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## FEDERAL DEPOSIT INSURANCE CORPORATION

The FDIC is soliciting comment on the need for rulemaking to govern the direct or indirect involvement of insured banks in a variety of activities including real estate, insurance brokerage and data processing for third parties (see the 9/12/83 Fed. Reg., pp. 40900-02). Specifically, the FDIC is seeking comment on whether or not such activities on the part of insured banks pose any safety and soundness problems, present any conflicts of interest or are consistent with the purposes of Federal Deposit Insurance. Comment is also being sought on whether or not limitations should be imposed on the ability of a firm engaged in any of the subject activities to own an insured bank. In order to obtain the broadest possible discussion of the issues, this notice is directed to all insured banks rather than merely to those state insured banks for whom the FDIC is the primary federal supervisory authority. Comments are requested by 11/14/83. For additional information contact John J. Bovenzi at 202/389-4321.

## GENERAL ACCOUNTING OFFICE

The General Accounting Office has made available copies of the second volume of its 1982 annual report. Volume I was released in March 1983. GAO submitted the report in accordance with the Budget and Accounting Act of 1921, which requires GAO to report on the activities of its office during the fiscal year ended 9/30/82. The first volume highlighted a few of GAO's efforts and accomplishments; the second volume, intended to be a legal and historical record of GAO's work, contains detailed information on fiscal 1982 activities, legislative recommendations, financial and other benefits of GAO's work, and titles of published reports. "GAO Annual Report 1982/ Volume II, " can be obtained from the U.S. General Accounting Office, Document Handling & Information Services Facility, P.O. Box 6015, Gaithersburg, Md, 20760, 202/275-6241.

## NATIONAL CREDIT UNION ADMINISTRATION

The NCUA is soliciting comments on whether, and to what extent, it should modify its requirements governing Supervisory Committee Audits of Federal Credit Unions (see the 9/16/83 Fed. Reg., pp. 41598-99). Section 115 of the Federal Credit Union Act requires the supervisory committee to make, or cause to be made, an annual audit of the credit union's books and records. Such audits are made in accordance with the Supervisory Committee Manual for Federal Credit Unions. The NCUA Board requests public comments on six major issues including the following: should the Agency prescribe minimum requirements for an acceptable audit, and if so, should it be by regulation or through guidelines; should the Agency revise and reissue the Supervisory Committee Manual or rely on the accounting profession to develop and distribute audit guidelines and standards; should the Agency set different audit requirements for different types or sizes of credit unions; and, how can the Agency best incorporate the results of the audit function into its supervisory role. Comments on all issues are requested by 12/15/83. For additional information contact Mike Fischer at 202/357-1065.

## TREASURY, DEPARTMENT OF

Reporting of state and local tax refunds is the subject of recent temporary regulations issued by the IRS (see the 9/15/83 Fed. Reg., pp. 41385-87). The temporary regulations also serve by cross reference as proposed regulation on p. 41436 of the same Register. The release amends the Temporary Income Tax Regulations under the Tax Equity and Fiscal Responsibility Act

of 1982 to provide rules relating to the reporting of state and local income tax refunds under section 6050E of the Internal Revenue Code of 1954. Under section 6050E, any person who, with respect to an individual, makes payments of refunds of state or local income taxes, or allows credits or offsets with respect to such taxes, aggregating \$10 or more during a calendar year must make an information return. In addition, a statement must be furnished to the recipient during January of the calendar year following the year of the refund, credit or offset. These regulations provide rules and definitions with respect to those reporting requirements. In general, the regulations define "credit or offset" to include only amounts which, in lieu of being refunded to the taxpayer, are used for the taxpayer's benefit by reducing an existing or future liability of the taxpayer. The regulations also provide that amounts of refunds, credits or offsets need not be reported and a statement need not be provided to the taxpayer, if it can be ascertained that the applicable taxpayer did not receive a tax benefit from the payment to which the refund, credit or offset is attributable. The regulations are effective for refunds paid and credits or offsets allowed after 12/31/82.

