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AICPA "The Measure of Excellence"

CAPITOL ACCOUNT

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MAY/JUNE 1993

House Ways and Means Follows AICPA's Lead

The House Ways and Means Committee followed the lead of the AICPA on estimated taxes and the amortization of intangibles when it rewrote President Clinton's tax bill.

The estimated tax provision added by Ways and Means to the President's package, and passed by the House of Representatives on May 27, reflects the thrust of what the AICPA has lobbied for since the 1991 estimated tax law was passed—restoration of a measurable safe harbor for taxpayers who are required to make quarterly estimated tax payments.

Gerry Padwe, AICPA vice president for tax, as quoted in the May 19 *Wall Street Journal*, said, "We are delighted" that the Committee has acted to revise the "unworkable" 1991 law.

Under the Ways and Means Committee's provision, individuals with $150,000 or less in prior year adjusted gross income (AGI) would be allowed to use the 100 percent previous-year tax safe harbor, while individuals whose AGI last year was more than $150,000 would be required to use 110 percent of their previous year's tax liability.

Taxpayers would also be allowed to use 90 percent of the current year's tax as a safe harbor.

Inclusion of the estimated tax provision is particularly significant because the President requested the Committee to approve a "clean" bill. For that reason, the pet tax projects of many Members of Congress were excluded from the Ways and Means bill. It puts us in a stronger strategic position, too, according to Padwe. Regardless of whether the Senate includes an estimated tax provision in its version of the bill, the fact that it is in the House bill makes it a topic for discussion when House and Senate conferees meet to negotiate the final version of the bill.

However, prospects for this issue look fairly good in the Senate. Senator Dale Bumpers (D-AR) is the foremost proponent for repeal of the 1991 rules in the Senate; he introduced S. 739 in April, after working with the AICPA and other interested parties, to develop a workable alternative. S. 739 is cosponsored by Orrin Hatch (R-UT), Conrad Burns (R-MT), Jim Sasser (D-TN), Howell Heflin (D-AL),

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AICPA Launches Pension Disclosure Campaign

Workers Urged to "Get Smart" About Their Pensions

The AICPA launched a two-pronged attack at the nation's employee pension problem in late April by calling for greater disclosure of information. Policy makers, regulators, and employers form one target; workers form the other.

Identifying problems lurking within our pension system is not difficult, but fashioning politically viable solutions is not so easy. Congress continues to try to assess the health of the pension system, and the national media relates horror stories about the collapse of large companies and lost pensions.

Still, workers remain in the dark about the condition of their own pension plans—partially because they don't know how to find out and partially because the information they need to make the assessment is not readily available.

If the U.S. Congress and Department of Labor implement a set of recommendations developed by the AICPA Employee Benefit Plans Committee, employers would be required to provide more information to workers in plain English and in a user-friendly format.

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"That would make it easier for workers to find out what their pensions will be when they retire, whether their pensions are fully funded, and whether the government will pay the promised benefits if the employer cannot," according to Sue Hicks, AICPA technical manager for the Employee Benefit Plans Committee.

The AICPA also urged workers to "Get Smart" about their pensions by learning the Three Ps of pensions—the promise, the plan, and the protection, and to use a list of related questions to seek information about their pensions from their employers.

The proposed reforms were unveiled in late April at a pension oversight hearing by the House Education and Labor Subcommittee on Labor-Management Relations.

Media response has been positive and the story has been covered by national television and radio, and by major newspapers.

Among the recommendations are the following:

- Congress should do what the AICPA has advocated since 1978 and require audits of pension plan financial statements to be full-scope audits to make sure all plan investments are audited. (A limited-scope audit instructs auditors not to audit certain plan investments.)
- The DOL should enhance and expand the information required in the Summary Annual Report (SAR) to include such fundamentals as how much the plan has promised to pay participants, whether the plan is currently funded to make good on those commitments, and whether plan benefits are insured by the government's Pension Benefit Guaranty Corporation. The SAR is the one document required by law to be furnished to employees annually by most pension plans and does not now contain this information.
- The DOL should ensure that individual members of multi-employer pension plans (for example, union-sponsored plans) have access to information on how much benefits they have earned.

