

GOOD NEWS FROM THE IRS

New Tax Law that Raised Questions Concerning Structuring Attorneys' Fees Clarified with Positive Results

The new Section 409A of the Internal Revenue Code (included in the recently passed American Jobs Creation Act of 2004) brought many concerns of significant changes to the tax treatment of structured attorneys' fees.

On December 20, 2004 the Department of Treasury ("Treasury") and Internal Revenue Service issued comprehensive guidance interpreting new Section 409A. The guidance in Notice 2005-1 excludes most service provider arrangements from the scope of Section 409A. The Notice states:

Q-8 To Which Service Providers Does § 409A Apply?

A-8...Section 409A...**DOES NOT APPLY** to arrangements between a service provider and a service recipient if (a) the service provider is actively engaged in the trade or business of providing substantial services, other than (I) as an employee or (II) as a director of a corporation; and (b) the service provider provides such services to two or more service recipients to which the service provider is not related and that are not related to one another.

(emphasis added)

Creative Capital has already received notice from one of the largest life insurance companies with whom it conducts business stating that they have lifted the moratorium on structured settlements for attorneys' fees. This is effective immediately. We are ready to assist you in structuring any fees that you have pending.