



Statements on Standards for Tax Services

Statement on Standards for Tax Services No. 1,
General Standards for Members Providing Tax Services

Statement on Standards for Tax Services No. 2,
*Standards for Members Providing Tax Compliance Services,
Including Tax Return Positions*

Statement on Standards for Tax Services No. 3,
Standards for Members Providing Tax Consulting Services

Statement on Standards for Tax Services No. 4,
Standards for Members Providing Tax Representation Services

Issued by the Tax Executive Committee

Effective Date: January 1, 2024

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The Tax Executive Committee (TEC) promulgates the Statements on Standards for Tax Services (SSTSs) and their interpretations. The Tax Practice Responsibilities Committee and SSTS Revision Task Force report to the TEC and were responsible for the overall project.

Following are the members of the TEC, Tax Practice Responsibilities Committee, and SSTS Revision Task Force at the time of the adoption of the standards.

Acknowledgment is also due to the many members who have devoted their time and efforts over the years to developing and revising the AICPA's standards.

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Introduction

Statements on Standards for Tax Services (SSTs) are issued by the AICPA Tax Executive Committee (TEC), the senior technical body of the AICPA designated to promulgate standards of tax practice. The “General Standards Rule” (ET secs. 1.300.001 and 2.300.001) and the “Compliance With Standards Rule” (ET secs. 1.310.001 and 2.310.001)¹ of the AICPA Code of Professional Conduct require compliance with these standards. Many state boards of accountancy also incorporate the SSTs as part of their professional rules of conduct for CPAs.

¹ All ET sections can be found in AICPA *Professional Standards*.

Background

The Statements on Standards for Tax Services (SSTs) have their origin in the Statements on Responsibilities in Tax Practice (SRTPs), which provided a body of advisory opinions on good tax practice. The guidelines as originally set forth in the SRTPs became more important than many members had anticipated when the guidelines were issued. The courts, the IRS, state accountancy boards, and other professional organizations recognized and relied on the SRTPs as the appropriate articulation of professional conduct in a CPA's tax practice. The SRTPs became *de facto* enforceable standards of professional practice because state disciplinary organizations and courts regularly held CPAs accountable for failure to follow the guidelines set forth in the SRTPs.

The SRTPs were originally issued between 1964 and 1977. The first nine SRTPs and an introduction were combined and promulgated in 1976; the tenth SRTP was issued in 1977. The original SRTPs concerning the CPA's responsibility to sign the tax return (SRTP No. 1, *Signature of Preparers*, and No. 2, *Signature of Reviewer: Assumption of Preparer's Responsibility*) were withdrawn in 1982 after Treasury Department regulations were issued adopting substantially the same standards for all tax return preparers. The sixth and seventh SRTPs, concerning the responsibility of a CPA who becomes aware of an error, were revised in 1991. The first interpretation of the SRTPs, Interpretation No. 1-1, *Realistic Possibility Standard*, was approved in December 1990.

Given the level of reliance on the SRTPs by state disciplinary organizations and courts, the AICPA's Tax Executive Committee (TEC) concluded it was

appropriate to issue tax practice standards that would become a part of the AICPA's *Professional Standards*. At its July 1999 meeting, the AICPA board of directors approved support of the executive committee's initiative and placed the matter on the agenda of the October 1999 meeting of the AICPA's governing council. On October 19, 1999, council approved designating the TEC as a standard-setting body, thus, authorizing that committee to promulgate standards of tax practice. As a result, the original SSTs, largely mirroring the SRTPs, were issued in August 2000. The SSTs and Interpretation No. 1-1, *Realistic Possibility Standard*, of SSTs No. 1, *Tax Return Positions*, superseded and replaced the SRTPs and their Interpretation No. 1-1, effective October 31, 2000.

Although the number and names of the SSTs, and the substance of the rules contained in each of them, remained the same as in the SRTPs, the language was revised to both clarify and reflect the enforceable nature of the SSTs. In addition, because the applicability of these standards is not limited to federal income tax practice (as was the case with the SRTPs), the language was changed to indicate the broader scope. In 2003, in connection with the tax shelter debate, SSTs Interpretation No. 1-2, *Tax Planning*, of SSTs No. 1 was issued to clarify a member's responsibilities in connection with tax planning; that interpretation became effective December 31, 2003. These two interpretations were initially updated in 2010. On August 15, 2011, the TEC adopted the updated Interpretation No. 1-1, now titled, *Reporting and Disclosure Standards*, and Interpretation No. 1-2, *Tax Planning*, effective January 31, 2012.

When the original SSTSs were issued, an effort was made to keep to a minimum any changes in the language of the SSTSs from that of the predecessor SRTPs. This was done to alleviate concerns regarding the enforceability of standards that differed from the SRTPs under which members had been practicing. Since the issuance of the original SSTSs, members have asked for clarification on certain matters, such as the duplication of the language in SSTS No. 6, *Knowledge of Error: Return Preparation*, and No. 7, *Knowledge of Error: Administrative Proceedings*. Also, certain changes in federal and state tax laws have raised concerns regarding the need to revise SSTS No. 1. As a result, in 2008, the original SSTS Nos. 1–8 were updated, effective January 1, 2010. The original SSTS Nos. 6–7 were combined into the revised SSTS No. 6, *Knowledge of Error: Return Preparation and Administrative Proceedings*. The original SSTS No. 8, *Form and Content of Advice to Taxpayers*, was renumbered SSTS No. 7. In addition, various revisions were made to the language of the original SSTSs. The last significant updates to the content of the SSTSs were effective January 1, 2010.

In April 2018, changes were made to the SSTSs to bring the references to the AICPA Code of Professional Conduct into conformity with the AICPA ethics codification.

In September 2018, the TEC approved the formation of a task force to update the SSTSs. The task force comprised AICPA Tax Section members representing diverse interests including small and sole practitioner firms, Private Company Practice Section (PCPS) members, medium and large CPA firms, and academia. The task force developed and presented the updated SSTSs to the TEC for its approval.

Since the update project began, extensive discussions occurred among members of the task force, the AICPA's Tax Practice Responsibilities Committee (TPRC), the TEC, and other interested stakeholders in an effort to develop these revisions and insure they reflect the needs of today's tax practice environment.

In August 2022, the proposed revisions were exposed for public comment to the AICPA's membership and interested stakeholders. Thirty comment letters were received, and the proposed updates were modified to reflect these comments.

On April 25, 2023, the TEC met to consider the revisions to the exposed material and proposed additional changes for consideration by the task force. On May 18, 2023, the TEC met and unanimously adopted the revised standards to become effective January 1, 2024.

