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We are indeed living in interesting times. We are now in the worst recession since the Great Depression. We have undertaken one of the most dramatic changes in our government in many years—one which may lead to major policy changes for our country. Many parts of the world continue to challenge us on a host of seemingly endless economic and security issues that will shape our policies and future, whether we like it or not. Living in interesting times may be a curse but it also provides an amazing opportunity to reconsider and reinvent many critical areas of our government.

While it will be my honor and privilege to assume the duties of Chair of the Section of Taxation, I am mindful of the many challenges that are confronting the Section over the near term. It will be my principal job to harness the tremendous resources of the members of the Section, with the help of Christine Brunswick and our fantastic staff, to ensure that we rise to the challenge and provide meaningful contributions on the issues within our expertise. I am confident that, given the experience and dedication of our membership, we will be able to take on these challenges successfully.

Recent courtesy calls to the Finance Committee, Ways and Means Committee, and Joint Committee on Taxation staff have made it abundantly clear that not only are we on the brink of major reforms in areas such as health care, energy and financial services, but that we are faced with an unprecedented and overwhelming need to raise revenue to finance the many initiatives being undertaken by President Obama and the new Congress. This pressing need for revenue can only be satisfied by increasing tax burdens. The job of the Section will be to help steer that tax imposition in a way that is well thought out, avoids undue complications, and maintains the efficiency that has been the cornerstone of our tax system.

Before delving into a few of the specific challenges that we need to address, I want to thank and commend the great leadership of my predecessor, Bill Wilkins, for his efforts over the last year. With tremendous foresight, Bill engaged the Section to prepare a series

of white papers on issues ranging from health care to foreign tax that have positioned the Section to provide further input on these critical issues. We are now able to be as responsive as we can to developments in these areas.

Membership Challenges

The Section has been fortunate so far. We have maintained a total membership at 22,000+, avoiding any major decline. The warning signs, however, are all around us. The ABA has instituted an Association-wide hiring freeze that directly impacts the Section and it anticipates a substantial decline in membership renewals. The cutbacks at law firms and the accompanying cost-cutting that many law firms are currently undergoing cannot mean good news for the Section.

Membership issues provide a multifaceted series of challenges. In addition to the need to maintain and increase our membership levels, we simultaneously need to continue to broaden our membership in many ways. These are ongoing efforts that the Section has been working on for many years and will continue to be a top priority. Diversity of membership is clearly one of our most important goals and one which, like many other aspects of the Section, is best accomplished at the committee level. By identifying and engaging members with diverse racial and ethnic backgrounds we will all benefit.

We also need youth. The Section has demonstrated a steady aging trend. While I increasingly recognize the wisdom that comes with age and experience, it is also apparent to me that the Section needs the infusion of

younger members and their active involvement in Section matters. Over the years, the Section (with the great help of the YLF) has made great improvements in involving younger members through activities such as the first-time attendees dinners at Section Meetings and the Law Student Tax Challenge. This needs to be an unceasing effort that will only be more difficult in the current economic climate.

Like many other challenges facing the Section, the key is member involvement, innovation, and a continued focus on these issues.

Economic Challenges

The current recession and the decline in the stock markets presents economic difficulties with which the Section will have to cope. Our revenues come from many sources in addition to membership dues. All of these sources are likely to be under constraints in the near term. Our Vice-Chair, Administration, Ruddy Ramelli, has done a fantastic job of keeping our finances in good shape. I look forward to working with Fred Witt, who will be taking over from Ruddy, to maintain a strong economic foundation for the Section.

The Section's mission, however, includes providing first quality services to its members. We have no intention of cutting back on either the quality or quantity of the CLE meetings, pro bono activities, or any of the other essential services of the Section. This will provide some serious challenges as we go forward.

