Largest accounting firms continue to experience slow growth: Certified Public Accountant
Anonymous
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pg. 9

In that respect, users are not seeking management's projections or forecasts, rather they seek the information to make their own judgments about what the future holds.

By May 1994, the committee intends to create a financial reporting model that is responsive to the information needs of users, develop a prototype of that model, and make recommendations for improvement. It also plans to conduct a broad-based survey of users to see if they concur with the recommendations.

This is a lot for the committee to accomplish in a short time span. ❑

LARGEST ACCOUNTING FIRMS CONTINUE TO EXPERIENCE SLOW GROWTH

Public Accountant Report recently released the results of its annual top 100 survey of the accounting profession. One-fifth of the firms noted declining revenue, while revenue growth at another 17 firms failed even to best the 3% rate of inflation. Average growth for the top firms—3.9%—declined from 4.8% last year.

As a group, the 100 firms have shown themselves as leaner, more efficient entities. Together, they generated $13.8 billion in revenue with 1.5% fewer partners and 4.2% less professional staff.

The survey shows large local and regional firms fared relatively well despite the economic climate. The 10 firms with $20 million to $40 million in revenue posted the highest average growth rate (7%) and had the highest earning per partner outside of the Big Six. One-third of the Top 100 firms posting double-digit growth came from this group. ❑

AICPA COUNCIL DEFERS ACTION ON NON-CPA OWNERSHIP OF MEMBER FIRMS

The Fall meeting of the AICPA Council, held in New Orleans on September 20 and 21, 1993, turned out to be rather routine. The AICPA decided to defer any action on non-CPA ownership of firms to allow state societies to give further consideration to the issues. Presumably the matter will return to a Council agenda at an undetermined future date.

Breakout sessions were conducted on CPE requirements and accreditation. The session on CPE focused on a proposal to form a joint venture called Alliance for Learning. The alliance would be governed by 15 trustees, one-third from state societies that produce educational material, one-third that do not, and the rest from academia and large firms. The purpose of the alliance would be to coordinate and strengthen the activities of the AICPA and state societies in developing and presenting programs. The members of council were not convinced of the merits of the recommendation and by voice vote referred it to the board of directors for recommendations at the Spring meeting.

The issue of accreditation continued to receive less than enthusiastic support and was sent back to the drawing board for further development.

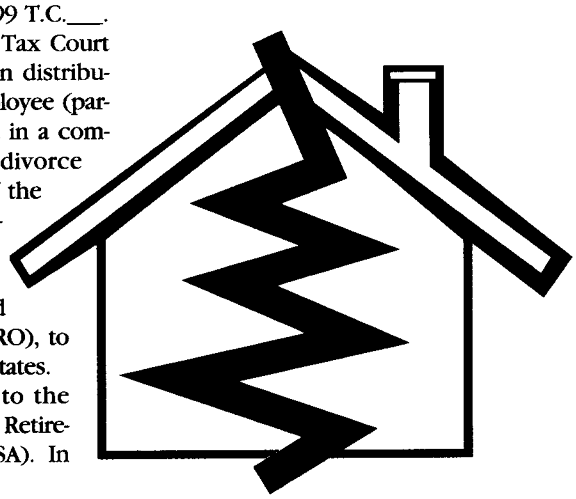
Edmund L. Jenkins, CPA, Chairman of the Special Committee on Financial Reporting, reported to Council that the committee's research efforts to determine the specific information needs of today's users of external financial reporting are complete. A summary of his report is presented elsewhere in News & Views. ❑

TAX TALK

PENSION DISTRIBUTIONS IN DIVORCE TAXED TO EMPLOYEE

By Peter Barton, JD, CPA, and David Remmele, PhD, CPA, University of Wisconsin—Whitewater

In *Karem v. Commissioner,* 199 T.C.___. No. 34 (June 14, 1993), the Tax Court ruled that a lump-sum pension distribution is fully taxable to the employee (participant) even though he lived in a community property state and a divorce court ordered that one-half of the distribution be paid to his former spouse. *Karem* is the first case to apply IRC Sec. 414(p), concerning qualified domestic relations orders (QDRO), to a divorce. QDROs apply in all states.



Pension plans are subject to the complex rules of the Employee Retirement Income Security Act (ERISA). In IRC Sec. 401 (a)(13), ERISA prohibits the assignment of benefits, meaning that the pension plan can only pay them to the employee (or, if deceased, the beneficiary). ERISA 29 USC Sec. 514(a) pre-empts conflicting state laws. IRC Sec. 402 (a)(1) specifies that the distributee is taxed on the distribution. Simply stated, the pension can only be distributed to the employee, who is taxed on it. This statute produced court cases on whether ERISA prevents divorce courts from applying state law to order the pension plan to pay part of the pension to the former spouse and/or children. To clarify this situation, in 1984 Congress enacted the Retirement Equity Act (REA), which gives nonemployee spouses vested rights in their former spouses pension.

The REA includes the QDRO provisions, which create an exception to the anti-assignment provisions. A QDRO allows pension benefits to be paid to a former spouse or children. If paid to the former spouse, he or she is taxed on them. (If paid to the children, the employee is taxed.) A QDRO must be from a court under state domestic relations (divorce) law. The amount to be paid, which can constitute alimony, a property settlement, or child support, must be stated. The order must then be presented to the plan administrator, who makes the payments.

Robert Karem participated in two pension plans. He received a $98,254 lump-sum pension distribution in 1987, which was paid in Robert's name to his attorney pending his divorce. In 1988, the divorce court ordered that one-half be paid to his