Explanation of the Revisions to the SSTs

The goals of the revisions to the SSTs were to ensure that the standards are better aligned to reflect the current state of the tax profession and to address the emerging needs of today's members. Updates to the standards included the following:

- ▶ Reorganization of the SSTs by type of tax work performed
- ▶ Promulgation of three new standards surrounding data protection, reliance on tools, and the representation of tax clients before taxing authorities.

Reorganization

The task force included in its efforts to update the SSTs a new practice-based organizational structure for the standards. Under the new organizational framework

- ▶ SSTs No. 1 includes general tax guidance with broad applicability (includes new standards on data protection and reliance on tools).
- ▶ SSTs No. 2 includes tax return preparation guidance.
- ▶ SSTs No. 3 includes guidance specific to providing tax advice.
- ▶ SSTs No. 4 includes guidance for members providing tax representation services (new standard).

The task force believed that the existing SSTs were largely applicable to all types of tax services and were drafted to be general in nature to allow for their use no matter what type of tax service was being delivered. At the time of the drafting of the original standards, most of the tax services being provided were compliance-oriented and involved tax return preparation.

The revision project reorganized the SSTs so that most of the existing standards have been incorporated into either general standards (SSTs No. 1) or compliance standards (SSTs No. 2). Because the new SSTs around data protection and reliance on tools are applicable to different types of tax services, they were also included with the general standards. The existing standard related to tax advisory services (SSTs No. 3) and the new standard related to representation services (SSTs No. 4) were determined to be unique and have been separately stated. This alignment is intended to assist members in applying standards to specific tax practice situations and to help them understand the scope and expectations of these standards.

Data Protection

The subject of the protection of taxpayer data has exponentially grown over time and has gained global importance as technology now allows for the transfer and storage of large amounts of confidential financial information with the simple press of a button. In many cases, this data is never seen in a hard copy format. The task force believed it was important to implement a standard which ensures members adopt reasonable safeguards to protect taxpayer data, both in electronic format and otherwise.

The task force also recognized that constant advances in technology make it challenging to identify any one set of standards with broad applicability across all tax practices. The purpose of the new standard is to expressly state a member's responsibility to make a reasonable effort to safeguard confidential client information. It was broadly written to consider the variability among member practices as well as continually changing privacy laws and technology.

Reliance on Tools

Tax is not a static subject, given regular changes resulting from various legislative and regulatory amendments, and judicial decisions. However, over time, these changes have become more frequent, extensive, and complex, with related authoritative guidance from the taxing authorities often delayed or incomplete. This situation often leaves members struggling to (1) provide clients or firm departments the necessary information to allow the correct and accurate preparation and filing of their respective tax returns and (2) plan for future events to efficiently manage potential tax liabilities.

Members have long relied on tools of various types to allow them to accurately interpret a particular provision of the tax code. However, in today's tax practice environment, members rely on technology to provide services more than at any point in history. That trend will continue with the introduction of artificial intelligence, data science, quantum computers, and other developing technologies.

Currently, tax professionals do not have a professional standard relating specifically to reliance on these tools when providing services. The task force identified the need for a standard that protects members by defining when they may reasonably rely on tools of all types used in the performance of tax services.

Tax Representation

As previously noted, the best practices that were the forerunners of the existing SSTs were written over 50 years ago. At that time, tax preparation was the overwhelming service provided by tax professionals. Since then, tax practices have expanded to provide a wide variety of services, including tax representation services. The task force believed the continuing growth in the number of CPA firms providing tax representation services, in various venues, involving different types of taxes, obligated the development of this standard.

Other Concerns

Another goal of the task force was to avoid proposing standards that might appear duplicative of other existing standards currently in effect. Although it is true that CPAs who provide tax services are bound by existing standards related to representation, including Circular 230, such rules may be limited in scope (for example, Circular 230 only governs representation before the IRS).

Statements on Standards for Tax Services Nos. 1–4

Preface

Tax Standards and the AICPA Code of Professional Conduct

Standards are the foundation of a profession. The AICPA aids its members in fulfilling their ethical responsibilities by instituting and maintaining standards against which their professional performance can be measured. Compliance with tax practice professional standards also reaffirms the public's awareness of the professionalism that is associated with CPAs as well as the AICPA.

All members of the AICPA are subject to the AICPA Code of Professional Conduct, in addition to the rules imposed by their licensing jurisdictions. This publication sets forth enforceable tax practice standards for members of the AICPA, known as the Statements on Standards for Tax Services (SSTs). These statements apply to all members providing tax services, regardless of the jurisdictions in which they practice. Interpretations of these statements may be issued as guidance to assist in understanding and applying the statements. Any such interpretations have the same authority as defined in "Interpretations and Other Guidance" (ET sec. 0.100.020) in the AICPA Code of Professional Conduct.

The SSTs and their interpretations are intended to complement other tax practice standards promulgated by federal, state, and local taxing authorities or foreign taxing authorities. Services may also be subject to other AICPA professional standards.

The SSTs are written as simply and objectively as possible. However, by their nature, practice standards provide for an appropriate range of behavior and need to be interpreted to address a broad range of personal and professional situations. The SSTs recognize this need by, in some sections, providing relatively subjective

rules and leaving certain terms undefined. These terms are generally rooted in tax concepts and therefore should be readily understood by tax practitioners. Accordingly, enforcement of the SSTs falls under the "General Standards Rule" (ET sec. 1.300.001 and 2.300.001), and the "Compliance With Standards Rule" (ET secs. 1.310.001 and 2.310.001) of the AICPA Code of Professional Conduct and will be undertaken on a case-by-case basis. Members are expected to comply with these standards.

Ongoing Process

The following SSTs and any interpretations issued thereunder reflect the AICPA's standards of tax practice and define members' responsibilities to taxpayers, the public, the government, and the profession. The SSTs are intended to be part of an ongoing process of articulating tax practice standards for members. These standards are subject to change as necessary or appropriate to address changes in the tax law or other developments in the tax practice environment.

To accommodate the complexity and rapid change inherent in the tax practice environment, the AICPA issues supplementary guidance to the SSTs and interpretations in various forms, such as frequently asked questions (FAQs) and practice guides. Such documents are not rules, regulations, or official guidance of the Tax Executive Committee (TEC) issued pursuant to its rule-making authority and therefore are not authoritative guidance.

Members are encouraged to assess the adequacy of their practices and procedures for providing tax services in conformity with the SSTs. This process will vary according to the size of the practice and the nature of tax services performed.

The TEC promulgates the SSTs and their interpretations. Acknowledgment is also due to the many members who have devoted their time and efforts over the years to developing and revising the AICPA's standards.

