# Covidien could be on the hook for nearly $450M in back taxes

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*Covidien could wind up with a nearly $450 million tax tab from its days as Tyco Healthcare, after the IRS nixes some $914 million in interest deductions dating back to the years1997 through 2000.*

Covidien [1] (NYSE:COV [2]) could wind up stuck with its share of a $1.07 billion tax bill, after the IRS told its former corporate parent, Tyco International [3] (NYSE:TYC [4]), that tax deductions it took from 1997 to 2000 will be disallowed, according to a regulatory filing.

In a "notice of deficiency" issued June 20, the federal tax bureau said loans made between 3 former Tyco divisions for about $3 billion don't count as debt, meaning the companies now owe $914 million interest deductions to the U.S. Treasury – plus another $154 million in penalties, according to the filing. "No payments with respect to these matters would be required until the dispute is definitively resolved, which, based on the experience of other companies, could take several years."

"We strongly disagree with the IRS's proposed adjustments, and we understand that Tyco intends to file a petition to the U.S. Tax Court contesting the IRS assessment. We believe there are meritorious defenses for the tax filings in question, that the IRS positions with regard to these matters are inconsistent with the applicable tax laws and existing Treasury regulations, and that the previously reported taxes for the years in question are appropriate," Covidien said in the filing.

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