



Revised Statements on Standards for Tax Services

TXCPA Houston 2024 Tax Expo

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Today's speakers



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Topics for Today

- Background
- Circular 230 (CFR-Code of Federal Regulations)
- AICPA Code of Professional Conduct
- SRTPs (Prior to 2000)
- Original SSTs (2000) and Interpretations
- SSTS Revision 2010
- SSTS FAQ
- Current Revision (effective 1/1/2024)
- Practice Issues

Background



Circular 230

www.irs.gov/pub/irs-pdf/pcir230.pdf

Treasury Department Circular No. 230 (Rev. 6-2014) Catalog Number 16586R www.irs.gov	Regulations Governing Practice before the Internal Revenue Service
Department of the Treasury	Title 31 Code of Federal Regulations, Subtitle A, Part 10, published (June 12, 2014)
Internal Revenue Service	

November 2009

1-7

Statements on Standards for Tax Services

Issued by the Tax Executive Committee



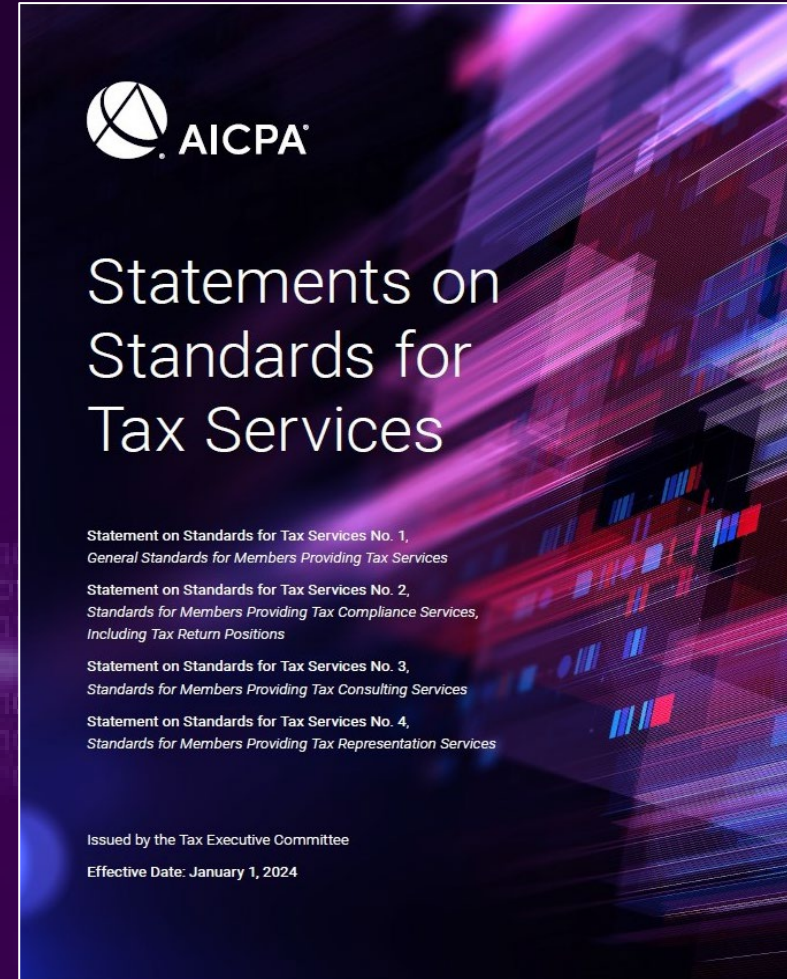
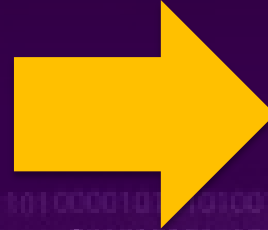
AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

- Statement on Standards for Tax Services No. 1,
*Tax Return Positions***
- Statement on Standards for Tax Services No. 2,
*Answers to Questions on Returns***
- Statement on Standards for Tax Services No. 3,
*Certain Procedural Aspects of Preparing Returns***
- Statement on Standards for Tax Services No. 4,
*Use of Estimates***
- Statement on Standards for Tax Services No. 5,
*Departure From a Position Previously Concluded in
an Administrative Proceeding or Court Decision***
- Statement on Standards for Tax Services No. 6,
*Knowledge of Error: Return Preparation and
Administrative Proceedings***
- Statement on Standards for Tax Services No. 7,
*Form and Content of Advice to Taxpayers***