Form of Standards

Each SST is divided into sections that address a variety of aspects related to tax services. Although some statements have several sections that address different aspects of tax services, the sections should be applied as essential elements of the entire statement generally related to all tax services.

- ▶ For ease of analysis, each section contains an Introduction and an Explanations section.
- ▶ In addition to the AICPA, applicable tax authorities may impose specific reporting and disclosure standards regarding advising on tax return positions or preparing or signing tax returns. These standards can vary between taxing authorities and by type of tax.

Definitions

All terms herein are as defined in the AICPA Code of Professional Conduct, except as noted:

taxpayer. A taxpayer is a client, a member's employer, or any other third-party recipient of tax services.

tax position. A tax position is (i) a position reflected on a tax return on which a member has specifically advised a taxpayer or (ii) a position about which a member has knowledge of all material facts and, on the basis of those facts, has concluded whether the position is appropriate.

member. Consistent with "Definitions" (ET sec. 0.100) in the AICPA Code of Professional Conduct; unless otherwise noted, the SSTs apply to all members providing tax services.

Statement on Standards for Tax Services No. 1, *General Standards for Members Providing Tax Services*

1.1. Advising on Tax Positions

Introduction

1.1.1. This section defines tax positions and sets forth the general standards for members advising on tax positions. Standards related to tax return positions are contained in section 2.1, “Tax Return Positions,” of Statement on Standards for Tax Services (SSTS) No. 2, *Standards for Members Providing Tax Compliance Services, Including Tax Return Positions*.

1.1.2. This section also addresses a member’s obligation to advise a taxpayer of relevant tax disclosure responsibilities and potential penalties.

1.1.3. In addition to the AICPA, applicable taxing authorities may impose specific reporting and disclosure standards with regard to advising on tax positions. These standards can vary between taxing authorities and by type of tax.

Standard

1.1.4. A *tax position* is a conclusion reached when applicable tax law, regulations, case law, or other regulatory or recognized guidance is applied to a particular transaction, a specific set of facts and circumstances, or a controversy.

1.1.5. A member should determine and comply with the standards, if any, that are imposed by the applicable taxing authority with respect to advising on tax positions.

- a.** If the applicable taxing authority has no promulgated standards regarding advising on tax positions, a member should not advise a taxpayer to take a tax position unless the member has a good-faith belief that the position has at least a realistic possibility of being sustained administratively or judicially on its merits, if challenged.
- b.** If the applicable taxing authority has written standards that exceed the realistic possibility standard described in paragraph 1.1.5a, the member should comply with those taxing authority standards.
- c.** Notwithstanding paragraph 1.1.5a and b, a member may, as permitted by a taxing authority, advise a taxpayer to take a tax position in which the member
 - i.** concludes that there is a reasonable basis for the position and
 - ii.** advises the taxpayer to appropriately disclose that position to the taxing authorities.

- 1.1.6. A member should exercise due diligence and professional judgment when advising on tax positions for a particular situation.
- 1.1.7. When advising on a tax position, a member has the right to be an advocate for the taxpayer regarding a position satisfying the aforementioned standards.

Explanations

- 1.1.8. The AICPA and various taxing authorities impose specific standards regarding tax positions. In a given situation, the standards, if any, imposed by the applicable taxing authority may be higher or lower than the standards set forth in paragraph 1.1.5. A member should comply with the standards, if any, of the applicable taxing authority; if the applicable taxing authority has no standards or if its standards are lower than the standards set forth in paragraph 1.1.5, the standards set forth in paragraph 1.1.5 will apply.
- 1.1.9. In addition to a duty to the taxpayer, a member has a duty to the tax system. However, it is well-established that the taxpayer has no obligation to pay more taxes than are legally owed, and a member has a duty to the taxpayer to assist in achieving that result or any other legally valid tax outcome the taxpayer desires. The standards contained in paragraph 1.1.5 recognize a member's responsibilities to both the taxpayer and the tax system.
- 1.1.10. When attempting to reach a conclusion about whether a given standard in paragraph 1.1.5 has been satisfied regarding a particular jurisdiction, a member may consider a well-reasoned construction of the applicable statute and related regulations of that jurisdiction, if any. In addition, well-reasoned articles, treatises, or guidance issued by the applicable taxing authority (regardless of whether such sources would be treated as authority under IRC Section 6662, *Imposition of accuracy-related penalty on underpayments*) and the regulations thereunder may also be considered. A position would not fail to meet these standards merely because the position is later abandoned for practical or procedural considerations during an administrative hearing or in the litigation process.
- 1.1.11. If a member has a good-faith belief that more than one tax position meets the standards set forth in paragraph 1.1.5, a member's advice concerning alternative acceptable positions may include a discussion of the likelihood that each such position might or might not be challenged by the taxing authority.
- 1.1.12. If particular facts and circumstances lead a member to believe that a taxpayer penalty might be asserted, the member should advise the taxpayer and should discuss with the taxpayer the opportunity, if any, to avoid such penalty by appropriate disclosure to the taxing authority. A member should also advise the taxpayer that it is the taxpayer's responsibility to decide whether and how to disclose.

1.2. Knowledge of Errors

Introduction

- 1.2.1.** This section sets forth the applicable standards for a member who becomes aware of
- an error in a taxpayer's previously filed tax return;
 - an error in a return that is the subject of an administrative proceeding, such as an examination by a taxing authority or an appeals conference;
 - a taxpayer's failure to file a required tax return; or
 - an error in a tax representation engagement.
- 1.2.2.** As used herein, the term *error* includes any position, omission, or method of accounting that, at the time a position is recommended or a return is filed, fails to meet the standards set out in sections 1.1, "Advising on Tax Positions," or 2.1 "Tax Return Positions." The term *error* also includes a position taken on a prior-year's return that no longer meets these standards due to legislation, judicial decisions, or administrative pronouncements having retroactive effect. However, an error does not include an item that has an insignificant effect on the taxpayer's tax liability (see paragraph 1.2.16). The term *administrative proceeding* does not include a criminal proceeding.
- 1.2.3.** This section applies regardless of whether the member prepared or signed a return that contains the error.
- 1.2.4.** In addition to the AICPA, applicable taxing authorities may impose specific standards regarding errors discovered during the provision of tax services by a member. These standards can vary between taxing authorities and by type of tax.

- 1.2.5.** Special considerations may apply when legal counsel engages a member to provide assistance in a matter relating to a taxpayer.

