CORE
Metadata, citation and similar papers at core.ac.uk
Provided by eGrove (Univ. of Mississippi)

University of Mississippi
eGrove

Newsletters | American Institute of Certified Public Accountants (AICPA) Historical Collection

1-1-1983

Washington report, vol. 11 no.50, February 7, 1983

American Institute of Certified Public Accountants.

Follow this and additional works at: https://egrove.olemiss.edu/aicpa_news

Part of the Accounting Commons, and the Taxation Commons

Recommended Citation
American Institute of Certified Public Accountants., "Washington report, vol. 11 no.50, February 7, 1983" (1983). *Newsletters*. 885.
https://egrove.olemiss.edu/aicpa_news/885

This Article is brought to you for free and open access by the American Institute of Certified Public Accountants (AICPA) Historical Collection at eGrove. It has been accepted for inclusion in Newsletters by an authorized administrator of eGrove. For more information, please contact egrove@olemiss.edu.

AICPA *Washington Report*

February 7, 1983, Volume XI, Issue 50

FTC Supplemental appropriation request focuses attention on FTC. p.1

PBGC Additional termination coverage available for multiemployer plan participants. p.1

Plan administrators advised on new Form 5310 which provides one stop service. p.2

Treasury IRS Chief Counsel Kenneth W. Gideon speaks on substantial underpayment penalty. p.2

Special FED Chairman Volcker testifies on foreign loans. p.2

Administration scorns repeal of withholding on interest income. p.3

The information contained in this report has been prepared from sources considered reliable, but its accuracy is not guaranteed by us and is NOT necessarily a complete summary of all available materials on the subject. Opinions expressed herein do not necessarily reflect Institute policy. Reproduction of these materials without prior approval of the AICPA is prohibited.

FEDERAL TRADE COMMISSION

A supplemental Congressional appropriation to continue operation of three FTC regional offices will, if approved, be opposed by FTC Chairman William Miller, according to his testimony before a House Appropriations Subcommittee on 2/3/83. The Commerce, Justice, State, Judiciary and Related Agencies Subcommittee, House Committee on Appropriations, convened to discuss the FTC's request for a supplemental appropriation to cover certain unforeseen costs in FY 1983 and to discuss the FTC's desire to "reprogram" certain of its functions, especially its desire to close three regional offices in Boston, Seattle and Los Angeles. Chairman Miller declined to request additional funds, in the amount of $1.5 million, to keep these offices open, citing a desire to comply with the Administration's program of budgetary reductions where possible. Appropriations Subcommittee Chairman Neal Smith (D-IA) stated that in his judgment, there appeared to be the necessary votes to appropriate funds in excess of those requested by FTC Chairman Miller, specifically to keep the FTC regional offices open. In that event, according to Miller, he would oppose the additional funds. He further volunteered the opinion that David Stockman, Director, Office of Management and Budget, would oppose these funds. In response to a question from Rep. Smith, Miller said he anticipated introduction of legislation to restrict the FTC's ability to regulate the professions, but that the FTC was conducting a dialogue with certain professional groups. The Subcommittee then recessed without taking a vote on the FTC requests.

In a related matter, Rep. Daniel Crane (R-IL) has introduced a bill to "place a moratorium on activity of the Federal Trade Commission with respect to certain professions and professional associations until the Congress expressly authorizes such activity." Except for a change in the effective date of this legislation, it is identical to H.R.3722, a bill introduced by Rep. Thomas Luken (D-OH) in the 97th Congress. This bill, in the form of a floor amendment to a FTC authorization bill, passed the House 245-155 on 12/1/82.

PENSION BENEFIT GUARANTY CORPORATION

Multiemployer plans will be able to elect additional termination coverage for plan participants under a supplemental program proposed recently by the PBGC. The multiemployer Pension Plan Amendments Act reduced the benefits guaranteed under Title IV of ERISA in the event of a multiemployer plan terminations. However, it also required PBGC to establish a supplemental guarantee program to be available by 1/83. The proposed program would increase PBGC's guarantees of benefits in multiemployer pension plans to the level provided for single-employer plans. Participation in the Supplemental Guarantee Program (SGP) would be voluntary. To encourage participation in the Supplemental Guarantee Program, PBGC proposed a late entry fee for plans that do not elect the coverage in the first year of eligibility, but that choose to participate at a later time. The late entry fee would be equal to the premiums that a plan would have paid if it had elected coverage in the first year of eligibility, plus interest. Plan benefits in excess of the statutory guarantee limitations would be eligible for coverage under the SGP. The amount of the supplemental benefit that would guaranteed would depend on the number of supplemental coverage units purchased by the plan. Generally, each unit of coverage would equal a monthly benefit of $1 for each of the participant's years of credited service. Under the proposed rule, PBGC would be able to cancel coverage in the program for any plan that fails to pay its premiums or that makes material misrepresentations in order to gain coverage or increased coverage. A plan would be able to cancel its coverage in the program without PBGC approval by so indicating on its premium payment form (PBGC-1). A plan would not be able to cancel its coverage for any year in which the premium for supplemental

coverage has already been paid or for any year in which the plan receives financial assistance from PBGC. A plan that cancels its supplemental coverage is not entitled to a refund of premiums paid.

