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**Anchin, Block & Anchin LLP**  
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January 27, 2014

## **Senate Considering Proposal to Eliminate the Cash Basis of Accounting for Many Professional Service Firms**

The United States Senate is considering a proposal to eliminate the cash basis of accounting rules that currently exist for many professional service firms, potentially requiring these firms to change their tax method to the accrual basis. This change would greatly impact cash flow, and potentially hinder growth potential in professional service firms.

Whether you're a law firm, architecture or engineering firm, consulting firm or another business providing professional services with revenue in excess of \$10,000,000, this will impact your business. Professional service businesses have historically been exempt from reporting on the accrual basis for income tax purposes. It is a longstanding method of accounting and the foundation upon which the personal service economy has been built.

What does this mean to you? Accrual accounting recognizes revenue when it is earned, in advance of when (or even if) it is collected. This method creates a timing and collection element that disadvantages professional service organizations and may have a major cash flow impact on your business.

Many major industry organizations (including the American Bar Association, Association of Council of Engineering Companies, and the American Institute of Certified Public Accountants, among others) are aware of this and are working on behalf of firms across the country. We believe that this proposal is unfair and this would severely harm many service businesses' ability to compete and operate.

We have reached out to government to voice our concerns, and encourage you to reach out to your industry organizations or directly to your government representatives and join their efforts to voice your opinion on this proposal.

For more information, please contact your Anchin Relationship Partner, Russell Shinsky, Practice Leader in Anchin's Law Firms Industry Group, Phillip Ross, Practice Leader in Anchin's Architecture and Engineering Industry Group, or Clarence Kehoe, Executive Partner and Chair of Anchin's Tax Department, at 212.840.3456.

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