Standard

- 1.2.6.** A member should promptly inform a taxpayer upon becoming aware of the taxpayer's failure to file a required return, an error in a previously filed return, an error in a return that is the subject of an administrative proceeding, an error in an administrative filing (such as a ruling request, accounting method change, and so on), an error in a tax representation engagement, or an error in advice provided if discovered by the member while providing services for the taxpayer. A member also should advise the taxpayer of the potential consequences of the error and advise on corrective measures to be taken. Such advice may be given orally. See also paragraph 3.1.3 regarding the documentation of advice.
- 1.2.7.** If a member prepares a tax return for the current year or a prior tax year, and the taxpayer has not taken appropriate action to correct an error related to a tax return position in a tax return for a prior year, the member should consider whether to withdraw from preparing the current return and whether to continue a professional or employment relationship with the taxpayer. If the member does prepare the current-year return, the member should take reasonable steps to ensure that the error is not repeated.
- 1.2.8.** A member is not allowed to inform a taxing authority of an error without the taxpayer's permission, except when required by law. Members also should consider whether they can continue a professional relationship with a taxpayer who refuses to properly mitigate a discovered error.

1.2.9. If a member believes that a taxpayer may face possible exposure to allegations of fraud or other criminal misconduct, the member should promptly advise the taxpayer to consult with an attorney before the taxpayer takes any action. The member should also consider consulting with the member’s legal counsel before deciding whether to provide advice to the taxpayer and whether to continue a professional or employment relationship with the taxpayer.

Explanations

1.2.10. If a member becomes aware of an error while performing tax services, the member’s responsibility is to advise the taxpayer of the existence of the error. The member should advise the taxpayer of the error and the potential consequences and advise on corrective measures to be taken, if any. If the member does not prepare the taxpayer’s tax return or was not the provider of the advice, the member may instead advise that the error be discussed with the taxpayer’s tax return preparer or adviser. Similarly, when representing the taxpayer before a taxing authority in an administrative proceeding about a return containing an error of which the member is aware, the member should advise the taxpayer to disclose the error to the taxing authority and of the potential consequences of not disclosing the error. Refer to paragraph 3.1.3 for considerations regarding the decision to provide such advice in oral or written form.

1.2.11. It is the taxpayer’s responsibility to decide whether to correct an error. If the taxpayer does not correct an error, a member should consider whether to withdraw from the engagement and whether to continue a professional or employment relationship with the taxpayer.

1.2.12. Once the member has obtained the taxpayer’s consent to disclose an error in an administrative proceeding, the disclosure should not be delayed to such a degree that the taxpayer or member might be considered to have failed to act in good faith or to have, in effect, provided misleading information. In any event, disclosure should be made before the conclusion of the administrative proceeding.

1.2.13. Members have a responsibility to both the taxpayer and the tax system. Discovery of an error in an administrative proceeding or filing, such as a ruling request, might negate the effect of the ruling if not disclosed to the authority. Failure to comply with statutory or regulatory compliance requirements affects not only the taxpayer but also the tax system.

1.2.14. A conflict between the member’s interests and those of the taxpayer may be created by, for example, the potential for violating the “Confidential Client Information Rule” (ET sec. 1.700.001) of the AICPA Code of Professional Conduct (relating to the member’s confidential client relationship); the tax law and regulations; or laws on privileged communications, as well as by the potential adverse impact on a taxpayer of a member’s withdrawal. Therefore, a member should consider consulting with the member’s legal counsel before deciding whether to provide advice to the taxpayer and whether to continue a professional or employment relationship with the taxpayer.

1.2.15. If a member decides to continue a professional or employment relationship with the taxpayer and is requested to prepare a tax return for a year subsequent to that in which an error occurred, the member should take reasonable steps to ensure that the error is not repeated. If the subsequent year's tax return cannot be prepared without perpetuating the error, the member should consider withdrawal from the return preparation. If a member learns that the taxpayer is using an erroneous method of accounting and it is past the due date to request permission to change to a method meeting the standards of paragraph 2.1.1, the member may sign a tax return for the current year, provided that the tax return includes appropriate disclosure of the use of the erroneous method.

1.2.16. Whether an error has no more than an insignificant effect on the taxpayer's tax liability is left to the member's professional judgment, based on all the facts and circumstances known to the member. In judging whether an erroneous method of accounting has more than an insignificant effect, a member should consider the method's cumulative effect, as well as its effect on the tax advice provided, current-year's tax return, or the tax return that is the subject of the administrative proceeding.

1.3. Data Protection

Introduction

- 1.3.1.** This section sets forth the applicable standards for a member’s responsibilities related to the protection of taxpayer data obtained in the course of rendering services for a taxpayer. Because technology, laws, guidance, and practice concerning data protection are constantly changing, this section purposefully does not include bright-line rules.
- 1.3.2.** A member’s responsibility to protect taxpayer information is a well-established professional responsibility. The increasing use of technology by individuals and businesses, together with a growing awareness of data breaches and identity theft, has resulted in a growing sensitivity toward and need to focus on the protection of taxpayer data, including electronic data.
- 1.3.3.** This section complements, and does not alter or replace, the confidentiality standards established in the “Confidential Client Information Rule” (ET sec. 1.700.001) and the interpretations thereunder.
- 1.3.7.** Appropriate safeguards should be implemented to protect both member and taxpayer data stored within the member’s information systems platform. Appropriate safeguards should be based on current recommended practices and may, for example, include the installation and use of commercial security software to prevent unwanted or unauthorized access to information, encryption of data that is sent between multiple parties over the internet, the use of secure networks, strong password policies, use of firewalls, and use of secure data sharing and collaboration platforms. Also, a member should consider other industry standards, such as the AICPA’s [Privacy Management Framework](#) and [2017 Trust Services Criteria for Security, Availability, Processing, Integrity, Confidentiality, and Privacy \(with Revised Points of Focus – 2022\)](#) when developing a privacy program.
- 1.3.8.** Members may use electronic tools owned and hosted by others, such as tax return preparation software, or may outsource certain tasks, such as converting paper documents to electronic information. Members should make reasonable efforts to confirm that taxpayer information properly shared with others in the course of providing a service is appropriately protected.

Standard

- 1.3.4.** A member should make reasonable efforts to safeguard taxpayer data, including data transmitted or stored electronically.
- 1.3.5.** A member should consider applicable privacy laws when collecting and storing taxpayer data.

Explanations

- 1.3.6.** This section uses the term *reasonable*, knowing that actions or behaviors considered “reasonable” may differ over time, among members, and from firm to firm based on size and resources.

1.3.9. A member should take reasonable steps to limit the amount of confidential taxpayer information in the member's files. For example, the member may request only the information necessary to perform the services for which the member is being engaged or otherwise approved to perform by the taxpayer. The member, subject to any applicable retention requirements, may also decide to delete, return, or redact any confidential taxpayer information that is unnecessary to complete the services. This may also include, when appropriate, asking the client to mask any personally identifiable information (PII) or personal health information (PHI) prior to transmission to the member if such information is not required for the services being performed. Additionally, adherence to appropriate document retention and destruction policies can help to ensure that taxpayer data is properly removed from a member's information systems once it is no longer needed under the respective statute of limitations or the member's document retention policies.

