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CIVIL AERONAUTICS BOARD

A pre-filing tariff approval procedure to implement fare reductions within one day has been proposed by the Civil Aeronautics Board, (see the 5/13/80 Fed. Reg., pp.31411-13). The new proposal for all U.S. certified air carriers in domestic transportation will apply to both original fares and matching competitive fares. This proposal is intended to facilitate a more responsive and dynamic pricing system without fundamentally changing the tariff system required under the Federal Aviation Act until 1983. Comments are requested by 6/16/80. For additional information contact Thomas Moore at 202/673-5038.

COST ACCOUNTING STANDARDS BOARD

Allocation of Direct and Indirect Costs, CAS 418, has recently been adopted as a final rule by the Cost Accounting Standards Board (see the 5/15/80 Fed. Reg., pp.31929-35). It is one in a series of standards pursuant to the Defense Production Act of 1950 (PL 91-379). CAS 418 requires that costs be consistently classified as direct or indirect, establishes criteria for accumulating indirect costs in indirect cost pools, and sets forth guidance on allocating indirect cost pools. The issuance of the standards is intended to achieve uniformity and consistency in the cost accounting practices followed by defense contractors in estimating, accumulating and reporting costs of defense contracts. The effective date of the rule is 9/20/80. For additional information contact Nelson Shapiro at 202/275-6111.

COUNCIL ON WAGE AND PRICE STABILITY

Increased Administration monitoring of voluntary wage and price guidelines may be in jeopardy as a result of action taken recently by the House Banking Committee. The Committee reversed an earlier vote and reduced the FY 1980-81 fund request of the Council on Wage and Price Stability (CWPS) by approximately 60% over the two years. The Committee approved approximately \$9.5 million for each year while the CWPS had requested approximately \$13 million for FY 1980 and \$25 million for FY 1981. The Banking Committee action amounts to an approval of the Administration's January fund request. The bill, HR 6777, was reported out of the Committee on 5/15/80, and awaits action by the full House. The Senate version, S.2352, approved almost all of the Administration's amended fund request. It was reported out of the Senate Banking Committee on 5/15/80. A full Senate vote is anticipated soon. Unless the differences in both bills are resolved substantially in favor of the more generous Senate bill, the CWPS will be hampered in its anti-inflation program, unable to increase its staff from 233 to 637 in 1981, and unable to fully support the President's Pay and Price Advisory Committees.

Form PM-1 for reporting price, profit, and gross-margin data during the second program year has been adopted by the Council, (see the 5/15/80 Fed. Reg., p.31935). The effective date was 2/27/80. For additional information contact: equipment, Eugene Roberts at 202/456-7784;

agriculture/trade, Stephen Hiemstra at 202/456-7740; energy/chemicals, Larry Forest at 202/456-7747; construction, Joseph Lackey at 202/456-7156; and regulated industries, Arthur Corazzini at 202/456-7730.

In a related matter, in order to facilitate compliance with the anti-inflation program, the Council has released the "Second-Year Price Standards: A Compendium", (see the 5/15/80 Fed. Reg., pp.32035-36). The publication contains the final version of the Council's price standards, rules, and supplementary material for the second program year that were published in the Fed. Reg., through 3/7/80. A copy is available from the CWPS by calling 202/456-6757.

Pursuant to Executive Order 12044, the CWPS is publishing its semi-annual agenda of voluntary standards and procedural regulations under development and review (see the 5/8/80 Fed. Reg., p.30445). For additional information contact Mr. David Henderson at 202/456-6210.

