



January 8, 2008

Dear Clients:

On May 25, 2007 President Bush signed the Small Business and Work Opportunity Tax Act of 2007. The Act made changes to Section 6694 and Circular 230, which govern the conduct of individuals who are eligible to practice before the IRS.

As part of the 2007 Act, Congress increased penalties for tax return preparers that report undisclosed tax positions without a reasonable basis. To ensure our firm's ongoing compliance with the Circular 230 Covered Opinion requirements, the Circular 230 Best Practices and the Section 6694 tax return filing standards, we may be required to do one or more of the following when preparing a tax return or providing advice to you on a tax related matter:

- Ask you to provide clarification and/or support related to your tax data,
- Evaluate the reasonableness of the information you provide,
- Prepare an assessment of the "more-likely-than-not" standard for your position,
- Determine if you had a Listed or Reportable transaction
- Prepare disclosure statements, Form 8275 or 8886, and
- Assess and communicate with you the potential penalties.

In many cases we already perform these steps to ensure your tax returns are accurately prepared. **However, the new rules contain no threshold of materiality.** In order to comply with these rules, every tax return position must meet the "more likely than not" standard or we must disclose the position to the IRS.

Accordingly, we are recommending that you review your tax information for deductions, losses and income exclusion items carefully before you send us your information. Please notify us if you have unsupported items. If you require our assistance to review your facts and documents, we are happy to help you. Applying the new rules may take additional time based on the facts of your situation, and we recommend that you plan accordingly to provide enough preparation time for us to consider these issues.

If you have any questions about the new Circular 230 Rules or any other tax matters, please contact us to discuss them in greater detail. Thank you for the opportunity to serve you.

Sincerely,

Barker Viggato, LLP

Barker Viggato, LLP
Certified Public Accountants