1.3.10. In developing safeguards, members should also consider steps to be taken in the event of a data breach, including compliance with notification obligations. For example, the Federal Trade Commission (FTC) provides recommendations that include securing systems and fixing issues that are attributed to the breach. Members should consider forming a plan to quickly respond to those affected by the breach and notify appropriate authorities of the breach as required by law.

1.3.11. Members should consider applicable privacy laws. For example, the Financial Services Modernization Act of 1999 (also referred to as the Gramm-Leach-Bliley Act [GLBA]), requires professional tax return preparers to ensure the security and confidentiality of customer (that is, taxpayer) financial information. As part of the implementation of the GLBA, the FTC issued the Safeguards Rule, which requires

tax return preparers to develop and implement a written information security plan to protect client data. Failure to do so may result in an FTC investigation. When developing this plan, the member may consider the relative firm size and complexity of services provided. Additionally, under this rule, tax return preparers are responsible for taking steps to ensure that their affiliates and service providers safeguard taxpayer information in their care. As with many privacy laws, the FTC has subsequently updated the rule to keep pace with technology, and members should periodically review applicable privacy laws to keep abreast of applicable rules.

1.3.12. A member should have general knowledge of the current security expectations of taxing authorities and other applicable regulatory authorities. Data security is a topic addressed in various tax resources, in tax research databases and related publications, and by taxing authorities. For example, at the time of this writing, the IRS has a website with links to various publications and other information related to data protection. Members are not expected to become experts in this area, but it is reasonable to expect that members would familiarize themselves with the information made generally available to tax professionals on the subject, including those referenced in paragraph 1.3.7.

1.3.13. Training is a vital component of any data protection plan. A member should make reasonable efforts to ensure that all nonmember personnel that the member supervises are trained and informed about data protection. For example, staff should be informed about how to recognize phishing emails and the dangers of opening or downloading attachments from unknown senders.

1.4. Reliance on Tools

Introduction

- 1.4.1.** This section sets forth the applicable standards for members when relying on tools in the provision of tax services, including, but not limited to, the preparation of a tax return, tax consulting services, and tax representation services.
- 1.4.2.** For purposes of this section, a *tool* is a resource used in the provision of tax services. Tools include, but are not limited to, tax preparation software, tax research publications (paper or electronic), tax-related calculation aides, tax planning software, state and local tax aids, online data search engines, data analytics, statistical models, artificial intelligence, and relevant professional publications and resources.

Standard

- 1.4.3.** A member should exercise appropriate professional judgment and professional care when relying on a tool.
- 1.4.4.** A member may reasonably rely on tools used in providing tax services to a taxpayer. Use of a tool does not absolve the member of professional obligations under AICPA or other applicable ethical standards.

Explanations

- 1.4.5.** Tools developed for use in the provision of tax services provide significant benefits to members. It is generally a best practice of a member to rely on such tools to a certain extent to improve efficiency and client service.
- 1.4.6.** The source of the tools must be considered when determining the appropriate level of reliance on that tool. For example, subscription-based tax research tools and resources may have more weight than articles from independent internet sources.
- 1.4.7.** A member who employs tools in providing tax services remains responsible for the completed work product in accordance with the various other standards contained in the SSTs. Accordingly, members should take reasonable steps to determine that the tools used are appropriate for the intended purpose.
- 1.4.8.** Tools should be used to enhance or improve the member's understanding of a tax issue, not to supplant the member's professional judgment. For example, when preparing Form 1040, *U.S. Individual Income Tax Return*, a member must still attest under penalties of perjury that, to the best of the preparer's knowledge and belief, the return and accompanying schedules are true, correct, and complete. That responsibility cannot be transferred entirely to reliance on a tool.

Statement on Standards for Tax Services No. 2, *Standards for Members Providing Tax Compliance Services, Including Tax Return Positions*

2.1. Tax Return Positions

Introduction

- 2.1.1.** This section sets forth the applicable standards for members preparing or signing tax returns (including amended returns, claims for refund, and information returns) filed with any taxing authority.
- 2.1.2.** Additional standards apply to tax positions that a member advises on. Refer to section 1.1, “Advising on Tax Positions,” of Statement on Standards for Tax Services (SSTS) No. 1, *General Standards for Members Providing Tax Services*. When signing or preparing a tax return that includes a tax position advised on by a third party, the member should also refer to section 2.3, “Reliance on Information From Others.”
- 2.1.3.** For purposes of this section, *preparation of a tax return* includes giving advice on events that have occurred at the time the advice is given if the advice is directly relevant to determining the existence, character, or amount of a schedule, entry, or other portion of a tax return.

- 2.1.4.** This section also addresses a member’s obligation to advise a taxpayer of relevant tax return disclosure responsibilities and potential penalties.

Standard

- 2.1.5.** A *tax return position* is a tax position (as defined in paragraph 1.1.4 of SSTS No. 1) that is reflected on a tax return prepared by a member or for which a member signs as preparer.
- 2.1.6.** A member should determine and comply with the standards, if any, that are imposed by the applicable taxing authority with respect to preparing or signing a tax return.
- a.** If the applicable taxing authority has no written standards with respect to preparing or signing a tax return, a member should not prepare or sign the tax return unless the member has a good-faith belief that the tax return position has at least a realistic possibility of being sustained administratively or judicially on its merits if challenged.

- b. If the applicable taxing authority has written standards that exceed the realistic possibility standard described in paragraph 2.1.6a, the member should comply with those taxing authority standards.
- c. Notwithstanding paragraph 2.1.6a and b, a member may, as permitted by a taxing authority, prepare or sign a tax return, which includes a tax return position in which
 - i. the member concludes there is a reasonable basis for the tax return position, and
 - ii. the position is appropriately disclosed to the taxing authorities.

2.1.7. When preparing or signing a tax return on which a tax return position is taken, a member should, when relevant, advise the taxpayer regarding potential penalty consequences of such tax return position and the opportunity, if any, to avoid such penalties through disclosure.

2.1.8. A member should not advise a taxpayer to take a tax return position or prepare or sign a tax return reflecting a tax return position that the member knows

- a. exploits the audit selection process of a taxing authority, or
- b. serves only as an arguing position advanced solely to obtain leverage in a negotiation with a taxing authority.

2.1.9. A member may rely, in good faith, on others' proposed tax positions regarding the issues being considered, provided the member is satisfied that the standards in section 2.3 are satisfied.

