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CAPITOL ACCOUNT

A Monthly Report on Federal Legislative Matters Affecting CPAs

JANUARY 1993

1993 Outlook . . . New Year Predictions and Resolutions

Change was the often repeated slogan of the '92 election. And it worked: voters responded by electing a near record number of new members to Congress and by handing control of the White House to a Democrat for the first time in twelve years.

So how do we think this new political line-up will affect the accounting profession? We thought you, as a Key Person, would welcome some of our predictions.

Although the White House and Congress occasionally will have serious political confrontations, the political gridlock paralyzing the legislative process for the past several years should be eased with Democrats in control of both ends of Pennsylvania Avenue.

Tax Forecast

Congress will wrestle again with a tax package likely to resemble the bill vetoed by President Bush last fall. Provisions changing estimated tax rules and liberalizing fiscal year rules probably will be included—if for no other reason than that they generate income. Other candidates for inclusion are extensions of expired provisions such as the employee educational assistance deduction, R&D credits and mortgage revenue bond authority and some form of capital gains rate cut.

President Clinton has promised an investment tax credit and a middle-class tax cut. However, his economic

advisers are already advising him to reconsider an across the board rate cut for middle income taxpayers because of the improving economy and larger than expected deficit. Some middle-income tax relief will be a political necessity, however. It may take the form of a higher deduction for taxpayers with children. As usual, the tax code will be a vehicle for social

on upper income earners are in the offing. In the estate and gift tax area two possible provisions are a capital gains tax at death and reduction of the unified credit from \$600,000 to \$200,000. Other possible revenue raising provisions are an increase in the gasoline tax, amortization of intangibles, mark-to-market requirements for securities dealers, and revisions affecting moving expenses.

Democratic leaders in Congress will push hard to deliver Clinton's campaign promises, but tax bills are among the most difficult to negotiate and maneuver through the legislative process. Complicating the process is uncertainty about how smoothly the tax writing committees in Congress will function in the first few months of the 103rd Congress. The pending departure of Senate Finance Committee Chairman Lloyd Bentsen (D-TX) to serve as Clinton's Secretary of Treasury presages a new style and behavior for the Committee. The incoming chairman, Senator Daniel Patrick Moynihan (D-NY), is an academic, not a businessman, who has championed issues such as welfare reform and social security rather than the tax and business interests favored by Bentsen. The different style and interests of Moynihan will mean a larger role for the two top party leaders in the Senate, George Mitchell (D-ME) and Bob Dole (R-KS), who are seasoned Finance Committee members.



policy changes, such as those pledged during the campaign in housing and jobs.

Partial payment for the changes will come from higher taxes on the wealthy. Higher rates or a surcharge

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In the House, operations of the Ways and Means Committee could be disrupted. A rumored indictment by a federal grand jury of Ways and Means Committee Chairman Dan Rostenkowski (D-IL) may slow tax work in the House. An indictment would require Rostenkowski, under Democratic Caucus rules, to give up his chairmanship pending a jury trial unless the Caucus voted to waive the rules. In line behind Rostenkowski on Ways and Means is Rep. Sam Gibbons (D-FL), whose primary interest has been trade. Gibbons is untried in the political dealmaking necessary to move a tax bill through the House.

Assuming a spirit of cooperation between the White House and Democrats in Congress, a tax package should pass by the middle of 1993. However, with such a diverse and unpredictable new Congress, a cooperative spirit may not rule.

Liability Reform Battle to Continue

The impact of Washington's new regime on other issues affecting CPAs is less obvious. The profession and the business community made encouraging progress on liability reform during the previous Congress. However, it remains a long, uphill battle. In the wake of high profile business failures involving financial fraud, the profession does not enjoy a lot of sympathy on Capitol Hill for its liability problems. The influx of newly elected members of Congress is not likely to change the politics of this issue. Nor do we predict the Clinton Administration will take an active stand against the trial bar.

Efforts to change the liability system will be complicated by the expanded auditor responsibilities debate. Rep. Ron Wyden (D-OR), who pushed his bill on fraud detection and reporting through the House

★ Inside Focus ★

Politics is not a spectator sport. Those have been my watch words since I came to the AICPA Washington office six years ago. The best players in the political game will win, or at least fend off attack, but those who do not participate will never even have a chance to win.

Happily, many of you have received my message and acted on it. We now have hundreds more CPAs participating in the AICPA Key Person Program than we did six years ago. The Key Person Program is successful because it employs constituents—individuals in whom elected officials have a vested interest—as the communicators of the profession's views to Congress. The program is the foundation for all AICPA legislative efforts, and our most important legislative tool. As the program has grown, so has our influence on Capitol Hill.

The work of Key Persons has been critical in the past and will continue to be so in the 103rd Congress and beyond. We have enormous challenges and opportunities before us. The freshman class of the 103rd Congress is nearly unprecedented in size and diversity. Its size gives us one of our best chances ever to involve more CPAs in the federal legislative process, and thereby expand our political base. Tomorrow's Congressional power brokers were elected this past fall. CPAs can use their present professional and social relationships with the new

members of Congress to forge a role in advising them about issues of importance to the accounting profession. The most trusted advisers are often the ones with the longest relationships. We need to start developing our ties to the new members of Congress today.