FEDERAL DEPOSIT INSURANCE CORPORATION

A prohibition on giving premiums or gifts to depositors by depository institutions was proposed by the Depository Institutions Deregulation Committee, (see the 5/16/80 Fed. Reg., pp.32323-24). The proposal is intended to prevent a circumventing of interest rate limitations since the value of the premium or gift is not regarded as a payment of interest under current Federal Reserve regulations. The proposed rules also provide that finders fees for introducing a new depositor to the institution be regarded as a payment of interest and must be paid in cash only. The Committee is considering adoption of a proposed rule that would require that all interest paid on a deposit be paid in cash or credited to a deposit. This would have the effect of eliminating programs currently authorized under Federal Reserve and FDIC rules in which interest is prepaid in the form of merchandise. Comments are requested by 6/16/80. For additional information contact Douglas Bridzell at 202/389-4324.

FEDERAL ENERGY REGULATORY COMMISSION

Substantive standards for granting special relief rates to encourage the production of natural gas was the subject of proposed rulemaking recently by the Commission (see the 5/14/80 Fed. Reg., pp.31744-52). The proposed rulemaking sets detailed standards for the application of the Commission's authority to grant higher, just and reasonable rates for gas subject to sections 104, 106 and 109 of the Natural Gas Policy Act. The higher rates would be granted only to encourage gas production which would not be produced at the applicable NGPA maximum lawful price. Comments are requested by 6/9/80. For additional information contact Susan Tomasky at 202/357-8461.

FEDERAL HOME LOAN BANK BOARD

Accounting for loan servicing fees is the subject of a proposed rule by the Federal Home Loan Bank Board (see the 5/13/80 Fed. Reg., pp.31408-9). The Board is proposing to restrict savings and loan associations' accounting

treatment for loan servicing fees by providing that such fees may be credited to current income only to the extent earned. The proposed regulation is, according to the Board, intended to prohibit the reflection in net worth of unearned servicing income, which the Board regards as an unsafe and unsound practice. Comments must be received by the Board prior to 7/9/80. For further information contact Nancy Feldman at 202/377-6212.

In concurrence with the Office of General Counsel, the Principal Supervisory Agent will be authorized to waive the annual report requirement if an insured institution believed that transaction would not trigger an annual report, according to a recent rule proposal by the Board (see the 5/13/80 Fed. Reg., pp.31409-10). Present regulations require insured institutions to transmit an annual report to voting members if the institution, or one of its subsidiaries, engage in transactions with affiliated persons during the audit period preceding the institution's annual meeting. The waiver is available only in cases where the insured institution has compiled a satisfactory compliance record and if the transaction that triggered disclosure was not contrary to the best interests of the association. Comments are requested by 7/9/80. For further information contact Kathleen Topelius at 202/377-6444.

FEDERAL RESERVE BOARD

The ninth and tenth in a series of sets of questions and answers concerning the Board's anti-inflation program has recently been issued by the FRB. The ninth series deals with changes in terms of consumer credit accounts and covered credits. The tenth series deals with managed liabilities and consumer credit. Copies are available from the FRB at 202/452-3246.

INTERSTATE COMMERCE COMMISSION

HR 7235, the "Rail Act of 1980", will now be considered for action by the full House of Representatives, following a 21-4 favorable vote by the House Commerce Committee on 5/15/80. The Senate version of "railroad reform" legislation, S.1946, was approved by the Senate on 4/1/80 by a vote of 91-4. The Senate bill does not contain provisions for a uniform railroad cost accounting system and a railroad accounting standards board. Other differences in the two bills will be worked out in a conference, after the full House votes on HR 7235.

Repeal of existing credit regulations for railroads, water and motor carriers, and freight forwarders was recently proposed by the Interstate Commerce Commission, (see the 5/14/80 Fed. Reg., pp.31766-67). The ICC proposes authorizing individual carriers, to establish through tariff publication, their own non-discriminatory credit terms. Through this action, the ICC is moving to rationalize its regulation in this area by permitting carriers to tailor their credit terms to meet their own needs. Comments are requested by 6/30/80. For additional information contact Richard Felder at 202/275-7693.

