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**AICPA PROVIDES TAX REFORM PRINCIPLES TO WHITE HOUSE PANEL**  
*Melancon Offers Recommendations to President's Economic Recovery Advisory Board*

**Washington (Oct. 16, 2009)** – Barry Melancon, president and CEO of the American Institute of Certified Public Accountants, testifying before the President's Economic Recovery Advisory Board at the White House today, called for comprehensive tax reform and revisions to the alternative minimum tax and estate and gift tax rules.

“The dynamic American economy is rebounding slowly and, we believe, is burdened by an unnecessarily cumbersome and somewhat outdated income tax system. In particular, we see significant problems for small businesses arising from the increasing complexity of the tax law,” Melancon said.

The advisory board is headed by White House outside economic advisor Laura D'Andrea Tyson and former Federal Reserve Chairman Paul Volcker. The panel is directed by White House Senior Economic Advisor Austan Goolsbee. The purpose of today's hearing was to take testimony on proposals to simplify the tax system. Congress is likely to take up tax reform as a major legislative challenge beginning in January.

“The AICPA has long been an advocate for simplification and fairness in the tax law. Although it may be impossible to remove all complexity from our tax laws, a significant amount of simplification is achievable and would be beneficial for individual taxpayers, businesses, the federal government, and the economy,” Melancon said.

The AICPA recommended that the Obama administration and Congress take steps to simplify and ease the alternative minimum tax, which is projected to hit 30 million middle-class Americans in 2010. The AICPA urged Congress to reform immediately the estate and gift tax rules before 2010 when the estate tax is scheduled to be repealed. The AICPA released an update of its [\*Tax Reform Alternatives for the 21st Century\*](#), a report providing policymakers and the public with a clear, nonpartisan analysis of the issues and alternatives for federal tax reform.

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The AICPA's [\*Tax Reform Alternatives for the 21st Century\*](#) makes clear that any serious consideration of tax reform must take into account significant events that have begun to impact federal tax revenues:

1. Dealing with the economic strain of a retiring baby boom generation.
2. Understanding the human impact of the expiring 2001 and 2003 tax cuts.
3. Controlling the exponential growth of the alternative minimum tax where 20,000 taxpayers were impacted in 1970, four million in 2007, and, unless Congress acts, an estimated 30 million in 2010.
4. The recession has caused a sharp reduction in federal tax revenue.

The AICPA Recommendations:

The AICPA offers two major recommendations to the PERAB for changes that would help simplify the tax system and has developed a list of other, smaller, changes that would help. Those are:

- Simplification of the individual alternative minimum tax (AMT)
  - The AICPA recognizes that eliminating the individual AMT, although preferable, may not be feasible because of a large revenue loss. The AICPA proposes thirteen alternative solutions to reduce or eliminate most of the complexity and unfair impact of the AMT as currently imposed.
- Reform of the estate and gift system
  - The AICPA submitted to Congress a list of suggested reforms of the current estate and gift tax system that would promote simplification. The suggestions include increasing the exemption and indexing it for inflation; retaining the full step-up in basis for inherited assets and avoiding the complexities of carryover basis; providing broad-based liquidity relief, rather than targeted relief provisions, and providing portability to a surviving spouse to simplify estate planning and estate administration for married couples.
- Compendium of simplification improvements
  - The AICPA initiated a project to publish an annual compendium of legislative proposals focused on simplification and technical revisions that are not unduly controversial. The goal is to promote simplicity and fairness and to correct certain inequities.

The full text of *Tax Reform Alternatives for the 21<sup>st</sup> Century* is available at [http://www.aicpa.org/download/news/2009/PERAB\\_AICPA\\_Tax\\_Reform\\_October\\_2009\\_FINAL.pdf](http://www.aicpa.org/download/news/2009/PERAB_AICPA_Tax_Reform_October_2009_FINAL.pdf)

**About the AICPA**

The American Institute of Certified Public Accountants ([www.aicpa.org](http://www.aicpa.org)) is the national, professional association of CPAs, with more than 360,000 CPA members in business and industry, public practice, government, education, student affiliates, and international associates. It sets ethical standards for the profession and U.S. auditing standards for audits of private companies, non-profit organizations, federal, state and local governments. It develops and grades the Uniform CPA Examination.

The AICPA maintains offices in New York, Washington, D.C., Durham, N.C., Ewing, N.J., and Lewisville, Tex.

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