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FOR IMMEDIATE RELEASE

## TOBACCO CORP'S TAX EXEMPT REVOCATION PROMPTS INQUIRY

Kingston, NY (April 5, 2016) – The Office of the Ulster County Comptroller has begun an inquiry into the Ulster Tobacco Asset Securitization Corporation (UTASC), after discovering that the blended component unit of the County has had its tax exempt status revoked for failure to file an annual return with the Internal Revenue Service (IRS) for three consecutive years. UTASC, a local development corporation, created pursuant to a local law enacted by the Ulster County Legislature in September of 2000, was originally excused from filing an annual return until being notified by the IRS in 2011 of a change in the law requiring the submission of Form 990. The IRS followed up on January 30, 2013 and May 21, 2013 and issued a notice of revocation on August 18, 2014.

The ongoing issue was highlighted again after an independent audit was submitted in March of 2016 for the year ended December 31, 2015. In the Summary of Significant Accounting Policies it was noted that *“During the year ended December 31, 2014 management received notification from the Internal Revenue Service revoking the corporation’s tax-exempt status, effective May 15, 2014. Management is taking the appropriate steps to reinstate the corporation’s tax exempt status and believes this determination will be reversed.”*

UTASC was formed to acquire the future rights, title and interest of millions of dollars of the County’s Tobacco Settlement Revenues (TSR) that were a result of a settlement agreement that resolved cigarette smoking-related litigation. According to the most recent audited financial statement, UTASC had general revenues of \$4.266 million for the year “which included approximately \$4.113 million in tobacco settlement revenues (TSR) and approximately \$153 thousand in interest income earned on investments.”

According to the IRS website, the penalties for an exempt organization that fails to file could be as high as \$50,000 if that organization has gross receipts in excess of \$1 million for the year.

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