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# THE WALL STREET JOURNAL. ONLINE

March 4, 2003 12:47 p.m. EST

## CALLED TO ACCOUNT

### Senators Question SEC Decision Allowing Tax Advice From CPAs

A WALL STREET JOURNAL ONLINE NEWS ROUNDUP

Top Senate tax writers want the Securities and Exchange Commission to revisit a decision that permits accountants to offer tax advice to corporate clients.

Senate Finance Committee Chairman Charles Grassley (R., Iowa) and Sen. Max Baucus (D., Mont.), the top Democrat on the panel, raised concerns that the SEC's action could hurt investors. The decision, approved unanimously in January under former SEC chairman Harvey Pitt, allows accounting firms to continue offering tax advice to audit clients.

In a letter Tuesday to new SEC Chairman William Donaldson, Mr. Grassley and Mr. Baucus asked whether the vote should be revisited in light of a new Joint Tax Committee report on advice to Enron Corp. by outsiders, including auditor Arthur Andersen LLP, which was convicted of obstruction of justice in Enron's collapse.

"The Enron report serves as a wake-up call to all of us," the lawmakers wrote. They said "incestuous relationships" between Enron, Andersen and Wall Street investment banks produced complex schemes to dodge taxes and manipulate earnings.

Lawmakers asked Mr. Donaldson whether the SEC's decision on tax advice from accounting firms should be modified given the Joint Tax Committee's findings on Enron.

An SEC spokeswoman wasn't immediately available to comment.

In January, the SEC, responding to a failure by the accounting profession to police itself, announced a slew of rules for public companies and their relationships with their auditors, including banning auditors from offering numerous consulting services to corporate clients and forcing long-serving audit partners to step down from audit accounts to ensure they don't get cozy with management.

However, accounting firms successfully lobbied Congress to specifically sanction the offering of traditional tax-planning services and tax advice -- one of the largest and most lucrative nonaudit services provided by accounting firms.

#### URL for this article:

<http://online.wsj.com/article/0,,SB10467945575302300,00.html>

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#### SPECIAL PAGE

For continuing coverage of corporate-accounting issues go to Called to Account<sup>1</sup>.

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SEC Clears Rules on Auditors and Consulting Services<sup>2</sup>  
01/23/03

ASSEMBLY JUDICIARY

DATE: 3/12/03 ROOM 3138 EXHIBIT D  
SUBMITTED BY: DAN ID GOLWAER

(2) <http://online.wsj.com/article/0,,SB1043255084956958624,00.html>

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