

Resolution No. 2

Date: January 14, 1999

City: Dallas, TX

NAHB Resolution

Title: Cash Versus Accrual Method of Computing Taxes
Original Sponsor: Taxation Subcommittee of the Federal Government Affairs Committee

WHEREAS, the National Association of Home Builders opposes tax changes that raise the cost of providing housing;

WHEREAS, the accrual method disadvantages builders and small contractors because it taxes income prior to receipt of cash revenue;

WHEREAS, builders and small contractors do not have the cash available to pay taxes on funds that have not been received and are negatively affected by a change from the cash method to the accrual method of computing taxes;

WHEREAS, the Internal Revenue Service (IRS) has a long history of enabling small contractors to use the cash method of computing taxes, but is now requiring them to change to the accrual method based upon recent court decisions which have concluded that the IRS properly exercised its discretion to require taxpayers that provide both services and merchandise to change from the cash method;

WHEREAS, Internal Revenue Code Section 448 allows service businesses to remain on the cash method until they reach \$5 million in gross receipts; and

WHEREAS, builders and small contractors are providing construction services and materials and should also be allowed to remain on the cash method until they reach \$5 million,

NOW, THEREFORE, BE IT RESOLVED that the National Association of Home Builders urge Congress to adopt legislation that would allow builders and small contractors as defined by Internal Revenue Code Section 460 to be included within the scope of Internal Revenue Code Section 448.

Board of Directors Action:	Approved
Joint Executive/Resolutions Committee Action:	Recommends Approval
Resolutions Committee Action:	Recommends Approval
Federal Government Affairs Committee Action:	Recommends Approval
Taxation Subcommittee of the Federal Government Affairs Committee Action:	Recommends Approval