CPA Practice Advisor

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The American Institute of CPAs (AICPA) has issued the following statement by President and CEO Barry C. Melancon, CPA, CGMA, following congressional passage of the Tax Cuts and Jobs Act:

"While the tax reform legislation contains several provisions that should be welcomed by CPAs and their clients, the AICPA is very disappointed by lawmakers' decision to exclude CPAs from the measure's treatment of pass-through entities.

Congress should have provided parity for pass-throughs, regardless of their line of business, in order to achieve a fairer, simpler, and more competitive tax code. The AICPA pointedly and repeatedly made the case that all professional service firms – including accounting firms – should have received the new deduction. The professional services sector, a critical element of America's economic success, has been ignored. Accounting firms play an important role in the nation's growth and job creation and legislators erred in excluding them. Those who suggest that CPA firms can adjust to the change by reforming as C corporations do not understand that the nature of state licensing regulations make such a transition impractical, if not impossible.

The AICPA's advocacy led to the inclusion of several beneficial provisions in the final tax package. Specifically, Congress expanded the number of taxpayers who may use the cash method of accounting without further restricting its use. Lawmakers also retained the business interest expense deduction for small businesses (under $25 million), preserved the current tax treatment of nonqualified deferred compensation, simplified the kiddie tax, simplified the inventory rules for small businesses, expanded the exception for small businesses from the uniform capitalization rules, removed computer or peripheral equipment from the definition of listed property,

beyond.”