RESOLUTION OPPOSING CASH TO ACCRUAL TAX REFORM PROPOSAL

Endorsed July 2014

WHEREAS, the Coalition of Bar Associations of Color (CBAC), organized in 1992, is a coalition created to act as a collective voice for issues of common concern to its member organizations; and

WHEREAS, the member organizations of the Coalition of Bar Associations of Color are the Hispanic National Bar Association (HNBA), the National Asian Pacific American Bar Association (NAPABA), the National Bar Association (NBA), and the National Native American Bar Association (NNABA); and

WHEREAS, current law allows individuals and most partnerships and other pass-through entities to use the simple cash method of accounting for tax purposes, in which income is not recognized until cash or other payment is actually received; and

WHEREAS, last year, the chairmen of the House Ways and Means Committee and the Senate Finance Committee released discussion draft tax reform bills with provisions that would force many law firms and other personal service businesses to change from the cash to the accrual method of accounting; and

WHEREAS, Section 212 of the House bill, the “Tax Reform Act of 2013,” and Section 51 of the comparable Senate bill would raise the gross receipts cap to $10 million while eliminating the existing exemption for law firms and other personal service businesses, partnerships, and S corporations; and

WHEREAS, requiring law firms with gross receipts greater than $10 million to switch to the accrual method of accounting and pay taxes on income that has not yet been received (and may never be received) would force many firms to borrow money to make tax payments on “phantom” income; and

WHEREAS, the cash method of accounting is simple to apply and recognizes income when it is received and record expenses when paid, whereas under the accrual method income is recognized when the right to receive income is “fixed” and expenses are recorded when they are “fixed, determinable, and economic performance has occurred”; and
WHEREAS, the impact of the proposed legislation would be broad and unfair, hurting many middle income business owners by requiring them to pay taxes on income they have not collected; and

WHEREAS, the proposed legislation would undermine the financial stability of the American legal industry; and

WHEREAS, in November 2013 the American Bar Association Board of Governors adopted a Resolution in opposition to the draft legislation and any other similar legislation and numerous state bars have also opposed the draft legislation, including those in Ohio, Minnesota, New Jersey, and Wisconsin; and

NOW THEREFORE BE IT RESOLVED that CBAC opposes any legislation, regulations, or other governmental measures which would require law firms and other personal service businesses that now compute taxable income on the cash receipts and disbursements method of accounting to convert to the accrual method of accounting; and

NOW THEREFORE BE IT RESOLVED that CBAC authorizes its officers and staff to communicate the content of this resolution to other minority bar association members, members of the U.S. Congress, the press, and to whomever else the CBAC Board deems suitable to receive the information; and

BE IT FINALLY RESOLVED that this resolution shall be the legislative priority of the Coalition of Bar Associations of Color until it is withdrawn or modified by subsequent resolution.

CERTIFICATION

WE, the duly-elected Presidents of the Hispanic National Bar Association (HNBA), the National Asian Pacific American Bar Association (NAPABA), the National Bar Association (NBA), and the National Native American Bar Association (NNABA), hereby certify that the foregoing Resolution was duly enacted by a duly noticed meeting of the Board of Directors.
Miguel Alexander Pozo
President, Hispanic National Bar Association

William J. Simonitsch
President, National Asian Pacific American Bar Association

Patricia Rosier
President, National Bar Association

Mary Smith
President, National Native American Bar Association

Date: July 15, 2014
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