



Est. 1992

Coalition of Bar Associations of Color

## **RESOLUTION OPPOSING CASH TO ACCRUAL TAX REFORM PROPOSAL**

Endorsed March 2015

**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 CBAC 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**, the member organizations of CBAC are the national voices of their respective legal communities in the United States and its territories and possessions; 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**, in 2013, 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, having a disproportionate impact on attorneys of color, the majority of whom work in solo or small firm practices, 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 also supports other efforts and laws that are consistent with this resolution; and

**NOW THEREFORE BE IT FURTHER 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 Executive Office of the President, the press, and to whomever else CBAC board deems suitable to receive the information; and

**NOW THEREFORE BE IT FINALLY RESOLVED**, that this resolution shall be the policy of CBAC 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 Coalition Bar Associations of Color.



*Cynthia Mares*

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Cynthia Mares  
President, Hispanic National Bar Association

3/2/2015  
Date

*George C. Chen*

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George C. Chen  
President, National Asian Pacific American Bar Association

3/2/2015  
Date

*Pamela Meanes*

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Pamela Meanes  
President, National Bar Association

3/2/2015  
Date

*Mary Smith*

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Mary Smith  
President, National Native American Bar Association

3/2/2015  
Date