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Legislative Challenges

President Obama, in his recent explanation of his revenue proposals for fiscal year 2010 (the so-called “Green Book”) has laid out an ambitious agenda for changes to the Internal Revenue Code. Other changes in addition to those in the Green Book are brewing in Congress. Changes to estate and gift taxation, to foreign taxation, to executive compensation, and to health care are just a few of the many topics likely to be visited this year or next.

We will continue to be vigilant in our efforts to provide input to the Congress and the Administration on improvements and problems with our tax system. Simplification of the Internal Revenue Code remains one of our highest priorities. Unfortunately, we may be the only organization that makes a continual and concerted effort to improve tax simplification, which puts an even greater burden on us to continue to carry that torch.

Armando Gomez has provided outstanding service in representing the Section as Vice Chair, Government Relations, before Congress and the Administration. His valuable contributions to the efforts of the Section have made it certain that we were heard—even if we were not always listened to. I am sure that Armando’s successor, Helen Hubbard, will deliver the Section’s messages equally as well.

The Challenges of Keeping Up the Good Work

The activities of the Section are diverse and essential to maintaining the vitality of the tax community. By being involved in almost every aspect of tax law, from providing pro bono assistance to shaping the nation’s tax system, the Section maintains its critical role as the leading organization on tax matters.

Maintaining this operation is not easy. We have roughly 50 committees, the largest of which has as many as 50 subcommittees, that undertake numerous activities, not the least of which is providing valuable and insightful comments to government regulators. Individuals at the IRS repeatedly tell me how important the comments of the Section are to them as they develop regulatory guidance. We all owe a debt of gratitude to Peter Connors, our Vice Chair, Committee Operations (VCCO), who keeps this machine operating efficiently. VCCO is not always the most well-recognized or popular position, but it is essential to the effective operations of the Section.

We also need to continue to maintain our public face. For this we owe our thanks to Ellen Aprill, our Vice Chair, Communications, and to Lou Mezzullo, our Vice Chair, Publications, for making

the public aware of our activities and providing valuable technical publications. I look forward to working with Doug Mancino, who will be taking over our publications from Lou.

CLE is one of the most important activities of the Section and one that is highly valued by our members. Sam Braunstein, our Vice Chair, Professional Services, has done a magnificent job of not only maintaining, but elevating the quality and quantity of our CLE activities. I look forward to working with Emily Parker who will be taking over for Sam in leading our CLE efforts.

All of these efforts come together to make the Section the incredible organization that it is today. This success can only be continued with the renewed dedication of our members in these difficult times.

I look forward to working with each of you over the next year and would be pleased at any time to receive suggestions you may have regarding the issues outlined here or any other matters that the Section should address. I look forward to seeing everyone at our next meeting in September, which is a joint meeting with RPTE in Chicago. ■

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cost of living. We recommend several policy changes to help eliminate the inequities created by cost of living differences.

It is well known that geographic cost of living differences vary considerably by state, and within states by city and town. A person living in a high cost state, such as New York, will pay a significantly different federal income tax than someone living in a low cost state, such as Alabama, even though both taxpayers have the same income. This is due to several factors. Taxpayers in high cost states pay higher expenses that may be

deductible, such as state and local income and property taxes, housing costs (mortgage interest), automobile expenses, travel and entertainment expenses, and other items. Therefore, taxpayers in high cost states may pay less in tax than their counterparts in low cost states.

In some cases, however, taxpayers in high cost states with larger deductions may pay higher federal income taxes than taxpayers in a low cost state because of the Alternative Minimum Tax, which disallows deductions for state and local income and property taxes and

miscellaneous itemized deductions. Other examples of geographic inequity include the automobile mileage allowance and the parking fringe benefit exclusion, which is the same regardless of where you live. These amounts do not take into account wide geographical variances in auto insurance, gasoline, parking fees, average commuting distances, etc. Furthermore, in comparing high income states to low income states, adjusted gross income (AGI) will vary considerably among the states and itemized deductions and credits are affected because of phase-out rules and

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