*(Supersedes Statement on Standards for Tax Services
Nos. 1-8 effective January 1, 2010.)*

Revised Statements on Standards for Tax Services (SSTs)

www.aicpa-cima.com/resources/toolkit/statements-on-standards-for-tax-services



Revised Statements on Standards for Tax Services (SSTs)

www.aicpa-cima.com/resources/toolkit/statements-on-standards-for-tax-services

SSTS No. 1, Tax Return Positions

SSTS No. 2, Answers to Questions on Returns

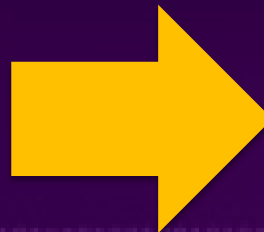
SSTS No. 3, Certain Procedural Aspects of Preparing Returns

SSTS No. 4, Use of Estimates

SSTS No. 5, Departure From a Position Previously Concluded in an Administrative Proceeding or Court Decision

SSTS No. 6, Knowledge of Error: Return Preparation and Administrative Proceeding

SSTS No. 7, Form and Content of Advice to Taxpayers



SSTS No. 1, General Standards for Members Providing Tax Services

SSTS No. 2, Standards for Members Providing Tax Compliance Services, Including Tax Return Positions

SSTS No. 3, Standards for Members Providing Tax Consulting Services

SSTS No. 4, Standards for Members Providing Tax Representation Services

Revised Statements on Standards for Tax Services (SSTs)

www.aicpa-cima.com/resources/toolkit/statements-on-standards-for-tax-services

New standards	Prior standards
SSTS No. 1, General Standards for Members Providing Tax Services	SSTS No. 1, Tax Return Positions SSTS No. 6, Knowledge of Error: Return Preparation and Administrative Proceedings
SSTS No. 2, Standards for Members Providing Tax Compliance Services, Including Tax Return Positions	SSTS No. 1, Tax Return Positions SSTS No. 2, Answers to Questions on Returns SSTS No. 3, Certain Procedural Aspects of Preparing Returns SSTS No. 4, Use of Estimates SSTS No. 5, Departure From a Position Previously Concluded in an Administrative Proceeding or Court Decision
SSTS No. 3, Standards for Members Providing Tax Consulting Services	SSTS No. 7, Form and Content of Advice to Taxpayers
SSTS No. 4, Standards for Members Providing Tax Representation Services	Not applicable

Revised Statements on Standards for Tax Services (SSTs)

What are
SSTs?

- Enforceable tax practice standards for all AICPA members
- Foundation for reputational integrity

Why
update?

- Align to the current state of the tax profession
- Address emerging needs
- Reinforce member reputation

What is
purpose of
revision?

- Reorganize SSTs by type of work performed
- Adopt three new standards related to
 - Data protection
 - Reliance on tools
 - Tax representation

Revised Statements on Standards for Tax Services (SSTSs)

1.1 – Tax Positions

- Baseline standard for advised position level of authority
 - Realistic Possibility of Success (33 1/3) if no required higher authority
- Previous SSTS 1

1.2 – Knowledge of Errors

- Member should inform taxpayer on becoming aware of an error
 - Taxpayer responsible to make decision regarding correction
- Previous SSTS 6

1.3 – Data Protection

- Member must take reasonable efforts to safeguard taxpayer data
- New standard

Revised Statements on Standards for Tax Services (SSTSs)

1.4 – Reliance on Tools

- Member can reasonably rely on tools (tax prep software, tax research software, etc.)
 - Member must still exercise professional judgement
- New standard

2.1 – Tax Return Positions

- Similar to 1.1
- Acknowledges difference of responsibilities for advisors vs. return preparers
 - Clarifies same standard applies to both

2.2 – Tax Return Questions

- Member must take reasonable steps to obtain answers to all return questions from client
- Previous SSTS 2

Revised Statements on Standards for Tax Services (SSTSs)

2.3 – Reliance on Others

- Member may reasonably rely on information from client or third party if no reason to suspect information is incorrect
- Previous SSTS 3

2.4 – Use of Estimates

- Member may prepare a tax return including estimates prepared by the taxpayer or a third party where not practical to obtain actual data
- Previous SSTS 4

2.5 – Departure from Prior Position

- Member may advise taxpayer to take position contrary to prior determination in administrative or court proceeding if taxpayer is not bound to prior position
- Previous SSTS 5

Revised Statements on Standards for Tax Services (SSTSs)