Explanations

2.1.10. The AICPA and various taxing authorities impose specific reporting and disclosure standards regarding tax return positions and preparing or signing tax returns. In a given situation, the standards, if any, imposed by the applicable taxing authority may be higher or lower than the standards set forth in paragraph 2.1.6. A member should comply with the standards, if any, of the applicable taxing authority. If the applicable taxing authority has no standards or if its standards are lower than the standards set forth in paragraph 2.1.6, the standards set forth in paragraph 2.1.6 will apply.

2.1.11. Our self-assessment tax system can function effectively only if taxpayers file tax returns that are true, correct, and complete. A tax return is prepared based on a taxpayer's representation of facts, and the taxpayer has the final responsibility for positions taken on the return.

2.1.12. When attempting to reach a conclusion about whether a given standard in paragraph 2.1.6 has been satisfied, a member may consider a well-reasoned construction of the applicable statute and related regulations, if any. In addition, well-reasoned articles, treatises, or pronouncements issued by the applicable taxing authority (regardless of whether such sources would be treated as authority under IRC Section 6662, *Imposition of accuracy-related penalty on underpayments*) and the regulations thereunder may also be considered. A position would not fail to meet these standards merely because it is later abandoned for practical or procedural considerations during an administrative hearing or in the litigation process.

2.1.13. If a member has a good-faith belief that more than one tax return position meets the standards set forth in paragraph 2.1.6, a member's advice concerning alternative acceptable positions may include a discussion of the likelihood that each such position might or might not cause the taxpayer's tax return to be examined and whether the position would be challenged in an examination. In these circumstances, such advice is not a violation of paragraph 2.1.6.

2.1.14. A member's advising on whether information is appropriately disclosed by the taxpayer should be based on the facts and circumstances of the particular case and the disclosure requirements of the applicable taxing authority. If a member advising on a tax position, but not engaged to prepare or sign the related tax return, advises the taxpayer concerning appropriate disclosure of the position, then the member shall be deemed to meet the disclosure requirements of these standards.

2.1.15. If particular facts and circumstances lead a member to believe that a taxpayer penalty might be asserted, the member should advise the taxpayer and discuss with the taxpayer the opportunity, if any, to avoid such penalty by disclosing the position on the tax return. A member should also advise the taxpayer that it is the taxpayer's responsibility to decide whether and how to disclose. If the member believes disclosure of a position is required and the taxpayer chooses not to disclose the position, the member should consider whether to continue a professional or employment relationship with the taxpayer.

2.2. Tax Return Questions

Introduction

2.2.1. This section sets forth the applicable standards for members when signing the preparer's declaration on a tax return if one or more questions on the return have not been answered. The term questions includes requests for information on the return, in the instructions, or in the regulations, regardless of whether it is stated in the form of a question.

Standard

2.2.2. Before signing as preparer, a member should take reasonable steps to obtain from the taxpayer the information necessary to provide appropriate answers to all required questions on a tax return.

Explanations

2.2.3. Taxing authorities ask a variety of questions on tax returns to elicit information from taxpayers that will be filing a specific form. As a result, questions on tax returns are not of uniform importance and may not be applicable to a particular taxpayer. Members should consult with taxpayers to determine if tax return questions do apply and what appropriate answers should be included when filing the return.

2.2.4. In determining whether a tax return question is applicable to specific taxpayers, a member should consider whether

- a.** omitting an answer to a question may affect the completeness of a return in determining taxable income or loss, or the tax liability shown on the return.
- b.** a request for information may require a disclosure necessary for a complete return or to avoid penalties.

c. not answering the question could prevent the member from being able to sign the commonly required preparer declaration stating that the return, to the best of the member's knowledge and belief, is true, correct, and complete.

2.2.5. Reasonable grounds may exist for omitting an answer to a question applicable to a taxpayer. For example, reasonable grounds may include the following:

- a.** The information is not readily available and the answer is not significant in terms of its impact on taxable income or loss, or the tax liability shown on the return.
- b.** Genuine uncertainty exists regarding the meaning of a question in relation to the particular return or whether the question applies to the taxpayer.
- c.** The information requested is voluminous; in such cases, a statement should be made on the return that the information will be supplied upon request.

2.2.6. A member should not omit an answer merely because it might prove disadvantageous to a taxpayer.

2.2.7. A member should consider whether the omission of an answer to a question may cause the return to be deemed incomplete or result in penalties, and advise the taxpayer accordingly.

2.2.8. If reasonable grounds exist for omission of an answer to an applicable question, a member is not required to advise the taxpayer to include an explanation of the reason for omission on the return.

2.3. Reliance on Information From Others

Introduction

2.3.1. This section sets forth the applicable standards for members concerning the obligation to examine or verify certain supporting data or to consider information related to another taxpayer when preparing a taxpayer's tax return.

Standard

2.3.2. When preparing or signing a return, or a portion of a return, a member may, in good faith, rely on information furnished, without verification, by the taxpayer or by third parties. However, a member should not ignore the implications of information furnished and should make reasonable inquiries if the information furnished appears to be incorrect, incomplete, or inconsistent either on its face or on the basis of other facts known to the member. A member should consider one or more of the taxpayer's prior-year tax returns, or a portion of a return, whenever feasible.

2.3.3. If the tax law or regulations impose a condition regarding deductibility or other tax treatment of an item, a member should make reasonable inquiries to determine, to the member's satisfaction, whether such condition has been met.

2.3.4. When preparing a tax return, a member should consider relevant information actually known by that member from other sources, including the tax return of another taxpayer. When using such information, a member should consider any limitations imposed by any law or rule relating to confidentiality.

Explanations

2.3.5. The preparer's declaration on a tax return often states that the information contained therein is true, correct, and complete to the best of the preparer's knowledge and belief based on all information known by the preparer. This type of reference should be understood to include information furnished by the taxpayer or by third parties to a member in connection with the preparation of the return.

2.3.6. The preparer's declaration does not require a member to examine or verify supporting data; a member may rely on information furnished by the taxpayer unless it appears to be incorrect, incomplete, or inconsistent. However, there is a need to determine by inquiry that a specifically required condition, such as maintaining books and records or substantiating documentation, has been satisfied and to obtain information when the material furnished appears to be incorrect, incomplete, or inconsistent. Although a member has certain responsibilities in exercising due diligence in preparing a return, the taxpayer has the ultimate responsibility for the contents of the return. Thus, if the taxpayer presents unsupported data in the form of lists of tax information, such as dividends and interest received, charitable contributions, and medical expenses, such information may be used in the preparation of a tax return without verification unless it appears to be incorrect, incomplete, or inconsistent either on its face or on the basis of other facts known to a member.