This set of recommendations is the first of a series of recommendations that the AICPA expects to release. The Employee Benefit Plans Committee now is looking at possible recommendations on pension plan funding laws and at how to enhance information about defined contribution plans, such as 401(k) plans.

Ten More Co-Sponsors Join Liability Fight

Joining the battle to reform the nation's liability system are ten new co-sponsors of H.R. 417, the Securities Private Enforcement Reform Act. The latest "heroes" are: Richard Durbin (D-IL), Thomas Ewing (R-IL), Paul Gillmor (R-OH), Gene Green (D-TX), Henry Hyde (R-IL), Nancy Johnson (R-CT), Jill Long (D-IN), Robert Michel (R-IL), Carlos Moorhead (R-CA), and Bill Zeliff (R-NH).

Thanks to all of you for your phone calls and letters urging your Members of Congress to co-sponsor H.R. 417. Your personal explanations to lawmakers about how the current liability system hurts you and your business are the best way to convince lawmakers to change the law.

Financial Planning Bill Speeds Through House

A quick voice vote by the House of Representatives sent the Investment Adviser Regulatory Enhancement and Disclosure Act of 1993, H.R. 578, off to the Senate on May 4, 1993. H.R. 578 preserves the professional exclusion CPAs are now granted, and aims its new regulatory might at those who engage in the type of activities that most frequently lead to fraud and abuse.

The AICPA, with help from its Key Persons and members of the Personal Financial Planning Division, fought for this approach in the last Congress. The AICPA earlier this year urged members of the House to support H.R. 578 and is happy that it so readily passed the House. We will continue our watch on this legislation in the Senate.

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Key Person Coordinators Form Program's Hub

Key Person Coordinators are the hub of the AICPA Key Person Program for their individual states. To these stalwart individuals falls the task of coordinating and tracking the efforts and effectiveness of the state's federal Key Persons.

As a Key Person, you can help your Coordinator by letting him or her know when you need information or have a meeting with your Member of Congress, and by telling the Coordinator anytime you learn the position of your representative on an issue important to the accounting profession. The names and telephone numbers of the Coordinators are listed below, for your convenience.

Our sincere thanks to them all for their hard work and dedication!

Alabama	Bill David Smith	(205) 349-2424
Alaska	Kevin Branson	(907) 272-1571
Arizona	James Dobbyn	(602) 264-9011
Arkansas	Barry Findley	(501) 664-8525
California	Bruce Allen	(916) 441-5351
Colorado	A. Marvin Strait	(719) 471-4290
Connecticut	Ralph DePanfilis	(203) 853-1040
Delaware	John Garniewski	(302) 478-3310
District of Columbia	Victor Barton	(202) 244-6500
Florida	Larry Bodkin or	(904) 224-2727
	Tom Randle	(904) 224-2727
Georgia	Rodney Adair	(912) 888-1144
Hawaii	Norman Brand	(808) 524-0433
Idaho	Larry Jeffries	(208) 345-5383
Illinois	Connie Lynn	(217) 789-7914
Indiana	Fred Gage	(219) 627-2156
Iowa	Gaylon Halverson	(319) 273-6410
Kansas	Gary Poore	(316) 265-5600
Kentucky	Larry Steinberg	(502) 587-0201
Louisiana	W. Thomas Hopkins	(504) 344-4000
Maine	Wendy Whiting	(207) 772-9639
Maryland	Larry Kamanitz	(410) 484-8700
Massachusetts	Thomas Moccia or	(617) 556-4000
	Edward Pendergast	(617) 720-0400
Michigan	Raymond Howard	(313) 477-4468
Minnesota	Colleen Fjelstad or	(612) 831-2707
	Marvin Loff	(612) 341-3030
Mississippi	Paul Breazeale or	(601) 969-7440
	Jack Coppenbarger	(601) 366-3473
Missouri	C. Frank Chauvin	(314) 259-1000
Montana	Michael Duffield	(406) 728-1800
Nebraska	Ronald Ueberrhein	(402) 488-4900
Nevada	Roy Arthurs	(702) 825-1161
New Hampshire	Marlene Gazda	(603) 622-1999
New Jersey	Jeffrey Kaszerman or	(201) 226-4494
	Z. Thaddeus Zawacki	(908) 899-5636
New Mexico	Keith Balkcom	(505) 293-0173
New York	Walter Primoff	(212) 973-8300
North Carolina	William Self	(919) 489-1600
North Dakota	Jim Abbott	(701) 777-3869
Ohio	Barbara Curtis	(614) 764-2727
Oklahoma	Carlos Johnson	(405) 239-6411
Oregon	Timothy Rote	(503) 224-5321
Pennsylvania	Sharon Stabinski	(717) 232-1821
Rhode Island	Raymond Church	(401) 331-5720
South Carolina	Harry Gregory	(803) 782-6144
South Dakota	Thomas Haber	(605) 332-0054
Tennessee	Brad Floyd	(615) 377-3825
Texas	Dianne Jones or	(214) 689-6042
	Claude Wilson	(214) 742-8422
Utah	Dallas Bradford	(801) 533-0820
Vermont	Thomas Hart	(802) 747-7645
Virginia	Thomas Berry	(804) 270-5344
Washington	Jeffrey Maxwell	(206) 455-4000
West Virginia	Willard Erwin	(304) 344-9854
Wisconsin	Nicholas Lascari	(414) 521-3200
Wyoming	Richard Bratton	(307) 234-7800