Katherine D. Ortega, CPA, is the choice of President Reagan to become the next Treasurer of the United States, according to a 9/12/83 news release from the White House. Ms. Ortega is currently a Commissioner of the Copyright Royalty Tribunal, a position to which she was appointed on 12/10/82. Previously, Ms. Ortega served as a member of the Presidential Advisory Committee on Small and Minority Business Ownership. Before joining the Reagan Administration, Ms. Ortega acquired extensive experience in the banking and savings and loan industries. She became the first woman to serve as a bank president in California when she was elected president of the Santa Ana State Bank in 1975. In 1977-1982, she was a consultant to Otero Savings and Loan Association in Alamogordo, New Mexico. In 1972-1975, she was Vice President and Cashier of the Pan American National Bank in Los Angeles. In 1969-1972, Ms. Ortega, who is a certified public accountant, was tax supervisor for Peat, Marwick, Mitchell & Company in Los Angeles. Ms. Ortega was the 1977 recipient of the Outstanding Alumni Award from Eastern New Mexico University where she received her B.A. in 1957. She has also received the California Businesswomen's Achievement Award and the Damas de Comercio Outstanding Woman of the Year Award in Los Angeles. Ms. Ortega has been an AICPA member since 1972.

SPECIAL: SENATOR BENTSEN INTRODUCES "SMALL BUSINESS CAPITAL FORMATION AND INVENTORY SIMPLIFICATION TAX ACT OF 1983"

S. 1840, the "Small Business Capital Formation and Inventory Simplification Tax Act of 1983," was introduced by Sen. Lloyd Bentsen (D-TX) on 9/14/83. The bill would allow a business to deduct the first \$250,000 of a dividend distribution, and according to Sen. Bentsen, will enable small business to attract new capital by encouraging an investor to take an equity interest in the business rather than a debt interest. Sen. Bentsen's bill also addresses the tax law on accounting for inventory and includes the following suggested revisions: repeal the LIFO conformity requirement; alleviate the initial penalty associated with the LIFO election; simplify inventory pooling requirements; permit businesses to use regularly published government price indexes; and, permit businesses to use certain internal indexes. The bill also calls for the repeal of 403(b) of the crude oil windfall profit tax of 1980; inclusion of a section dealing with cash receipts and disbursements; and, cash method of accounting. Sen. Bentsen's bill has been referred to the Senate Finance Committee. No hearings have been scheduled.

SPECIAL: ADMINISTRATION POSITION ON UNITARY TAXATION IS STILL BEING CONSIDERED

The Administration's position on potential federal intervention to clarify the extent to which a state may tax certain income from sources outside the U.S. is still under consideration, according to Washington sources, despite a recent recommendation by the President's Cabinet Council on Economic Affairs. At stake is the ability of states to continue using the worldwide method of unitary taxation in the computation of tax liability of multinational corporations. S. 1225, a bill introduced by Sen. Charles Mathias (R-MD) on 5/12/83, would amend the Internal Revenue Code of 1954 to address this issue. Mathias' bill states: "In general, where two or more corporations are members of the same affiliated group of corporations (1) for purposes of imposing an income tax on any corporation which is a member of such group, no State, or political subdivision thereof, may take into account to include in income subject to such tax, any amount of income of, or attributable to, (2) any other corporation which is a member of such group and which is a foreign corporation, unless such amount is includable in the gross income of the corporation (described previously) for the taxable year in which, or with which, the taxable period (for purposes of State or local law) ends." Major U.S. trading partners are known to be opposed to the unitary method of taxation, while the number of states applying this method seems likely to increase. Sen. Mathias' bill has been referred to the Senate Finance Committee. No hearings have been scheduled. The President has delayed temporarily any decisions to support any legislation which would limit state taxation as recommended by the Cabinet Council. Opposed to any restriction of unitary taxation are those states that would lose up to \$600 million by a change in their method of corporate taxation.

For additional information, please contact Jim Kovakas, Gina Rosasco, Nick Nichols or Kathee Baker at 202/872-8190.

## **AICPA** *Washington Report*

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