3.1 – Consulting Services

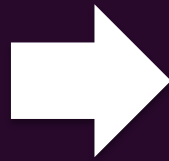
- General standards for consulting services
 - Competency
 - Form of Advice
 - Member should advise on penalties
- Previous SSTS 7

4.1 – Taxpayer Representation

- General standards for representation
 - Competency and integrity
 - Provide information with client approval
 - Review closing documents
- New Standard

Statements on Standards for Tax Services (SSTs) BY THE NUMBERS

7 enforceable tax practice standards
for members of the AICPA that serve as a foundation for validating reputational integrity in the tax profession



4 reorganized tax practice standards
Standard 1 General tax guidance
Standard 2 Tax return preparation
Standard 3 Advisory services
Standard 4 Representation services

3 new proposed standards

Data protection
Reliance on tools
Representation of tax clients

www.aicpa-cima.com/resources/toolkit/statements-on-standards-for-tax-services

Revised Statements on Standards for Tax Services

SSTS Definitions

- **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 the AICPA Code of Professional Conduct, ET sec. 0.100 ; unless otherwise noted, the SSTs apply to all members providing tax services.

Revised
Statements on
Standards for
Tax Services

SSTS Definitions

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.

Important New SSTS Concepts

- Data Protection/Security
- Reliance on Tools
- Tax Representation

Data Protection/Security

“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.”

Additional Considerations:

- Gramm-Leach-Bliley Act (GLBA)
- FTC Safeguards Rule
- Written Information Security Plan (WISP)
- State Data Breach Laws
- Other Federal and State Rules not in the Internal Revenue Code

IRS Reminder: Written Information Security Plan Required

IRS Office of Professional Responsibility (OPR) issued a reminder about requirement for written information security plan (WISP)

WISP is required by the Safeguards Rule of the Gramm-Leach-Bliley Act (GLBA) whereby financial institutions, including tax preparers, must develop, implement and maintain a comprehensive WISP **to protect customer and client information**. For additional information, visit the [Tax Section's resources on GLBA and the FTC Safeguards Rule and download a sample WISP template](#).

Alerts from Office of Professional Responsibility (OPR) November 14, 2023

OPR Resources

- [Circular 230 Tax Professionals](#)
- [Circular No. 230 \(Rev. 6-2014\)](#)
- [Frequently Asked Questions](#)
- [Latest News and Guidance from OPR](#)
- [Disciplinary Sanctions - IRB](#)
- [OPR Webinars](#)

Issue Number: 2023-10

Inside This Issue

Careful WISP(er) - Professional Responsibility and Data Security: Practitioners' Obligation to Have a Written Information Security Plan

To fulfill their professional obligations, practitioners—attorneys, certified public accountants, enrolled agents, and tax return preparers who participate in the Internal Revenue Service's [Annual Filing Season Program](#)—must comply with [Circular 230, Regulations Governing Practice before the Internal Revenue Service \(31 CFR Subtitle A, Part 10\)](#), which is administered and enforced by the IRS's Office of Professional Responsibility (OPR).

Several provisions of Circular 230 implicate a practitioner's obligations when dealing with data security and confidential client information. These provisions complement not only the privacy and penalty provisions of the Internal Revenue Code—including the penalties in IRC 6713 (civil) and IRC 7216 (criminal) for unauthorized disclosure of taxpayer information—but also nontax legislation enacted in 1999 that gave the Federal Trade Commission (FTC) authority to prescribe regulations establishing requirements of data safeguarding for various businesses including professional tax return preparers. This article discusses how the FTC's implementing regulations and complementary guidance issued by the IRS affect the duties and restrictions imposed on tax practitioners by Circular 230.

Reliance on Tools

“1.4.3. A member should exercise appropriate professional judgement 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 the tool does not absolve the member of his or her professional obligations under AICPA or other applicable ethical standards.”

Additional Considerations:

- Discussion of this standard started with verifying the accuracy of the software computations
- Different software package computations may come up with different answers for same set of facts
- Reliance on other electronic means in return preparation-OCR. Import/export of taxpayer data
- AI, ChatGPT, and other items that continue to appear in the electronic environment

Tax Representation

4.1.3. The member, and any individuals working with or for the member, should have or take steps to obtain technical competence in the subject matter involved. This includes competence in the technical tax area involved as well as the tax practice and procedures of the taxing authority. For this purpose, competence follows the definition established in Section 10.35 of Circular 230 (or other applicable standards if they exceed this definition of competence).