Plan administrators may notify both the PBGC and the IRS of the termination of a non-multiemployer defined benefit pension plan by using a single form, according to PBGC Executive Director Edwin M. Jones. The new IRS/PBGC Form 5310 describes the "one-stop service" that eliminates the necessity for separate filings with the two agencies. According to Mr. Jones, the regulations and new form will simplify reporting procedures for terminating non-multiemployer pension plans. In conjunction with the publication of PBGC's regulation, the IRS will issue a Revenue Procedure further explaining the new coordinated filing procedures and additional uses of the IRS/PBGC Form 5310 for IRS purposes. PBGC's amended regulation requiring the use of the IRS/PBGC Form 5310 will become effective 30 days after publication in the Federal Register. Copies of the new form may be obtained from most IRS local offices or from the PBGC.

TREASURY, DEPARTMENT OF

The new substantial underpayment penalty has replaced Circular 230 as the focus of concern among tax professionals, according to a recent speech by IRS Chief Counsel Kenneth W. Gideon. Speaking before the Section of Taxation of the American Bar Association in New York City on 1/29/83, Mr. Gideon said that regulations would be issued "well before April 15" and would include a number of provisions that are at odds with recommendations suggested by the ABA, American Institute of CPAs and the Tax Executives Institute. Mr. Gideon indicated that the new rules regarding amended returns, the use of home jurisdiction opinions to lessen the extent of the penalty, the weight of past practices, and the applicability of partnership returns will not be to the liking of many tax professionals. In discussing the IRS's plan to insure the uniform application of the new penalty, Mr. Gideon said that a process similar to that which is currently used with respect to return preparer penalties will be used. Specifically, any assertion of substantial underpayment penalty must be approved at the group manager level and reviewed by the district review staff.

SPECIAL: FED CHAIRMAN VOLCKER TESTIFIES ON FOREIGN LOANS

Restrictions on fees charged by banks on renegotiated foreign loans are a possibility, according to testimony and comments developed during a 2/2/83 hearing of the House Banking Committee. This four hour hearing, with Federal Reserve Chairman Paul Volcker as the solitary witness, discussed Volcker's recommendation that a substantial increase in the lending authority of the International Monetary Fund (IMF) was a necessary "insurance policy." Almost every member of the expanded House Banking Committee questioned Volcker on a wide variety of related banking issues. In particular, some members wanted to know what the government would receive from the U.S. banking community in exchange for protecting them from loans which were often characterized during the hearing as "imprudent." Lacking specificity, Volcker generally commented that an increase in Federal Government regulation might be necessary. Rep. Fernand St Germain (D-RI), Chairman of the House Banking Committee, plans additional hearings this week, 2/8-9/83, continuing his Committee's inquiry into international financial issues and U.S. banks. Among the witnesses scheduled are representatives of major U.S. banks, academic groups and a tentative appearance by Martin Feldstein, Chairman, Council of Economic Advisors.

SPECIAL: ADMINISTRATION SCORNS REPEAL OF WITHHOLDING ON INTEREST INCOME

A continued effort by banks and other institutions to repeal the withholding on interest and dividend income of last year's tax act could result in higher taxes for the financial community, according to remarks made by Treasury Secretary Donald Regan before the House Appropriations Committee. Mr. Regan continued by saying, "The banks, who themselves pay very little taxes, are running a grave risk of infuriating some of the tax-writing committees of of this Congress who went to great lengths last year" to enact withholding. "The financial institutions, in mounting an effort to repeal last year's statute are jeopardizing the exclusion that they have. So I would say to bankers, they better go carefully in this area." More than 50 measures in the House and six in the Senate have been introduced to repeal the withholding law. However, there are suggestions that the Congressional leadership will make a serious effort to stop these legislative initiatives. Senate Finance Chairman Robert Dole (R-KA) has indicated that his committee will hold hearings this year to investigate the amount of taxes paid by banks. In a statement delivered to financial industry representatives at an Internal Revenue Service hearing on regulations implementing the law, which goes into effect 7/1/83, Deputy Assistant Treasury Secretary for Tax Policy David Glickman said a repeal of the law will result in a $25 billion increase in the federal deficit through fiscal year 1988 that will have to be made up in new taxes. Officials from the financial industry voiced their objections to the temporary regulations and called for a clearer definition of the method by which institutions may delay their compliance with the new law, as well as a better way for compensating the industry for the start up and ongoing costs of complying with the statute. There was no indication from Treasury representatives of any methods being considered to answer these complaints.

For additional information, please contact Jim Kovakas, Gina Rosasco, Nick Nichols or Kathee Baker at 202/872-8190.

AICPA *Washington Report*

American Institute of Certified Public Accountants
1620 Eye Street, N.W., Washington, D.C. 20006

FIRST CLASS MAIL