

THE LIST



Numbers Guy:
Jay Mangel at
Crowe Horwath
offices in
Sherman Oaks.

PHOTO BY DAVID SPRAGUE

New Tax Regs Fuel Flurry at Accounting Firms

LIST: Reform presents a chance for companies to analyze their books.

By **MICHAEL AUSHENKER** Staff Reporter

The year 2018 promises to be a robust one for accounting firms in the San Fernando Valley area, and the big driver of the windfall of

work is, of course, the new federal tax law.

The tax reform “is a great opportunity for our clients,” said **Greggory J. Hutchins**, partner at **Holthouse Carlin Van Tright LLP**, a CPA firm with 11 offices, including Encino, Westlake Village and Camarillo.



Hutchins

However, he added, “It’s going to take their companies’ resources to take on these analyses.” (Holthouse Carlin ranks No. 2 on the Business Journal’s accompanying list of accounting firms with 64 CPAs in the Valley area.)

Since winning Congressional approval in late December, the Tax Cuts and Jobs Act — which reduces the corporate tax rate from 35 percent to 21 percent and includes a more generous repatriation provision for businesses with overseas earnings — has been the talk of the figurative town.

“Tax reform has been a major piece of most conversations with most clients. They are continuing discussions,” said **Jay Mangel**, the

managing partner in Los Angeles and Orange County at **Crowe Horwath LLP**, a 75-year-old firm which ranks No. 5 on the list with 44 CPAs locally.

The law’s effect would seem to be simple — how hard can cutting tax rates be? — but it quickly becomes more complicated once the specifics of the law are applied to individual cases. Worse, those specifics aren’t settled yet.

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The law has yet to be translated into regulations by the Internal Revenue Service. So the law is in effect this year, even though many of its provisions remain unclear.

That means there’s lots of decisions up in the air and yet to be made. For example, company owners and managers must figure out whether to withdraw earnings or leave them vested in the company or even whether to sell or hold onto companies, Hutchins said.

Legislative analysis

E. Todd Van der Wel, partner in charge at **Moss Adams** in the firm’s downtown Los Angeles and Woodland Hills offices, said tax reform’s effects will be wide-reaching. (Moss Adams ranks No. 32 with 13 CPAs locally.)

“The tax act is going to create a lot of disruptions,” Van der Wel said. “This is the first

time in 30 years that this has happened. It happened on very short order over the holidays. A lot of tax folks were working over the holidays.

“A lot of interpretation is going on to figure out how the act is going to (play out),” he continued. “It’s going to take time to align all the pieces in the rules.”

“At the same time, we’re providing advice and assisting companies as to what they’re put-

ting on financial statements and ultimately on their tax statements.”

Hutchins — who handles a middle-market client base as well as high-net-worth individuals — said that there has been much collaboration within the industry between firms “to get everyone on the same page on ‘how do you interpret it?’ As time has gone by, the firms and their positions have coalesced together to give guidance toward clients. Our (firm’s) auditors and tax professionals are working together, all reading the tea leaves the same.”

At Moss Adams, that process includes some internal re-education.

“We marshal our forces internally to create training programs to break apart the bills to each specialty and figure out the impact,” Van der Wel said. “We’ve educated our clients, put on a lot of webcasts.”

Thanks to the new international repatriation provision, which rewards companies bringing their business, investments and manufacturing back to the United States with lowered taxes, “what we’ve seen are dramatic impacts on our international companies, much more than our domestic companies,” Van der Wel said. “The immediate tax on your foreign holdings is in effect now.”

Even before the new tax law was introduced, CPAs began reckoning with a standardization of revenue recognition coming into fruition for public companies in 2018 and private companies in 2019. Mangel said these new audit standards came about under pressure for more consistency between the Generally Accepted Accounting Principles recognized in the United States and international financial standards.

“There’s been a large push over the years of (reaching) a convergence between the two,” he said.

Everyone interviewed agrees that this flurry of new codes, complexities and systems is a boon for the accounting industry. “It obviously has created a lot of work for our tax departments and throughout the profession,” Moss Adams’ Van der Wel said. “There’s excitement. It happened last in 1987 so people now must roll up their sleeves and dig in. There’s an intellectual challenge on how to optimize (these new rules and regulations).”

For accountants, there is much more work and analysis to be done “dissecting the new tax laws, new opportunities and new pitfalls” for 2018, he said.

This will be a learning year, the CPAs agreed. “That’s the exciting part of (the profession)—implementing this is helping the clients make good business decisions,” said Holthouse Carlin’s Hutchins.