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House Votes to Eliminate PCAOB

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The House GOP's comprehensive tax and spending bill, HR 1, *The One Big Beautiful Bill Act*, which passed the full U.S. House of Representatives early Thursday morning by a razor-thin margin of 215-214, includes a provision (TITLE V, Section 50002) that would, within one year of enactment, defund and dissolve the Public Company Accounting Oversight Board (PCAOB) as currently constituted and merge its regulatory functions into the SEC.

The PCAOB, which was created in 2002 under the Sarbanes-Oxley Act in response to major corporate accounting scandals at Enron, WorldCom and Tyco, oversees the audits of publicly traded companies, and its responsibilities include approving new audit standards, inspecting audit firms, and taking enforcement action against audit firms and individual auditors. While the SEC maintains oversight authority over the PCAOB (it must approve the board's rules and annual budget, and can appeal inspection findings and enforcement actions), the board historically has operated with significant independence in its regulatory duties. It employs roughly 900 people.

As outlined in the legislation, the elimination of the PCAOB would end the current funding mechanism whereby the board is supported by fees levied on public companies and broker-dealers. Under the new structure, the SEC would be prevented from collecting such fees in the future and would assume the board's responsibilities using taxpayer dollars, with existing processes and rules (including current audit standards) remaining in effect unless modified by the SEC. The SEC could offer equivalent jobs to the board's employees, but at salaries no higher than those at the SEC.

The proposed changes have generated considerable debate regarding audit oversight effectiveness and investor protection.

The PCAOB has been a longtime target of congressional Republicans and other critics, who contend it adds excessive costs to public companies and in many cases duplicates SEC functions. Abolishment of the PCAOB is one of the policy objectives outlined by Project 2025 as part of its overall agenda for broader deregulation and increased government efficiency.

Newly installed SEC Chair Paul Atkins frequently criticized the PCAOB during his previous tenure at the agency, pushing to reduce the board's budget and arguing against some of the rules it was imposing on auditors. When pressed during his Senate confirmation hearing, he acknowledged that the function performed by the PCAOB is vital and "needs to be done," whether by the board itself or whether it is absorbed into the SEC.

On the sidelines of the SEC Speaks securities regulation conference on Monday, Atkins said in response to a question about the proposed consolidation: "It sounds like we would have the funding and we could get the people who are at PCAOB and be able to consolidate. I'm sure that could be accomplished." At a congressional hearing on Tuesday, Atkins said the SEC is fully capable of taking on the PCAOB's duties but "obviously we would need the resources to do that."

Caroline Crenshaw, the sole Democrat on the Commission, said the SEC would likely need more staff and financial resources than its current budget provides to take on the PCAOB's oversight role. She urged lawmakers to consider that the SEC does not have the tools to replicate some of the board's authorities such as inspecting the work of auditors in China.

Resistance to the PCAOB's proposed elimination has been substantial. Opponents of the measure believe the PCAOB requires independence from the SEC and warn that dismantling the board could pose serious risks to investors by weakening audit industry oversight (particularly of large accounting firms), damaging audit quality and increasing fraud risk. They argue that audit oversight by the SEC — especially in light of the agency's resource constraints and competing priorities — would likely pale in comparison to the PCAOB's current scrutiny. They also caution the contemplated changes could take years to implement and be highly disruptive.

PCAOB Chair Erica Williams has warned the planned changes would reduce the accuracy and reliability of financial reporting and disrupt international regulatory coordination. She maintains that the staff's expertise will not be easy to replicate and that it could take years for the SEC to reassemble skilled inspections staff and renegotiate agreements with dozens of foreign governments required to perform the work, including China.

The reconciliation bill now heads to the Senate, where it is unclear whether the PCAOB provision will survive. Key procedural hurdles remain, and further amendments and negotiations are expected before any final legislation is sent to the President's desk. Senate Republicans have said they want to modify the bill, expressing concerns about the scope of its spending changes and other policies. It is also unclear if the PCAOB provision would comply with the Senate's Byrd Rule, which requires reconciliation provisions to directly affect spending or revenue.

Republicans hope to have a final bill signed into law by July 4.

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