

ORIGINAL

BEFORE THE  
POSTAL RATE COMMISSION  
WASHINGTON, D.C. 20268-0001

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MAILING ONLINE SERVICE

Docket No. MC98-1

UNITED STATES POSTAL SERVICE  
INTERROGATORIES AND REQUESTS FOR PRODUCTION OF DOCUMENTS TO  
MAIL ADVERTISING SERVICE ASSOCIATION INTERNATIONAL  
AND PITNEY BOWES WITNESS PRESCOTT  
(USPS/MASAPB-T1-27)

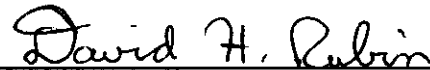
Pursuant to rules 25 and 26 of the Rules of Practice and Procedure, the United States Postal Service directs the following interrogatories and requests for production of documents to Mail Advertising Service Association International and Pitney Bowes witness Prescott: USPS/MASAPB-T1-27.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

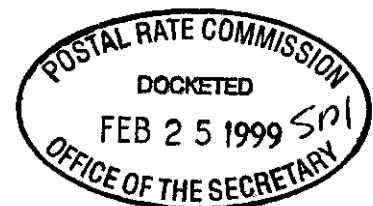
By its attorneys:

Daniel J. Foucheaux, Jr.  
Chief Counsel, Ratemaking



David H. Rubin

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February 25, 1999



## **USPS/MASAPB-T1-27**

Please refer to your testimony at page 15, lines 7 to 9, where you state that "the USPS may be able to offer lower prices than its competitors who are subject to sales and income taxes."

- (a) Prior to filing your testimony, did you read the testimonies of witness Tayman, USPS-T-9, in Docket No. R97-1, or the Commission's Opinion in Docket No. R97-1, at pages 21 to 23, concerning the Postal Service's need to recover prior years' losses?
- (b) Confirm that a private firm subject to federal income taxation can carry forward its net operating losses for the past 15 years and apply them against profits earned in subsequent years. If not confirmed, please explain.
- (c) Confirm that a firm subject to federal income taxation can carry back operating losses and offset them against profits earned in previous years. If so, what are the general rules governing the extent to which a private firm subject to federal income taxation may do so? If not confirmed, please explain.
- (d) Assume for this subpart that the Postal Service were subject to federal income taxation since its inception.
  - i. Do you believe the Postal Service would have incurred tax liability for any of the years of its existence since 1971? If so, please state the fiscal year(s) in which you believe the Postal Service would have incurred tax liability, what income you believe would be subject to taxation, and the total tax liability. For each year in which you believe that the Postal Service would have incurred tax liability, please also

state whether such liability would have been subject to any refunds due to carry back losses. Please show all calculations, and provide sources for your figures.

- ii. Assume that the Postal Service does not retire its entire Prior Years' Loss by the end of the experimental period. Do you believe that the Postal Service would pay federal income taxes during the experimental period? If so, please explain why the Postal Service would have any taxable net income.

**CERTIFICATE OF SERVICE**

I hereby certify that I have this day served the foregoing document upon all participants of record in this proceeding in accordance with section 12 of the Rules of Practice.



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