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Herbert Kohl (D-WI), John Chafee (R-RI), Larry Pressler (R-SD), and Harris Wofford (D-PA).

S. 739 is, basically, the same as the House-passed estimated tax rule, but would restrict the 110 percent safe harbor requirement to individuals whose prior year AGI exceeded $150,000 and was also over $40,000 higher than that of the year before.

The AICPA has supported the statutory amortization of intangible assets since 1991 when the concept was first introduced, and is pleased that such language is part of the House bill, Padwe said. Businesses would be allowed to write off goodwill and certain purchased assets, such as customer subscriber lists, bank core deposits, and favorable lease and financing terms, over a 14-year period. Bolstering the likelihood that an amortization of intangibles provision will survive the full legislative course, is a recent U.S. Supreme Court case. On April 20, 1993, the Court ruled, in the Newark Morning Ledger Co. case, that the subscription lists acquired by a taxpayer had a limited useful life, the duration of which could be calculated with reasonable accuracy, and that their cost could, therefore, be amortized for tax purposes. The AICPA reinforced its strong support for the amortization of intangibles by writing Ways and Means Committee Chairman Dan Rostenkowski (D-IL) after the Supreme Court case was handed down to let him know that the Institute believes there is still a need for legislation, despite the Court's decision.

Inclusion of the estimated tax and amortization provisions in the House's tax package is just the first step toward seeing these changes enacted, Padwe cautioned, because so many Senators oppose the President's package (or different parts of it) that it could be scuttled. "We'll keep pushing, though, to have them included in whatever bill we can," he said.

AICPA Kicks Off Key Person Training Program

Pictured here are participants at the Washington, D.C. discussion-leader training session. The training was conducted by Mike Dunn of Michael E. Dunn & Associates, Public Affairs Consultants.

The AICPA kicked off its Key Person Training Program, which is designed to teach Key Persons how to be more effective politically, by training the trainers at four regional workshops in May. CPAs and state society staff from 48 states learned how to act as discussion leaders for training sessions to be held in their states.

The first state training program for Key Persons was held by the Alabama Society of CPAs on June 2. The other state societies soon will be scheduling training sessions for Key Persons in their states. Watch for information from your state society or call your Key Person Coordinator or state society staff.

Key Persons attending the workshops will examine the political environment as it relates to the accounting profession and learn why grassroots involvement can make a difference, as well as learn techniques for cultivating relationships with their legislators.

One of the training tools for the workshops is a video tape on which some of the hottest legislative issues for the profession are discussed. We prepared this video tape because Key Persons who responded to the survey conducted last fall asked for information to be presented in this format. The video got enthusiastic reviews from participants who attended the May workshops. If you would like to borrow a copy, write Shirley Twillman, AICPA, 1455 Pennsylvania Avenue, N.W., Washington, D.C. 20004-1081 or call (202) 434-9220.

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