

SECTION OF TAXATION

State Bar of Texas



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September 14, 2007

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Gentlemen:

On behalf of the Section of Taxation of the State Bar of Texas, we applaud your efforts to find a legislative solution to the many policy concerns presented by the growing body of issued and pending patents on tax planning methods. The recent passage of H. R. 1908, the Patent Modernization Act of 2007, by the House of Representatives, was a much appreciated first step towards finding that solution because it included, as an amendment offered by Representatives Goodlatte and Boucher, an improved version of the legislation suggested by the State Bar of Texas and this Section in resolutions passed last January 26 and forwarded at that time to Congress. We further commend Chairman Conyers and Ranking Member Smith of the House Committee on the Judiciary, along with Chairman Berman and Ranking Member Coble of that Committee's Subcommittee on Courts, the Internet and Intellectual Property, for their leadership in the approval of that amendment and the passage of such legislation. We also appreciate the support expressed for such legislation by Chairman Rangel and Ranking Member McCrery of the House Committee on Ways and Means in their letter to their colleagues dated September 6, 2007, and are quite certain that such support was a major factor in the ultimate inclusion of that amendment in H. R. 1908.

We also note and appreciate the Administration's Statement of Administrative Policy with regard to H. R. 1908 wherein it recognized the concerns surrounding patent protection for tax planning methods and pledged to work with Congress to address those concerns.

September 14, 2007

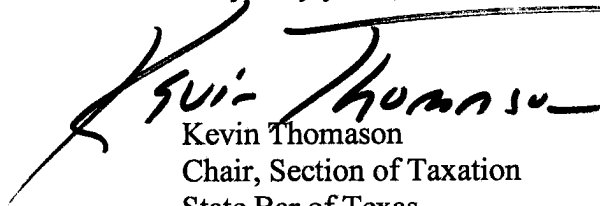
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We are aware that Chairman Leahy and Ranking Member Specter, along with other Members of the Senate Committee on the Judiciary, have been analyzing this issue, and we encourage them to propose legislation similar to H. R. 1908, either as a stand-alone bill or as part of the larger patent reform legislation currently under consideration. Moreover, we are especially appreciative of the recent statements issued by the offices of Chairman Baucus and Ranking Member Grassley of the Senate Committee on Finance indicating their intention to introduce legislation designed to ban tax strategy patents. These Committees will no doubt propose a solution that effectively addresses the concerns expressed by the State Bar of Texas and this Section last January in a manner that is as restrictive as that embodied in H. R. 1908, if not more so.

We continue to believe that the granting of patents on tax strategies is the result of a strained reading and application of the applicable laws. More importantly, it is a development that places severe strains on the tax system, including the perception of fairness of the system and the ability of the IRS to administer the tax law. If unchecked, the granting of patents on tax strategies will lead to immense compliance costs and many nonproductive alterations in the manner in which tax advice is provided. We applaud the efforts of all those, both in government and out, who are striving to rectify this strain on our tax system.

The Council of the Section of Taxation unanimously approved the sentiments expressed in this letter at a meeting held on September 14, 2007.

Very truly yours,



Kevin Thomason
Chair, Section of Taxation
State Bar of Texas