New members abound on several of the Congressional committees most important to the accounting profession—Ways and Means, Energy and Commerce, and House Banking. The new committee members will have to learn about the issues under the jurisdiction of the committee. Our job is to educate them about how those issues affect the accounting profession. This situation alone means more work for our Key Persons in the weeks and months ahead. The Congress also will be considering tax legislation, as well as other issues such as auditor responsibility and liability reform that are critical to the future of the profession. Our grassroots network will be more important than ever.

I won't be here. My tenure as the head of the AICPA Washington office is over. But I leave knowing that the future of the profession is more secure because CPAs are dedicated to playing the political game. My thanks to you all. ■

B.Z. Lee
Deputy Chairman Federal Affairs

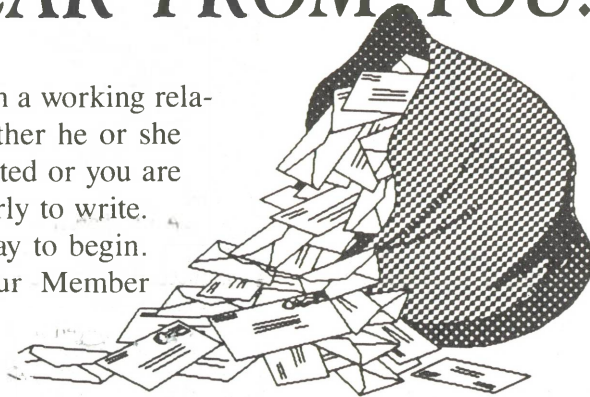
of Representatives late in the last Congress only to see it stall in the Senate, will try again. That is where the two issues—legal liability and the auditor's role—join. If Congress presses for broader audit responsibilities, the profession will insist on protection against abusive liability exposure. And if the profession presses for equitable liability rules, Congress will ask for an expanded audit role. Balancing those trade-offs is no small task, substantively or politically.

Institute's New Year's Resolution

The Institute will seize on this period of "change" in Washington to turn the debate about the profession. We must be seen as an indispensable part of the answer to perceived weaknesses in financial reporting, not used as political scapegoats for business failures. Precisely because these are times of change, and therefore uncertainty, the assurance provided by the profession should be more in demand than ever. ■

MEMBERS OF CONGRESS ARE WAITING TO HEAR FROM YOU!

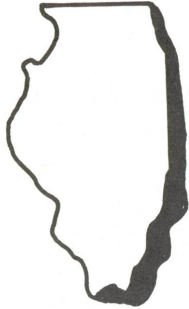
Now is a perfect time to begin to establish a working relationship with your Member of Congress. Whether he or she is a freshman and you are trying to get acquainted or you are a Key Person for an incumbent, it is not too early to write. Writing a letter of congratulations is a good way to begin. Here are some tips for letter writing to your Member of Congress.



- ✓ Send your letter to either U.S. House of Representatives, Washington, D.C. 20515 or United States Senate, Washington, D.C. 20510. Room numbers are not necessary when writing your legislator.
- ✓ Include "The Honorable" before the legislator's name on the envelope and the inside address.
- ✓ Congratulate the legislator on winning his or her election.
- ✓ Point out that you are a constituent and a member of the profession.
- ✓ Tell the Member that you will be writing frequently about matters of importance to the profession such as tax and liability issues.
- ✓ Offer yourself as an information resource on tax and accounting issues. Your knowledge of these technical, complicated matters is extensive. Make it clear you are willing to provide any analysis, expertise or help you can.
- ✓ Emphasize that you work closely with the individuals and small businesses in your community and are familiar with the issues they care about.
- ✓ Keep the letter to one page and be sure to include how they can contact you.
- ✓ Find the name of the district office director and send a copy of the letter to that person.

While letter writing is an important part of a Key Person's relationship with an elected official, it is just the beginning. Hopefully, you will be meeting with Members and forming a friendship built on mutual respect and trust. These relationships are critical for the future of the profession and you, as a Key Person, are the core of our grassroots efforts. ■

SPOTLIGHT ON NEW MEMBER OF CONGRESS



Carol Mosely Braun, U.S. Senate—Illinois



John R. Rogers, CPA, member Illinois CPA Society Board of Directors and former president, with Carol Mosely Braun, newly elected Illinois U.S. Senator at legislative symposium sponsored by the Illinois State CPA Society.

The membership of the 103rd Congress is the most diverse body ever elected with a near record number of new members. Included among the new members is a Democratic Senator from Illinois, Carol Mosely Braun, the first black woman elected to the U.S. Senate.

Senator Braun, a former Illinois state legislator, sought and won seats on the Senate Banking and Judiciary Committees, both of which have jurisdiction over accounting issues.

During this election year, the Illinois State Society took an active role in both educating candidates about issues important to the profession and communicating candidates' positions to its members.

Not only had the Society met with the Senate candidates early in the year, but also on September 30, it hosted a Legislative Contact Symposium where both Senator Braun and her opponent, Rich Williamson, spoke.

Over 200 CPAs attended, as well

as numerous print and television reporters, resulting in wide media coverage for the Society event.

Congratulations to Senator Braun and to the Illinois State Society for its active participation in the campaign process on behalf of its members and the entire profession.

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