



January 13, 2012

Hon. Shoshana M. Grove, Secretary
Postal Regulatory Commission
901 New York Avenue NW, Suite 200
Washington, D.C. 20268-0001

Dear Ms. Grove:

Commission Order No. 151, issued on December 18, 2008, established rules on tax and accounting practices for competitive products. Pursuant to the portions of those rules appearing at 39 CFR §§ 3060.40-41, the Postal Service is hereby providing its calculation of the assumed Federal Income tax on competitive products income for FY 2011. The calculated 2011 Net Income Before Tax is \$691,131,000 and the tax due is \$241,895,850.

Please contact me if you have any questions about these materials.

Sincerely,

A handwritten signature in cursive script that reads "Daniel J. Foucheaux, Jr.".

Daniel J. Foucheaux, Jr.
Chief Counsel, Pricing and Product
Support

Enclosure

**Calculation of Assumed Federal Income Tax on Competitive Products Income
for the Fiscal Year ending September 30, 2011**

FY 2011 Competitive Products Income Before Tax

Revenue	
(1) Mail and Services Revenues	\$8,996,400,000
(2) Investment Income	290,000
(3) Total Competitive Products Revenue	<u>\$8,996,690,000</u>
Expenses	
(4) Volume Variable Costs	\$6,508,700,000
(5) Product Specific Costs	171,400,000
(6) Total Competitive Products Attributable Costs	<u>\$6,680,100,000</u>
(7) Net Income Before Institutional Cost Contribution	<u>\$2,316,590,000</u>
(8) Required Institutional Cost Contribution	<u>\$1,625,459,000</u>
(9) Net Income (Loss) Before Tax	<u>\$691,131,000</u>

Source : FY11 Competitive Products Income Statement (Docket No. ACR2011, USPS-FY11-39, PRC Form CP-01)

**Postal Service Competitive Products Funds
2011 Assumed Federal Income Tax**

Net Income (Loss) Before Tax	\$691,131,000
Temporary Timing Differences *	N/A
Permanent Differences **	\$0
Taxable Income	<u>\$691,131,000</u>
Tax Calculation =	
Tax on \$691,131,000 @ 35%	
Assumed Federal Income Tax to be transferred to the Postal Service Fund	<u>\$241,895,850</u>

Tax Rate (IRS Form 1120 Schedule J - Line 2)
if taxable Income (Line 30, Form 1120) on page 1 is:

Over	But not over	Tax is	Of the amount over
\$0	\$50,000	\$0 + 15%	\$0
50,000	75,000	7,500 + 25%	50,000
75,000	100,000	13,750 + 34%	75,000
100,000	335,000	22,250 + 39%	100,000
335,000	10,000,000	113,900 + 34%	335,000
10,000,000	15,000,000	3,400,000 + 35%	10,000,000
15,000,000	18,333,333	5,150,000 + 38%	15,000,000
18,333,333	0 35%	0

* Per PRC Order 106 - Section IV (Calculation of Assumed Federal Income Tax)

** Permanent differences (including Meals and Entertainment) are not material and are excluded.