



MOODY, FAMILIETTI & ANDRONICO

August 2008

Federal Tax Alert

Important Reminder: FIN 48 Compliance for Non-Public Companies

In July of 2006, FASB issued Interpretation No. 48 ("FIN 48") Accounting for Uncertainty in Income Taxes - An Interpretation of FASB Statement No. 109. FIN 48 was effective for years beginning after December 15, 2006, however adoption was delayed for nonpublic companies to years beginning after December 15, 2007. For calendar year companies, FIN 48 becomes effective for the year ending December 31, 2008.

FIN 48 requires companies to determine their unrecognized tax benefits resulting from an overall evaluation of the company's tax positions taken or not taken during the company's open tax years. To the extent the unrecognized tax positions are material to the company's financial statements, it will be necessary to record the tax impact of the unrecognized tax positions.

This standard also requires new disclosures in your Company's annual financial statements.

Examples of unrecognized tax positions can include, but are not limited to, the following:

- Tax return filing requirements in other jurisdictions, including states, cities and foreign countries
- Research and Development Credits and other tax credits claimed on tax returns
- Limitations on net operating loss carryforwards and other tax attributes as a result of changes in ownership
- Aggressive tax positions taken on tax returns
- Uncertainties regarding valuations

The following steps should be taken prior to December 31, 2008 to adopt FIN 48:

- Perform an overall evaluation of tax positions taken or not taken
- Have a discussion with your audit team to ensure expectations are understood
- Consult your tax advisors to ensure all uncertain tax positions have been identified and next steps are drafted

Should you have any questions regarding the upcoming FIN48 compliance deadline, please contact:

Rosanna DiFilippo, Partner
(978) 557-5373

or
Douglas S. Sweazey, Partner
(978) 557-5306

MFA - Moody, Famiglietti & Andronico, LLP
1 Highwood Drive. Tewksbury, MA 01876
www.mfa-cpa.com

These steps can take anywhere from several weeks to several months, depending upon the number and type of tax positions requiring evaluation, the accessibility and format of documentation required to support the positions, and availability of client personnel to assist in the process. As a result, it is important that the process be started in advance of the annual audit, since the final audit report cannot be issued until the FIN 48 component has been completed.

Should you have any questions regarding the upcoming FIN48 compliance deadline, please contact Rosanna DiFilippo, Partner at (978) 557-5373 or Douglas S. Sweazey, Partner at (978) 557-5306.

About MFA - Moody, Famiglietti & Andronico, LLP

MFA – Moody, Famiglietti & Andronico, LLP (www.mfa-cpa.com) is a proactive CPA and consulting firm located North of Boston with National and Global reach. Founded in 1982, the firm is comprised of over 100 professionals including 13 partners who make a personal commitment to resolve client issues by providing proven best value solutions with the ideal combination of expertise, service and price. MFA is an independent member of the BDO Seidman Alliance, which allows them to coordinate seamlessly with the 5th largest accounting firm in the world. Clients benefit from MFA's ability to apply its expertise and value to resources from 632 member firm offices in 110 countries.

In addition, MFA offers through affiliates complementary solutions such as wealth advisory, technology consulting and staffing.

Material Discussed in this Federal Tax Alert is meant to provide general information and should not be acted on without obtaining professional advice tailored to your firm's individual needs. The information in this Federal Tax Alert is for general guidance only and is not a substitute for professional advice.

IRS CIRCULAR 230 DISCLOSURE: To ensure compliance with requirements imposed by the IRS, we inform you that any U.S. tax advice contained in this communication (including any attachments) is not intended or written to be used, and cannot be used, for the purpose of (i) avoiding penalties under the Internal Revenue Code or (ii) promoting, marketing or recommending to another party any transaction or matter addressed herein.