Group." In April 2009, Moody's reduced its Triple A rating on the partnership by a single notch to Aa1. (Reported by Matthew Goldstein, editing by Gerald E. McCormick)

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