

ALERT

New standards created by Congress in 2007 prohibit tax preparers from signing a tax return unless we have a reasonable belief that a tax position taken on the return, including the reporting of all tax deductions, will have a more likely than not probability of being accepted by the IRS upon audit or being sustained on its merits upon appeal unless we disclose this tax position or questionable deduction on a separate attachment to the tax return, and under no circumstances may we sign a tax return with a tax position that has no reasonable basis.

As a practical approach to being able to accept the information you supply to us without auditing it, we therefore have included this information in our engagement letter, as well as clarification that you are responsible to provide us with complete and accurate information and that you accept full responsibility for all information provided, including any penalty or judgment that is levied upon us as a result of information you supply to us that is incorrect or not supported by adequate documentation. Accordingly, we will not audit or otherwise verify the data you submit, but we may ask you to clarify some of it or to sign a statement relative to certain information provided to us in order to avoid disclosures on tax returns or withdrawing from the engagement to prepare your return.

Examples of such circumstances might relate to reporting of:

- the value of inventory at December 31 on business schedules, which should be supported by an accurate physical count of items purchased for resale that have not yet been sold and supplies that have been purchased but not yet consumed;
- automobile expenses or depreciation deductions on business schedules on the basis of appropriate business use of the vehicle, which should be supported by a contemporaneously maintained business use log of actual business miles driven and total vehicle miles, both of which must be reported on the tax return;
- contributions made to charity for itemized deductions on personal returns or for pass-through from business entities to individual returns, which must now meet the following general criteria:
 - no donations of cash, checks or other monetary gifts, regardless of the amount, are deductible unless the donor maintains either a bank record, receipt, letter or other written communication from the donee indicating the donee's name and contribution date and amount;
 - donations of \$250 or more must be substantiated by a contemporaneous written acknowledgment from the donee organization including the amount of the donation and a good-faith estimate of the value of any goods or services with more than insubstantial value received in exchange for the donation;
 - each noncash donation that exceeds \$5,000 for a single donation or \$5,000 for a number of similar items must be appraised, and special new appraisal requirements must be met to establish the appraisal as a qualified appraisal;
 - an appraisal summary must be attached to the tax return for such donations in excess of \$5,000;
 - if a deduction of \$500,000 or more is being claimed, the qualified appraisal itself must be attached to the return when filed;
 - a qualified appraisal must be conducted by a qualified appraiser under generally-accepted appraisal standards and any regulations or other IRS guidance as is issued [please consult with us relative to the details of these standards if this applies to you];
 - appraisal fees are not deductible as contributions, but may be deducted as miscellaneous itemized deductions;
 - appraisers and return preparers are subject to civil penalties for certain appraisals that result in substantial or gross valuation misstatements.

Pursuant to applicable U.S. Treasury Regulations, we must advise you that any tax advice included in this communication is not intended or written to be used, and cannot be used, for avoiding penalties that may be imposed on the recipient by any governmental taxing authority or agency or for promoting, marketing or recommending any tax related matter.

