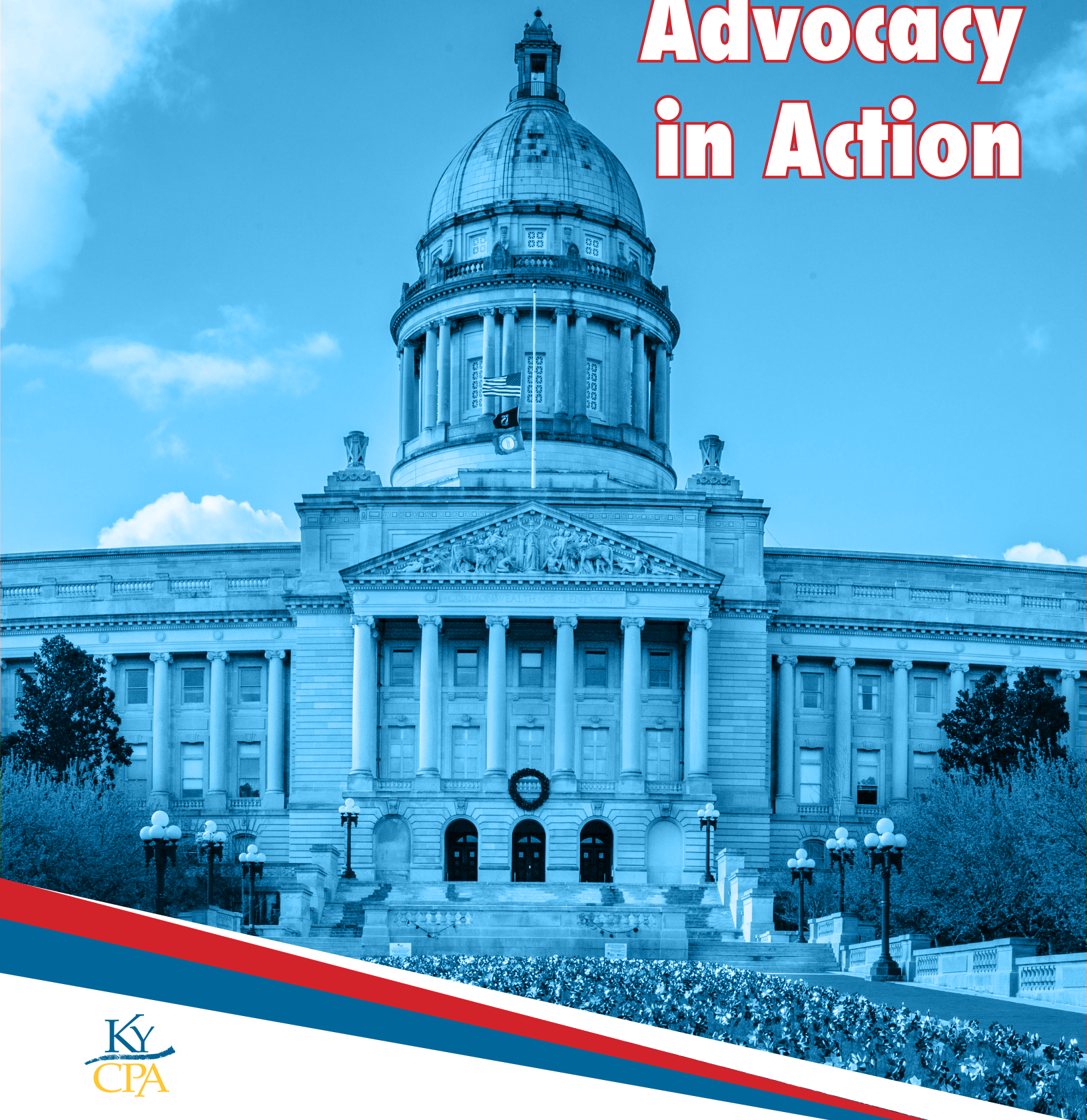
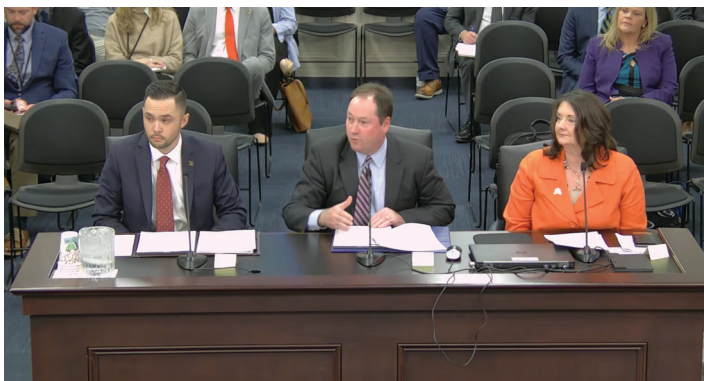


# KyCPA Advocacy in Action







*P. Anthony Allen, KyCPA Government Affairs Director, Joe Donohue, Kentucky State Board of Accountancy Executive Director, and Representative Kim Banta, Kentucky's 63rd House District testifying on House Bill 275, CPA Licensure*

## KyCPA advocacy in action

The 2022 Regular Session wrapped up on April 14 with the passage of significant legislative reforms, tax modernization, and Kentucky's next biennial budget. During the 60-day Session, the Society's advocacy team was vigilant in elevating the CPA profession, our members' practical expertise, and unique knowledge of tax and audit policy. We met directly with policymakers and collaborated with business stakeholders to ensure your interests were represented in Frankfort. As a result of these efforts, the Society was successful on many fronts and several KyCPA priorities saw final passage.

