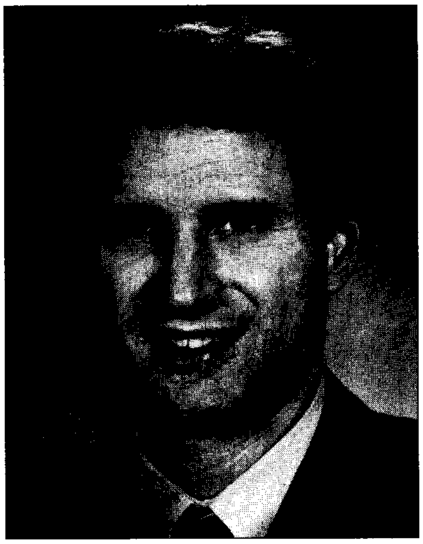
WASHINGTON REPORT

STEPHEN BARLAS, EDITOR



Rep. Ron Wyden.

NEXT VERSION OF WYDEN BILL MAY BE TOUGHER

It is likely that Rep. Ron Wyden (D.-Ore.) will introduce the latest version of his corporate internal controls bill by early May. And an aide says that the new version may be stronger than the one the House passed last fall. That legislation required companies to produce a public report on their internal control system, and then have an outside auditor evaluate that report. The Wyden bill also would have required auditors to go to the SEC with charges of fraud if a company's management refused to investigate those charges. Wyden may toughen his bill out of pique that the accounting industry is not taking the issue of financial fraud seriously enough. The Oregon Democrat, again according to an aide, was very unimpressed with the report issued in March by five accounting groups, including the National Association of Accountants. That report was simply a survey of the existing literature on internal controls, the aide complains. "We wonder whether that report is a stall tactic," the aide says. "It is suppose to be an exposure draft, with comments taken over the next six months. And then those comments won't even address the key issue—whether the elements of the Wyden bill should be adopted?" The aide declines to discuss how the new Wyden bill may be stiffened. "But it definitely won't be any weaker," he promises. The Financial Executives Institute (FEI) and the American Institute of CPAs also were among the five groups signing the March report. Coopers & Lybrand compiled the report, which presented checklists to help companies improve their internal controls. The Wyden aide said the congressman has been persuaded to delay introducing new legislation on the grounds that the report would allay his fears about corporate financial controls. But he complained that an accounting graduate student could have done the report. "Some people sold this report to us a little differently than the way it came out," the aide complained. "It was supposed to be the be-all and end-all."

IRS WANTS TO TURN UP HEAT ON CORPORATE RETURNS

IRS Commissioner Fred Goldberg says the Internal Revenue Service is doing a relatively poor job checking on corporate and schedule C tax returns, especially when compared to 1040s. He wants Congress to up the IRS field examination budget so he can add almost 200 new agents in fiscal 1992, starting October 1, 1991. Most of them would ostensibly work on corporate returns. Returns filed by individuals are subject to high-volume information matching programs. "Unfortunately, these high-volume programs cannot be adapted to sophisticated business and corporate taxpayers," Goldberg told a House appropriations subcommittee in March. "The result has been a dramatic decline in audit coverage in these areas over the past decade." The reason for this is twofold. First, the number of corporate and business returns has increased faster than the audit staff in that area. Second, the tax code is infinitely more complex than it was 10 years ago. "The growth in the number of highly compensated tax advisors and in-house tax professionals, most of whom work with business taxpayers, has far outstripped the growth in the number of revenue agents during the past decade," Goldberg added.

HIGHER CORPORATE TAX RATES LINKED TO HEALTH CARE PLAN

A new proposal for national health insurance would fund part of the program by increasing the corporate income tax from 34% to 38% for companies with more than $75,000 in profits. That plan was introduced in March by Rep. Marty Russo (D.-Ill.) on behalf of a number of House Democrats. Jim Kaitz, FEI director of government relations, says, "I know our tax committee would oppose anything that increases the corporate rate. If we had an effective rate of 12%, that would be one thing. But we don't." Most everyone in Washington agrees that sooner or later Congress is going to institute some form of national health insurance. The impetus has been the number of U.S. workers who have no health insurance. Congress also has been unhappy about the growth in costs of the Medicare and Medicaid programs. The Russo plan would have a number of features aimed at keeping a tight lid on doctor and hospital bills. Besides increasing the corporate rate to pay for the plan, Russo also would increase the portion of the payroll tax that goes to Medicare from 1.45% of a worker's first $125,000 in wages to 7.5% on his entire salary. ■

Stephen Barlas is a journalist with more than 12 years of experience reporting from Washington, D.C.

Is this article of interest to you? If so, circle appropriate number on Reader Service Card.	Yes	No
	86	87