



The Voice of The ESOP Association

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[Editor's Note: Below are remarks delivered by Association President, J. Michael Keeling, at the 2007 Las Vegas Conference and Tradeshow on November 9, 2007, on the impact of H.R. 3970, Section 3701, the Tax Reduction and Reform Act of 2007. Section 3701 would impose harsh taxes on many persons employed by an S ESOP company, or persons or entities helping finance an S ESOP transaction. The importance of this challenge to S ESOPs has led to combining the President's Page and the Washington Report for this November issue. All rights reserved by The ESOP Association.]

Why Now?

We have a problem. As you know, and as I heard many of you discussing the last few days, Congressman Charles Rangel of New York, Chair of the House Ways and Means Committee, has introduced his tax reform legislation and it is not good for ESOPs. But just as no legislative fight is won in Washington, no legislative fight is lost in Washington.

The big question, why this attack on ESOPs after 10 years of support?

Why, after nearly a decade of strong support for ESOP tax law in the House Ways and Means Committee, and no negative proposals coming from the Committee, would there be this worry. How has the climate for ESOPs changed compared to the previous ten years?

Here are some of my thoughts, and like most things, no one development can be labeled as the biggest reason that we are now worried about the fate

of a key ESOP law after ten years of not having ESOP law targeted by the leader of the powerful Ways and Means Committee because he considered the ESOP provision to be an unjustified corporate tax loophole.

1. There are no ownership fans among Congressional staff: There is an intrinsic, and perhaps, unsolvable problem for ESOPs in the bowels of the policy making offices of the Treasury and the Congress when it comes to ESOPs. The staff people are ERISA experts. Don't get me wrong, being an ERISA expert is not a bad thing, and certainly does not relate to one's worth as a person.

But as ERISA people, I call them ERISAcrats, when they look at ESOPs, they see "bad" policy because ESOPs, by law, are not diversified assets. ERISAcrats value diversification in a retirement savings plan above all else.

(Please see WHY NOW, page 2)

FOUNDATION NEWS Steve Sheppard Making the Rounds for Employee Ownership

Steve Sheppard, former CEO of the Foldcraft Company of Kenyon, Minnesota, has been traveling the U.S. speaking to groups unfamiliar with ESOPs about the benefits of employee ownership. In the past year, he has spoken to local Chamber of Commerce groups, numbers of Rotary Clubs, and as a guest lecturer at a Minnesota university.

Drawing on his past experience as a CEO of an ESOP company, Steve talks about employee ownership in very concrete terms and brings the topic to life by weaving his own first hand knowledge into the presentation.

"Steve is effervescent and a great spokesperson for ESOPs and em-

(Please see SHEPPARD, page 8)