American Institute of CPAs (AICPA) has voiced strong opposition to draft legislation that would limit the use of the cash method of accounting for pass-through entities and personal service corporations.

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In a letter to House Ways and Means Committee Chairman Dave Camp, the American Institute of CPAs (AICPA) has voiced strong opposition to draft legislation that would limit the use of the cash method of accounting for pass-through entities and personal service corporations.

In the April 25 letter, AICPA President and CEO Barry C. Melancon, CPA, CGMA, wrote that, "While we generally support increasing the threshold from $5 million to $10 million in average annual gross receipts for businesses that are allowed to use the cash method of accounting, we strongly oppose limiting the use of the cash method of accounting for pass-through entities and personal service corporations with average annual gross receipts over $10 million. Additionally, including any positive adjustments in income due to the transition from cash to accrual methods of accounting over a four-year stepped period within eight years provides limited relief but does not outweigh the significant costs of using the accrual method of accounting."

"Under this proposal, an individual working in a corporate entity with the same cash basis income, deductions, and credits would have a lower taxable income than an individual in a growing partnership if not for the limitation on use of the cash method of accounting. We believe that this is unjustifiable and unfair to penalize an individual for joining other business partners to form a partnership," Melancon stated.

“The AICPA has consistently supported tax reform efforts that promote simplicity

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