## 2022 regular session

The Society is viewed as an objective, credentialed, and established voice in Frankfort regarding tax and audit policy issues. From the onset of discussions regarding tax modernization in the Commonwealth, the Society was involved to provide critical feedback on the practical and real-world impacts of legislative reform.

## House Bill 8, tax modernization

House Bill 8 became the embodiment of tax reform this Session. The primary goal was to lower the individual income tax rate, broaden the sales tax base, and project economic and population growth to compensate for lost revenues. HB8 included multiple KyCPA priorities including:

- An **update to Kentucky's conformity with the Internal Revenue Code** as of January 1, 2022.
- **Exempting accounting, tax filing, and personal financial planning & investment management services** from the sales tax base expansion.
- Establishing the **effective date of new tax reform provisions on January 1, 2023**, to avoid compliance issues for the Department of Revenue and providing ample time for administrative implementation.
- **Maintaining the de minimis threshold at \$6,000** for services included in the sales tax base expansion.
- Encouraging the inclusion of **definitions for services** listed in HB8's broadening of the sales tax base, therefore providing statutory guidance to the Department of Revenue.

## House Bill 275, CPA licensure

- Collaborating with the Kentucky State Board of Accountancy to **financially support accounting related scholarship programs** that assist students enrolled in Kentucky-based colleges or universities.
- Eliminating the requirement that out-of-state CPAs seeking to acquire a Kentucky license through reciprocity obtain the one-year of experience in an accounting or auditing position, required in KRS 325.261(6), within five years of successfully passing the CPA exam.
- Members of the State Board of Accountancy, its agents, and employees would be immune from suit for any discretionary act performed by them in good faith.

## Kentucky Department of Revenue

- KyCPA advocated for relief from Section 7 of 103 KAR 1:160, which required electronic payment of 2022 estimated payments. Following our request, the Department provided relief from this requirement for the first two payment installments until September 15, 2022, due to compliance issues with existing software programs utilized by CPA firms across the Commonwealth.

## KyCPA Day at the Capitol

Approximately 50 legislators and staff attended the grab and go breakfast in the Kentucky Capitol Annex Building with visits from House and Senate Republican Leadership, Appropriations & Revenue Committee legislators and staff, and over 20 members of KyCPA.



## Protecting the profession

Several issues were defeated this Session that would have been harmful to the profession and overall tax policy in the Commonwealth.

- **Sales tax on professional services**
  - KyCPA advocated for the exemption of a broad sales tax on professional services including accounting, tax filing, and personal financial planning & investment management services.
  - The expansion of the sales tax base to include professional services may potentially lead to tax pyramiding (a tax on a tax), complex sourcing issues, increased compliance and administrative costs, and may make Kentucky an unfavorable outlier amongst other states.
- **House Bill 260, property assessments**
  - Attempted to unfairly limit Kentucky's use of the sales comparison valuation approach and impose inequitable restrictions on the use of valuation experts.

## KyCPA-PAC, strengthening the profession

The KyCPA Political Action Committee (KyCPA-PAC) enables CPAs to assist in electing business-minded legislators who support our position on issues significant to the CPA profession. Any financial contribution to the KyCPA-PAC is an investment in the laws, regulations, and policies that govern the CPA profession, business community, and individual taxpayers of the Commonwealth.

You can make a contribution via our website or by sending a check made payable to **KyCPA – PAC, 1735 Alliant Avenue, Louisville, Kentucky 40299** to strengthen our advocacy efforts.



## KyCPA in Washington

KyCPA worked in conjunction with the American Institute of Certified Public Accountants (AICPA) calling for Congressional support in requesting multiple relief measures this tax filing season from the U.S. IRS and Treasury Department. KyCPA's advocacy team engaged Members of Kentucky's Congressional delegation requesting support from Capitol Hill.



Members of KyCPA's Board of Directors, Chief Executive Officer Darlene Zibart, CPA, and Government Affairs Director P. Anthony Allen meet virtually with U.S. Representative Andy Barr for Kentucky's Sixth Congressional District.

- On January 27, the U.S. IRS stated it would **suspend issuance of some of its automated penalty notices** to taxpayers.
- On February 9, following direct advocacy efforts by the Society and AICPA with the U.S. IRS and Members of the Kentucky Congressional delegation, the IRS said it was **suspending more than a dozen automated letters** it sends out to taxpayers
- The U.S. IRS provided certain additional **transition relief for this year from the Schedule K-2 and K-3 reporting** for certain domestic partnerships and S corporations with no foreign activities, foreign partners or shareholders, and without knowledge of partner or shareholder need for information on items of international relevance.
- On February 24, the AICPA and 52 state CPA societies across the Union, including KyCPA, sent a joint letter to the U.S. Department of the Treasury Secretary and U.S. IRS Commissioner requesting they delay implementation of the Schedules K-2 and K-3 to the 2023 filing season.
- On April 18, the Treasury Department responded to Members of Congress noting additional **penalty relief measures** available to taxpayers that claimed the Employee Retention Tax Credit (ERTC) **but have not yet received ERTC** refund payments.

### Donate to KyCPA-PAC

The KyCPA Political Action Committee needs your support to continue building strong relationships with key lawmakers. Take action today. Every contribution, big and small, helps strengthen the KyCPA-PAC and protect the CPA designation.



Donate at [kycpa.org/advocacy/pac](https://kycpa.org/advocacy/pac),  
use the QR code above or by sending a check  
made payable to **KyCPA – PAC**,  
1735 Alliant Avenue, Louisville, Kentucky 40299.