



NEWS RELEASE

United States Senate
**Committee on Small Business
and Entrepreneurship**

Christopher S. "Kit" Bond, Ranking Member

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***IRS INITIATIVE TO SIMPLIFY SMALL BUSINESS
ACCOUNTING RULES "MOMENTOUS STEP," BOND SAYS***

(Washington) – Senator Kit Bond today applauded the Internal Revenue Service’s new cash accounting rules as “a momentous step forward” for small business taxpayers. Under the new simplified accounting rules, most small-service providers with average gross receipts of \$10 million or less will be allowed to use the cash method of accounting rather than costly and time-consuming accrual and inventory methods.

The new rules should result in significant tax simplification for more than half a million small firms, said Bond, Ranking Member of the Senate Committee on Small Business and Entrepreneurship. They also would cover a significant number of small businesses above the arbitrary \$1 million threshold that was previously established by the Clinton Administration in April 2000, and which small firms often cite as a major source of confusion and a barrier to growth.

“This change amounts to a home run for small business,” Bond said. “In the real world, this will free the independent home builder or repairman from having to account for every nail, board, can of paint or shingle used over the course of a year. And it will significantly simplify the lives of other service providers, like dentists and veterinarians, who must use some merchandise as part of the service they provide. In the current economic climate, this change will have a far-reaching, beneficial impact and could not come at a better time.”

Bond has long promoted legislation to increase the cash-accounting safe harbor for small businesses. Early this year, he introduced the “Cash Accounting for Small Business Act of 2001” (S. 336) believing that the IRS had sufficient regulatory authority to increase the safe harbor beyond the current \$1 million level but had not exercised it. Congressman Wally Herger, R-CA, worked with Bond, introducing a companion bill (H.R. 656) in the House.

In letters today to IRS Commissioner Charles O. Rossotti and Treasury Secretary Paul H. O’Neill, Bond hailed the decision to simplify small business accounting procedures. “Under the new

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rules, tax-compliance burdens will fall dramatically in coming years, leaving America's entrepreneurs with more time and money to do what they do best – run successful businesses and create jobs," Bond wrote. "It also will remove the persistent confusion that has surrounded cash-accounting rules in the small-business sector, and allow the IRS to refocus its personnel and resources on other more pressing compliance problems," he concluded.

Because the new rules will be published as an IRS Revenue Procedure, Bond also called on the Treasury Department to ensure the long-term availability of the new cash-accounting rule by taking the additional step of issuing the guidance as a formal regulation in the near future.

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