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TAX UPDATE - February 2008

To Our Clients, Business Partners and Friends...

Happy New Year and our best wishes for a successful 2008! We are writing with an update on the continuing saga known as the “409A tax rules and regulations” that you have been clamoring to see. We’ve had so many requests for this information, it was easier to send a newsletter! (And if you believe that, please call us about swamp-land real estate opportunities!!)

COLI Reporting Regulations

The Corporate Owned Life Insurance (COLI) rules requiring ongoing tax disclosure of COLI policies by the policy owner now include the actual IRS form. The IRS recently released Form 8925 that must be filed with tax returns beginning with the 2007 tax year. *These rules only apply to policies purchased or materially changed after August 17, 2006. This means that companies that purchased COLI prior to 8/17/06 do NOT have to report anything. Companies with any policies purchased after that date are required to report the information for their post-8/17/06 policies only.*

Plan Amendment / Documentation under §409A

The final December 31, 2008, deadline for plan amendments has given us all time to get the required changes built into our affected plans. Since the delay in the final regulations was announced in October, we have been able to “come up for air” and get a better understanding of the regulations. Most of our clients have now begun the plan document amendment process and we will continue to shepherd that process to its conclusion in 2008.

We are now beginning the final phase of assisting clients and their legal counsel with the task of plan document amendments. If you have questions about whether your plan needs to be amended and/or how to do so, please contact us.

Participant Elections under §409A

The IRS also extended the transition relief so that all nonqualified plan participants still have a window in 2008 to make final changes to their payout elections - without having to comply with the 5-year delay provisions, etc. under 409A. Many clients treated the 2007 elections this way (since the relief didn’t come until late October), so our recommendation is to simply allow final, “clean-up” elections in 2008 for any participants that require them.

Thank you for the chance to be of service. Please let us know if we can provide you with any additional information related to these or other management compensation / benefit issues.