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**Contact: Anne Sittmann
202-434-9213
asittmann@aicpa.org**

Accounting Profession Supports New Law Prohibiting States From Taxing Nonresident Partners' Retirement Income

Washington, DC, August 3, 2006— A bill supported by the American Institute of Certified Public Accountants (AICPA) and others within the accounting profession was signed into law today by President Bush. The new law prohibits states from taxing the retirement income of partners who are not residents of that state.

“The new law ensures that states’ tax rules for retirees are uniform, whether the retiree was an employee or a partner,” Tom Ochenschlager, AICPA Vice President – Taxation, said. “It guarantees equity.”

Ochenschlager said enactment of the bill is important to many CPAs who are, or were, partners of accounting and consulting firms. “On behalf of our members, we thank the Congress and President for moving expeditiously to correct this unintended consequence of the tax law when it was exposed,” he said.

The passage and enactment into law of H.R. 4019 clarifies the original intent of a 1996 law that prohibits states from taxing nonresident employees’ retirement income. The new law is retroactive to 1996.

The American Institute of Certified Public Accountants (www.aicpa.org) is the national, professional association of CPAs, with approximately 330,000 members, including CPAs in business and industry, public practice, government, and education. It sets ethical standards for the profession and U.S. auditing standards for audits of private companies; federal, state and local governments; and non-profit organizations. It also develops and grades the Uniform CPA Examination.

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