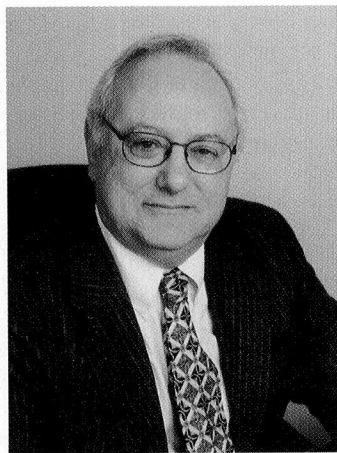


publisher's column



Louis Grumet

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CPAs' Role in Reforming the Tax Code and Social Security

In last month's Inaugural and State of the Union Addresses, President George W. Bush talked about domestic priorities for his second term, including reforms in both the tax system and Social Security. Focus on these areas of public policy is long overdue. Both our tax system and the Social Security program are widely viewed as being poorly thought out and overly subject to politics.

CPAs as Leaders

No group is more knowledgeable than CPAs about the pros and cons of the various proposals that will be forthcoming, because that kind of analysis is at the core of what CPAs do. CPAs should thoroughly analyze every proposal and give legislators, the public, and the media an objective perspective about the short-term and long-term implications of public policy proposals.

The NYSSCPA is endeavoring to take leadership in the area of taxation with a new committee appointed by NYSSCPA President John Kearney: the Committee for Practical Reform of the Tax System (CPRTS), chaired by David Lifson. This committee's charge includes developing a whitepaper on the current tax system and the potential impact of alternatives. It is also holding brainstorming sessions with CPA and non-CPA experts, including economists and legislators and their staffs. The first two CPRTS meetings got off to an excellent start with a "moderated debate": a far-reaching discussion about the current tax system, whether it's irretrievably "broken," and broad ideas about where to go from here, and how.

Defining the problem is itself a massive undertaking, and as touchstones the committee used the AICPA's guiding principles of taxation and the four principles of taxation from Adam Smith's *The Wealth of Nations*: equity, transparency, convenience, and efficiency.

The committee will discuss issues such as the complexity, simplicity, and fairness

of alternative taxation systems like a national value-added tax (VAT). The committee will use its whitepaper to develop criteria for evaluating and commenting on various proposals. The NYSSCPA will disseminate analysis and commentary to its members, the media, the public, and the Congressional leadership.

Regarding the Social Security system, the NYSSCPA has joined a group of large state societies, led by Texas and including Ohio, Massachusetts, Pennsylvania, and New Jersey (as well as the AICPA), to review and comment on various proposals. As part of this initiative, the AICPA will update its excellent study from the 1990s that gave a comprehensive overview of Social Security's history and of various options for reform.

Focus and Discipline Required

The approach that the NYSSCPA is taking in both of these areas affecting our national economy is the most active engagement I've seen in years. Maintaining momentum, however, will require focus and discipline. Like the weather, everyone complains about tax policy and Social Security but nobody does anything about them. But we recognize that we're already on borrowed time, and we need to move past complaining into constructive action.

Throughout the coming months, give us your views on the CPRTS and its work, and give all of the NYSSCPA's committees the benefit of your expertise. CPAs are professionally prepared to play a vital role in the transformation of our tax system and Social Security program.

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