2.3.7. Even though there is no requirement to examine underlying documentation, a member should encourage the taxpayer to provide supporting data where appropriate. For example, a member should encourage the taxpayer to submit underlying documents for use in tax return preparation to permit full consideration of income and deductions arising from security transactions and from pass-through entities, such as estates, trusts, partnerships, and S corporations.

2.3.8. The source of information provided to a member by a taxpayer for use in preparing the return is often a pass-through entity, such as a limited partnership, in which the taxpayer has an interest but is not involved in management. A member may accept the information provided by the pass-through entity without further inquiry, unless there is reason to believe it is incorrect, incomplete, or inconsistent, either on its face or on the basis of other facts known to the member. In some instances, it may be appropriate for a member to advise the taxpayer to ascertain the nature and amount of possible exposure to tax deficiencies, interest, and penalties by taxpayer contact with management of the pass-through entity.

2.3.9. A member should make use of a taxpayer's returns for one or more prior years in preparing the current return whenever feasible. Reference to prior returns and discussion of prior-year tax determinations with the taxpayer often provides information to determine the taxpayer's general tax status, avoid the omission or duplication of items, and afford a basis for the treatment of similar or related transactions. As with the examination of information supplied for the current-year's return, the extent of comparison of the details of income and deduction between years depends on the particular circumstances.

2.4. Use of Estimates

Introduction

2.4.1. This section sets forth the applicable standards for members when using the taxpayer's estimates in the preparation of a tax return. Appraisals or valuations are not considered estimates for purposes of this section. The accuracy of the estimate is the responsibility of the taxpayer.

Standard

2.4.2. Unless prohibited by statute, administrative rule, or judicial holdings, a member may use estimates, whether from the taxpayer or other sources authorized by the taxpayer as permitted in section 2.3, in the preparation of a tax return if it is not practical to obtain exact data and if the member determines that the estimates are reasonable based on the facts and circumstances known to the member. Estimates should be presented in a manner that does not imply greater accuracy than exists.

Explanations

2.4.3. Accounting requires the exercise of professional judgment and, in many instances, the use of approximations based on judgment. The application of such accounting judgments, as long as they are not in conflict with rules set forth by a taxing authority, is acceptable. These judgments are not estimates within the purview of this section. For example, a federal income tax regulation provides that if all other conditions for accrual are met, the exact amount of income or expense need not be known or ascertained at year-end if the amount can be determined with reasonable accuracy.

2.4.4. When the taxpayer's records do not accurately reflect information related to small expenditures, accuracy in recording some data may be difficult to achieve. Therefore, the use of estimates by a taxpayer in determining the amount to be deducted for such items may be appropriate.

2.4.5. When records or precise information about a transaction is not available at the time the return must be filed, a member may prepare a tax return using a taxpayer's estimates of the missing data. The member should inform the taxpayer of the taxpayer's duty to maintain records that support the return.

2.4.6. Estimated amounts should not be presented in a manner that provides a misleading impression about the degree of factual accuracy.

2.4.7. Specific disclosure that an estimate is being used for an item in the return is not generally required; however, such disclosure should be made in unusual circumstances in which nondisclosure might mislead the taxing authority about the degree of accuracy of the return as a whole. Examples of unusual circumstances include the following:

- a.** A taxpayer has died or is ill at the time the return must be filed.
- b.** A taxpayer has not received a Schedule K-1 for a pass-through entity at the time the tax return is to be filed.
- c.** Litigation is pending (for example, a bankruptcy proceeding) that bears on the return.
- d.** Fire, technology issues, or a natural disaster has destroyed the relevant records.

2.5. Departure From Previous Positions

Introduction

- 2.5.1.** This section sets forth the applicable standards for members when advising on a tax return position that departs from the position determined in an administrative proceeding or in a court decision with respect to the taxpayer's prior return.
- 2.5.2.** For purposes of this section, an *administrative proceeding* includes an examination by a taxing authority or an appeals conference relating to a return or claim for refund.
- 2.5.3.** For purposes of this section, *court decision* means a decision by any court having jurisdiction over tax matters.

Standard

- 2.5.4.** Unless the taxpayer is bound to a specified treatment of a tax return position in a later tax year, the member may advise on a tax return position or prepare or sign a tax return that departs from the treatment of an item as concluded in an administrative proceeding or court decision with respect to a prior return of the taxpayer, provided the requirements of section 2.1, "Tax Return Positions," are satisfied.

Explanations

- 2.5.5.** If an administrative proceeding or court decision has resulted in a determination concerning a specific tax treatment of an item in a prior-year's return, a member will usually advise this same tax treatment in subsequent years. However, unless the taxpayer is contractually bound to a particular tax treatment, departures from consistent treatment may be justified under such circumstances as the following:

- a.** Taxing authorities tend to act consistently in the disposition of an item that was the subject of a prior administrative proceeding but generally are not bound to do so. Similarly, a taxpayer is not bound to follow the tax treatment of an item as consented to in an earlier administrative proceeding.
 - b.** The determination in the administrative proceeding or the court's decision may have been caused by a lack of documentation. Supporting data for the later year may be appropriate.
 - c.** A taxpayer may have yielded in the administrative proceeding for settlement purposes or may not have appealed the court decision, even though the position met the standards in section 2.1.
 - d.** Court decisions, rulings, or other authorities that are more favorable to a taxpayer's current position may have developed since the prior administrative proceeding was concluded or the prior court decision was rendered.
- 2.5.6.** The consent in an earlier administrative proceeding and the existence of an unfavorable court decision are factors that the member should consider in evaluating whether the standards in section 2.1 are met.

Statement on Standards for Tax Services No. 3, *Standards for Members Providing Tax Consulting Services*

Introduction

3.1.1. This Statement on Standards for Tax Services (SSTS) sets forth the applicable standards for members regarding certain aspects of providing tax advice to a taxpayer and considers the circumstances in which a member is responsible for communicating with a taxpayer when subsequent developments affect advice previously provided.

Standard

3.1.2. A member should use professional judgment to ensure that tax advice provided in a tax consulting engagement is competent and based on applicable standards. For this purpose, *competence* follows the “Competence” interpretation (ET sec. 1.300.010) of the AICPA Code of Professional Conduct, as well as any other applicable standards.

3.1.3. A member may communicate tax advice orally or in writing. When communicating tax advice in writing, a member should comply with relevant taxing authorities’ standards, if any, applicable to written tax advice. A member should use professional judgment about any need to document oral advice. A member is not required to follow a standard format when communicating or documenting oral and written advice.

