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PROFESSIONAL ISSUES

## AICPA Supports Consumer Protections, Urges Caution on Regulating CPAs

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Incoming AICPA Chairman Robert R. Harris told a congressional committee Wednesday that the Institute supports stronger protections for financial consumers, but cautioned that one bill under consideration is overly broad and could burden CPAs with excessive regulation.

Testifying before the House Committee on Small Business, Harris acknowledged gaps in the current regulatory regime in supervision and enforcement with respect to lenders. He said the Institute supports efforts to fix those problems.

However, Harris sounded a note of caution with regard to the proposed Consumer Financial Protection Act introduced in July. He said the act "broadly defines financial activity to include acting as a financial adviser," which includes tax return preparation, tax-planning advice, financial planning advice, general advice to small businesses and family businesses, tax audit representation, estate and retirement planning, forensic accounting and valuations, among other things, Harris said.

Subjecting CPAs and firms performing such services to CFPA regulation "will unnecessarily increase costs to consumers without adding corresponding benefits," Harris said. "With regard to CPAs, the goals of the CFPA are already being met under the existing regulatory structure."

Harris said CPAs should not be exempt from the bill's regulation when acting outside of the provision of customary and usual services to their clients. The AICPA supports additional oversight of financial products, such as refund anticipation loans, he added.

The CFPA, H.R. 3126, was introduced July 8 by House Financial Services Chairman Barney Frank, D-Mass., in response to the economic crisis and the Obama administration's regulatory reform plan. It has faced criticism from business and professional organizations primarily because of the scope of the legislation and uncertainty as to whether a new standalone consumer protection agency is necessary or whether enhancing the powers of existing regulators could better accomplish the same goal of consumer protection.

"The AICPA supports the goal of enhanced financial consumer protection, but we believe it is critical to consider the plan's effect on small business to ensure that it does not stifle the innovation, creativity and inventiveness of the American entrepreneur that has driven our economic engine," Harris told the committee Wednesday. He also said that the Institute is concerned about the "redundant regulation" that CPAs and firms—already overseen by the IRS, Treasury, state boards of accountancy and ethical standards—potentially could face under the act for certain services they perform in their roles as financial advisers.

"The CFPA ... goes beyond the regulation of the sale of products related to consumer credit and finance and would affect independent services provided in the context of a CPA's professional advisory and client relationships," Harris said. "This will negatively affect the ability of CPAs as small businesses to provide customary and usual services to their clients. It will also harm other small businesses because their ability to receive the services offered by CPAs will be adversely affected."

On Tuesday, Frank sent a memo to other Democrats on his committee outlining several proposed changes to the

act, including exempting accountants and other businesses that perform tax preparation services acting in their traditional capacities from CFPB regulation. Providers of IRAs, 401(k) plans, 529 (education savings) plans and pension plans would also be exempt under the proposed changes, according to published reports.

Wednesday's hearing was just one of several relating to financial regulation taking place this week and next. It has not yet been determined whether Congress would vote separately on pieces of an overall bill or a full bill. But during a separate hearing on the topic of financial regulatory reform Wednesday morning Frank said he would require at least three full days of debate if the full bill comes to the floor as he wants to allow "adequate time for amendments and debate."

A copy of Harris' testimony is available [here](#).

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