

MCI to pay over \$125M to settle Miss. tax claims

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By Melissa Klein Aguilar

MCI agreed to pay \$100 million in cash to the state of Mississippi for back taxes that the state claimed were owed by the company's predecessor, WorldCom.

Under the settlement, MCI also agreed to give \$4.2 million to fund the Children's Justice Center, to pay \$14 million in attorney's fees and to give the state possession of several WorldCom properties located in downtown Jackson, including the old WorldCom headquarters, said William M. Quin, an attorney for the state.

Mississippi Attorney General Jim Hood said that the funds will help solve the state's budget crises.

Mississippi was one of more than a dozen states that filed claims against WorldCom for back taxes. The states alleged that the telecommunications company improperly claimed billions in royalty expense deductions. Mississippi estimated that WorldCom owed it about \$1 billion in taxes, Quin said.

WorldCom collapsed in July 2002, emerging from bankruptcy last year as MCI and moving its headquarters to Virginia.

Quin said that Mississippi plans to file a claim for damages against WorldCom's auditor, KPMG, which devised the tax strategy in question. "KPMG advised the scheme, they implemented the scheme, they were the brainchild," he said.

KPMG spokesman George Ledwith said that the Big Four firm provided MCI/WorldCom with "sound and appropriate tax advice" as part of the company's massive corporate restructurings in the late 1990s, following a series of acquisitions and after the MCI merger.

Ledwith noted that the firm did not serve as MCI/WorldCom's tax preparer. "In fact, we neither prepared, reviewed, approved nor signed MCI/WorldCom's tax returns," he said.

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