3.1.4. A member should assume that tax advice provided to a taxpayer will affect the manner in which the matters or transactions considered would be reported or disclosed on the taxpayer’s tax returns. Therefore, for tax advice given to a taxpayer, a member should consider, when relevant

- a.** return reporting and disclosure standards applicable to the related tax position and
- b.** the potential penalty consequences of the return position. In ascertaining applicable return reporting and disclosure standards, a member should follow the standards in section 2.1, “Tax Return Positions,” of SSTS No. 2, *Standards for Members Providing Tax Compliance Services, Including Tax Return Positions*.

3.1.5. A member has no professional obligation to communicate the impact of subsequent developments that affect advice previously provided to taxpayers, regardless of whether the taxpayers are current clients. Members should communicate the impact of subsequent developments when they are assisting in implementing procedures or plans associated with the tax advice previously provided or are specifically engaged to report on such developments by specific agreement.

Explanations

- 3.1.6.** Tax advice is recognized as a valuable service provided by members. The form of advice may be oral or written and the subject matter may range from routine to complex. Because the range of advice is so extensive and because advice should meet the specific needs of a taxpayer, neither a standard format nor guidelines for communicating or documenting advice to the taxpayer can be established to cover all situations.
- 3.1.7.** Although oral advice may serve a taxpayer's needs appropriately in routine matters or in well-defined areas, written communications are recommended in important, unusual, substantial dollar value, or complicated transactions. The member may use professional judgment about whether, subsequently, to document oral advice.
- 3.1.8.** In deciding on the form of advice provided to a taxpayer, a member should exercise professional judgment and consider such factors as the following:
- a.* The importance of the transaction and amounts involved
 - b.* The specific or general nature of the taxpayer's inquiry
 - c.* The time available for development and submission of the advice
 - d.* The technical complexity involved
 - e.* The existence of authorities and precedents
 - f.* The tax sophistication of the taxpayer
 - g.* The need to seek other professional advice
 - h.* The type of transaction and whether it is subject to heightened reporting or disclosure requirements
- i.* The potential penalty consequences of the tax position for which the advice is rendered
 - j.* Whether any potential penalties can be avoided through disclosure
 - k.* Whether the member intends for the taxpayer to rely on the advice to avoid potential penalties
- 3.1.9.** A member may assist a taxpayer in implementing procedures or plans associated with the advice offered. When providing such assistance, the member should review and revise such advice as warranted by new developments and factors affecting the transaction.
- 3.1.10.** Sometimes, a member is asked to provide tax advice but does not assist in implementing the plans adopted. Although such developments as legislative or administrative changes or future judicial interpretations may affect the advice previously provided, a member cannot be expected to communicate subsequent developments that affect such advice unless the member undertakes this obligation by specific agreement with the taxpayer.
- 3.1.11.** Taxpayers should be informed that
- a.* the advice reflects professional judgment based on the member's understanding of the facts, and the law existing as of the date the advice is rendered, and
 - b.* subsequent developments could affect previously rendered professional advice. Members may use precautionary language to the effect that their advice is based on facts as stated and authorities that are subject to change.

3.1.12. If a member advising on a position, but not engaged to prepare or sign the related tax return, advises the taxpayer concerning appropriate disclosure of the position, then the member shall be deemed to meet the disclosure requirements of these standards.

3.1.13. If particular facts and circumstances lead a member to believe that a taxpayer penalty might be asserted, the member should advise the taxpayer and discuss with the taxpayer the opportunity, if any, to avoid such penalty by disclosing the position on the tax return. Although a member should advise the taxpayer with respect to disclosure, it is the taxpayer's responsibility to decide whether and how to disclose.

3.1.14. This standard does not address situations in which consulting services may be relied on by parties other than the taxpayer.

Statement on Standards for Tax Services No. 4, *Standards for Members Providing Tax Representation Services*

Introduction

- 4.1.1.** This Statement on Standards for Tax Services (SSTS) sets forth the applicable standards for a member representing a taxpayer before an applicable taxing authority. Representing a taxpayer in various tax matters could involve the application of other standards. The focus of this statement is on the representation relationship itself. If the member is aware of an error related to a representation engagement, consult section 1.2, “Knowledge of Errors,” of SSTS No. 1, *General Standards for Members Providing Tax Services*.
- 4.1.2.** In addition to the AICPA, applicable taxing authorities may impose specific standards regarding the representation of taxpayers by a member. These standards can vary between taxing authorities and by type of tax.

Standard

- 4.1.3.** The member, and any individuals working with or for the member, should take steps to obtain technical competence in the subject matter involved. This includes competence in the technical tax area as well as the tax practice and procedures of the taxing authority. For this purpose, *competence* follows the “Competence” interpretation (ET sec. 1.300.010) of the AICPA Code of Professional Conduct, as well as any other applicable standards.
- 4.1.4.** The member should take appropriate steps to comply with applicable professional and regulatory obligations in connection with representing a taxpayer.

- 4.1.5.** The member should act with integrity and professionalism in dealings with the taxing authority. This includes complying with applicable authority governing the timeliness of a response.
- 4.1.6.** As part of a tax representation engagement, in the event a taxing authority requests taxpayer information from the member, the member should comply with the “Confidential Client Information Rule” (ET sec. 1.700.001) in the AICPA Code of Professional Conduct and applicable laws and regulations in responding to any such request.
- 4.1.7.** If, in connection with professional representation, a member becomes aware of taxpayer conduct that may be fraudulent or criminal in nature, the member should consider whether to continue a professional or employment relationship with the taxpayer. A member may also recommend a legal consultation.
- 4.1.8.** In connection with a taxing authority’s completion of the examination, the member should review any documents or computations detailing the results of the examination for consistency. The member should also discuss with the taxpayer the consequences of agreeing to these conclusions pursuant to the terms of the engagement.

Explanations

- 4.1.9.** Members should consider multiple factors that could affect a taxpayer representation engagement. Among other items, this may include the following:
- a.* Consulting with legal counsel to determine whether the representation would constitute the unauthorized practice of law
 - b.* Determining whether CPA licensure in another jurisdiction may be required
 - c.* Executing any taxpayer authorizations required by the taxing authority, such as powers of attorney
 - d.* Determining whether the member may be facing a conflict of interest
 - e.* Establishing and documenting in writing an understanding with the taxpayer regarding objectives of the engagement, services to be performed, taxpayer’s acceptance of its responsibilities, member’s responsibilities, and any limitations of the engagement.
- 4.1.10.** When representing taxpayers, members are required to comply with applicable conflict-of-interest standards, such as those mentioned in “Ethical Conflicts” (ET sec. 1.000.020) and the “Integrity and Objectivity Rule” (ET sec. 1.100.001 and 2.100.001) and related interpretations of the AICPA Code of Professional Conduct.



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