PENSION BENEFIT GUARANTY CORPORATION

Insuring the continued growth and survival of multi-employer pension plans is the object of HR 3904, introduced by Rep. Perkins (D-Ky) on 5/3/79. The bill was scheduled for a House vote last week but not acted upon, it is expected the House will reschedule the vote for this week. HR 3904, which revises the 1974 Employee Retirement Income Security Act will attempt to deal with the implementation of the mandatory termination insurance for multi-employer plans which has been postponed by Congress three times and is currently scheduled to become effective 7/1/80. The single-employer termination insurance program became effective automatically with the enactment of the Act and according to the Pension Benefit Guaranty Corporation, is running smoothly. Termination insurance for multi-employer plans, which permit covered workers to transfer pension credits from one employer to another was delayed because not enough was known about the plan to design a suitable benefit guarantee program. Current fears are that the implementation of the existing mandatory coverage would result in soaring costs for multi-employer plans resulting in their collapse. The PBGC indicated that in 1978 about 8 million workers and retirees were covered under multi-employer plans and about 1.3 million were covered under plans experiencing financial difficulty and could terminate within the next ten years. If these plans did fail, the PBGC says that liability to the multi-employer termination insurance fund could reach \$4 billion while the fund had only \$20 million on hand at the end of 1978. Critics of the termination insurance concept see it as a step forward to the federal bailout of other ailing private pension programs but both the Congressional versions of the proposal preserve the private financing statute of the existing program. HR 3904 would adjust the employer liability obligation to make it less risky for an employer to continue in a multi-employer plan and at the same time impose a continuing obligation on an employer who withdraws from a plan.

SMALL BUSINESS ADMINISTRATION

The 8 per-cent interest rate ceiling on loans to state development companies will be removed if the revised regulation by the Administration is adopted (see the 5/13/80 Fed. Reg., pp.31410-11). Removing the interest rate ceiling will enable the SBA to set an interest rate structure that is consistent with its other loan programs. Comments are requested by 8/11/80. For additional information contact Alan Abraham at 202/653-6470.

TREASURY, DEPARTMENT OF

A bill aimed at simplifying and revising the Internal Revenue Code with respect to installment sales rules was ordered reported out of the Ways and Means Committee on 5/15/80. HR 6883 eliminates the requirements that no more than 30 percent of the selling price be received in the year of the sale to qualify for installment reporting, and sets special rules for situations where an installment sale occurs between related parties. Amendments adopted at the mark-up accomplished the following: modify a subcommittee amendment so non-recognition treatment would not be available on obligations between a shareholder and spouse or between

a corporation which is 80 percent owned by the shareholder; set special rules dealing with deferred payment sales of depreciable property between closely related parties; and, change the effective date from sales occurring after 3/31/80 to 5/14/80. The bill is now clear for floor action.

Certain determination letters on retirement plans will remain valid, according to a 5/9/80 release from the Treasury. According to the release, when final regulations concerning discrimination in vesting in qualified retirement plans are adopted, employers who have previously received a certain type of favorable determination letter on their plan will be treated as though they have received a favorable letter under the new regulations. As a result, they will not have to return to the IRS for a review of their retirement plan. The new vesting regulations (see the 4/14/80 Wash. Report) have been, according to Treasury, subject to misinterpretation concerning their effect on existing determination letters. A public hearing is scheduled for 7/10/80 at the IRS in Washington, D.C. For further information contact George G. Ross at 202/566-2356.

SPECIAL: FEDERAL ASSISTANCE REFORM BILL CALLS FOR RECIPIENT AUDITS

S.878, the "Federal Assistance Reform Act", a bill to restructure the Federal grant program for State and local governments, was approved by the Subcommittee on Intergovernmental Relations, Committee on Governmental Affairs, on 5/15/80. The bill was originally introduced by Sen. William Roth (R-Del) on 4/4/79, and contains provisions for increased reliance on state and local audits, with a preference for recipient audits rather than audits for individual grants. Action by the full Committee on Governmental Affairs could occur in June.

For additional information contact:
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202/872-8190

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