



Public Affairs Council: State Legislative Monitoring: Ensuring Due Diligence

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What Issues Should I Track?

- ▶ **Association perspective – member focused**
- ▶ **Consider your bandwidth**
- ▶ **Prioritize – don't reinvent the wheel**



Case Study: Tracking Taxes on Professional Services



Finding the Right Keywords

to read: Sec. 2. Title 42, chapter 5, article 2, Arizona Revised Statutes, is amended by adding sections 42-5076 and 42-5077,

42-5076. Personal services classification

A. THE PERSONAL SERVICES CLASSIFICATION INCLUDES THE FOLLOWING BUSINESSES THAT ARE NOT OTHERWISE CLASSIFIED UNDER THIS ARTICLE FOR TAX PURPOSES:

1. BARBER, BEAUTY, NAIL AND PEDICURE SALON SERVICES.

2. FUNERAL, MORTUARY, CREMATORY AND OTHER DEATH CARE SERVICES.

3. LAUNDRY, DRY CLEANING AND GARMENT SERVICES, INCLUDING GARMENT ALTERING AND REPAIR SERVICES.

4. SHOE REPAIR AND SHOESHINE SERVICES.

5. CARPET AND UPHOLSTERY CLEANING.

6. PET GROOMING AND BOARDING AND OTHER PET CARE SERVICES THAT ARE NOT CONSIDERED TO BE VETERINARY SERVICES.

7. PARKING SERVICES.

8. HOME, AUTOMOBILE AND PERSONAL PROPERTY MAINTENANCE, CLEANING AND REPAIR SERVICES, INCLUDING SALES OF WARRANTY CONTRACTS.

9. PERSONAL ACCOUNTING, BOOKKEEPING AND TAX RETURN PREPARATION SERVICES.

B. THE TAX BASE FOR THE PERSONAL SERVICES CLASSIFICATION IS THE GROSS PROCEEDS OF SALES OR GROSS INCOME DERIVED FROM THE BUSINESS, EXCEPT THAT THE TAX BASE DOES NOT INCLUDE GROSS PROCEEDS OF SALES OR GROSS INCOME DERIVED FROM BUSINESS-TO-BUSINESS TRANSACTIONS.

Know Where to Track



Build Your System

- ▶ Find your tracking platform
- ▶ Who are your internal and external stakeholders?
- ▶ Who will analyze the bill?
- ▶ Who is in charge of follow-up?

Have Your Resources Ready



Taxes on Accounting Services

Background

The American Institute of CPAs (AICPA) State Regulation and Legislation Team is working in collaboration with state CPA societies, CPA firms, and other state-level stakeholders to oppose sales taxes on services provided by CPA firms. Legislatures in Arizona, California, Georgia, Oklahoma, and West Virginia introduced bills in 2016 that would create new taxes on professional services.

Three states (Hawaii, New Mexico, and South Dakota) currently impose a tax on accounting services, and accounting firms in Connecticut and Delaware also face taxation on services such as data processing through a gross receipts tax.

Tracking Progress

2015-2016 LEGISLATION														
S T A T E	Bill Num	Topic	Summary	Dates		Legislative Status			Internal Action					Notes
				Date Tracking Began	Last Updated	Passed 1st House	Passed Both Houses	Gov's Action	Sent to Technical Expert	Should Notify State Society	Notified State Society	Follow Up With State Society	TAC is Aware	
AZ	H2693	Tax on Services	Proposes a tax on personal services, including accounting, bookkeeping and personal tax return preparation	2/16/16	2/16/16	No, failed upon adjournm ent	No, failed upon adjour nment	No, failed upon adjournm ent	Yes, Eileen 2/16	Yes	Yes 2/16		Yes	Cindie brought the bill to our attention, says it looks like a trial balloon that will come back next year

Make Your Value Known

AICPA Bi-Weekly State Legislative Tracking Report Summary December 5, 2016



Summary

The AICPA State Regulation and Legislation Team is monitoring legislative activity in all 55 states and jurisdictions on issues affecting the CPA profession. This report provides a high-level legislative overview of the 504 bills that we are currently monitoring and focuses on key issues that the AICPA State Policy Priorities Task Force has identified as being of particularly high interest to the profession during the 2016 legislative session. If you have questions regarding the highlighted legislation, or if we did not include a bill that you are tracking, please contact James Cox at jacox@aicpa.org or Julia Morriss at jmorriss@aicpa.org.

Taxes on Professional Services –Arizona, California, Georgia, Oklahoma, and West Virginia introduced tax on services bills. Arizona's bill failed when the legislature adjourned. California's bill creates a Retails Sales Tax on Services Fund. Georgia and West Virginia's bills failed when the legislature adjourned. Oklahoma's bill enacts a 3.75 percent tax on computer software services and has passed the first house.

Evaluate Your System

- ▶ **Did you miss any important legislation?**
- ▶ **Did the information you provided help change the outcome?**
- ▶ **Is this issue still relevant to your organization?**
- ▶ **Are your stakeholders happy?**

Thank You



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