

# *The Bankler Report*

July 25, 2005

## INTRODUCTION

On June 21, 2005, the new Circular 230 became effective. The Circular was issued by the U.S. Department of Treasury. It sets forth rules that tax practitioners, including lawyers and certified public accountants, must follow when providing written statements about certain federal tax issues.

### **Circular 230**

A federal tax issue is a question concerning the federal tax treatment of an item of income, gain, loss, deduction or credit; the existence or absence of a taxable transfer of property (such as whether a transfer to another is subject to federal gift tax); or the value of property for federal tax purposes. The Circular covers much more than formal legal opinions and may apply to any written material relating to any Internal Revenue Code matter, including e-mail messages.

Practitioners who fail to comply with the Circular may be suspended or disbarred from practice before the Internal Revenue Service (such as filing a return or participating in the audit of a U.S. tax return), publicly censured or fined.

Unfortunately, we and many other professionals anticipate that the Circular may increase the cost of delivering certain written material to taxpayers. The Circular requires that certain written statements contain disclaimers or warnings, and you may have already seen new statements in some messages from us, including e-mail messages. In addition, the Texas State Board of Public Accountancy (the agency that issues our license and monitors CPAs conduct) has a rule of professional conduct that incorporates the rules issued by other authorities (including the Department of Treasury under Circular 230).

All responsible tax practitioners will follow the requirements of the Circular. It is our intention to continue to deliver the highest quality of services to you in a cost-efficient manner. Please call us if you have any questions.