



National Association of State Boards of Accountancy

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October 17, 2024

Professional Ethics Executive Committee
American Institute of Certified Public Accountants
1345 Avenue of the Americas
New York, NY 10105

Via e-mail: ethics-exposedraft@aicpa.org

Re: Exposure Draft: Proposed revised interpretation: Section 529 Plans

Dear Members and Staff of the AICPA Professional Ethics Executive Committee (PEEC):

The National Association of State Boards of Accountancy (NASBA) appreciates the opportunity to comment on the above-referenced Exposure Draft, ***Proposed revised interpretation: Section 529 Plans*** (the Exposure Draft). NASBA's mission is to enhance the effectiveness and advance the common interests of State Boards of Accountancy (State Boards) that regulate all Certified Public Accountants (CPAs) and their firms in the United States and its territories, which includes all audit, attest and other services provided by CPAs. State Boards are charged by law with protecting the public.

In furtherance of that objective, NASBA supports the PEEC in this initiative. We have reviewed the Exposure Draft and offer the following comments.

Comments on Specific Questions

a. Do you agree that the underlying investments in a Section 529 savings plan are an indirect financial interest as defined in the code? Why or why not?

NASBA agrees that the underlying investments in a Section 529 savings plan are an indirect financial interest as defined in the code. The account owner does not have control or influence over the underlying investments. This ability rests with the plan manager.

b. Do you agree that the safeguards provided for a material indirect financial interest are sufficient? Why or why not?

NASBA agrees that the safeguards provided for a material indirect financial interest as described in paragraphs .07 a. and .07 b. are sufficient. However, paragraph .07 c. states that if the underlying investment in the attest client is material to the covered member, the self-interest threat would not be at an acceptable level and independence would be impaired unless the covered member "transfers

the account to another account owner who is not subject to the “Independence Rule.” [1.200.001].” Is there concern if the covered member has influence over the person to which the account is transferred? The safeguard would not be effective if the covered member could transfer the account to someone not subject to the “Independence Rule” but influenced or controlled by the covered member.

c. Do you have any concerns with the safeguard application parameters?

Paragraph .07 provides that “...if the covered member will incur a penalty or tax that is significant to the account, the covered member may maintain their position in the plan until the safeguard can be applied without significant penalty or tax...” The explanatory memo of the Exposure Draft states that evaluating the significance of a penalty or tax is based on the account balance.

NASBA believes that the term “significant” is not clear. The term frequently used in the Code and in standards to denote importance or relevance is “material”. Is the term “significant” defined? NASBA also recommends providing additional context for the term (i.e., is the penalty or tax significant to the account/plan or significant to the covered member?).

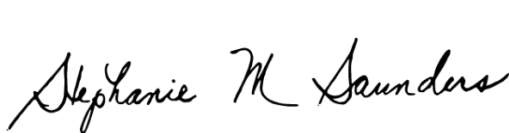
d. Is it clear that the trailing paragraph under new paragraph .07 applies only to a material indirect financial interest in an attest client? Why or why not?

NASBA believes it is clear that the trailing paragraph under new paragraph .07 applies only to a material indirect financial interest in an attest client based on the first sentence of the paragraph and placement within .07, which is dealing with underlying investment in an attest client that is material.

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We appreciate the opportunity to comment on the Exposure Draft.

Very truly yours,



Stephanie M. Saunders, CPA
NASBA Chair



Daniel J. Dustin, CPA
NASBA President and CEO