4.1.4. The member should take appropriate steps to ensure compliance with all applicable professional and regulatory obligations in connection with representing a taxpayer.

Discussion:

- **Difference in return preparation v. tax representation?**
- **State rules inconsistent with Federal rules**

Tax Representation-Continued

Loving v. IRS

“The District Court ruled against the IRS, relying on the text, history, structure, and context of the statute. We agree with the District Court that the IRS’s statutory authority under Section 330 cannot be stretched so broadly as to encompass authority to regulate tax-return preparers. We therefore affirm the judgment of the District Court.”

“In our view, at least six considerations foreclose the IRS’s interpretation of the statute. “

Current Practice Issues

- **Knowledge of Error**
- **Return of Records**
- **Conflicts of Interest**
- **Best Practices/QM/Competence**

Questions?



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Engagement letters



Complimentary CPE



Tax return checklists



The Tax Adviser magazine



State tax resource center



Video learning library



IRS guidance and support



Weekly e-newsletter

Beneficial ownership information (BOI) reporting

Starting Jan. 1, 2024, most entities created or registered to do business in the U.S. will need to report information on their beneficial owners to FinCEN under the Corporate Transparency Act.



[BOI registry now accepting reports](#)

BOI e-filing system allows for filing the BOI report online or PDF.



[Final rule issued regarding access](#)

FinCEN issued final rule prescribing circumstances where BOI reporting may be disclosed.



[Traversing the BOI reporting requirements](#)

Tax Section Odyssey podcast dives into the top-of-mind questions on BOI.



[BOI resource center](#)

Access resources to learn about the reporting requirement and get answers to common questions surrounding BOI.



TAX

Section Odyssey

Follow the Tax Section Odyssey podcast for professional insights and the latest tax developments.

- ▶ Traversing the beneficial ownership information reporting requirements
- ▶ All eyes on *Moore v. U.S.* plus a history lesson on tax cases
- ▶ Sifting through ERC questions
- ▶ Looking back at 2023 and looking ahead to 2024
- ▶ Questions to ask clients about digital asset activities

taxodyssey.libsyn.com

Gramm-Leach-Bliley Act (GLBA) and the FTC Safeguards Rule

- Key components for a written information security plan
- GLBA Information Security Plan Template
- Best practices for data security and cybersecurity incident mitigation
- Sample Sec. 7216 Consent Forms
- Tax Identity Theft Toolkit
- Tax Practice Quality Control Guide and Template

View resources →

Gramm-Leach-Bliley Act — Safeguards Rule Written Information Security Plan (WISP) Template

All tax return preparation firms (regardless of size) are considered financial institutions and are therefore subject to the [Standards for Safeguarding Customer Information](#), more commonly known as the Safeguards Rule, contained in the Gramm-Leach-Bliley Act (GLBA) of 1999 that requires use of a written data security plan. In recent years, the IRS and Federal Trade Commission have heightened their attention to remind preparers of this rule (by asking on the PTIN application and renewal about the preparer's legal obligation to have a data security plan) and providing template plans (IRS Pub 5708).

The following pages contain a written information security plan (WISP) template to use to comply with the Safeguards Rule, which took effect in 2003 and was [amended in 2021](#) to keep pace with current technology. The WISP must describe how the business is prepared to protect consumers' nonpublic personal information.

Note: The Federal Trade Commission has exempted financial institutions that "maintain customer information concerning fewer than 5,000 consumers" from certain provisions of the Safeguards Rule. See the amendment for more information.

As part of a business's WISP, it must:

- Designate a qualified individual (an employee, affiliate or a service provider) to oversee, implement and enforce its WISP.
 - If this requirement is met using an affiliate or a service provider, the business must:
 - Retain responsibility for compliance
 - Designate a senior member of personnel responsible for the direction and oversight of the affiliate/service provider
 - Require the affiliate/service provider to maintain a WISP that meets the requirements of the Safeguards Rule
- Identify and assess the risks to customer information in each relevant area of the company's operation and evaluate the effectiveness of the current safeguards for controlling these risks.
- Design and implement a safeguards program to help control risks related to the security, confidentiality and integrity of customer information.
- Regularly monitor and test the effectiveness of safeguards.
- Train personnel.
- Select and monitor service providers to ensure they maintain appropriate safeguards to help protect customer information.
- Evaluate and adjust the plan considering relevant circumstances, including changes in the business or operations or the results of security testing and monitoring.
- Establish a written incident response plan designed to respond to a security event.
- Require the qualified individual to report to the company's governing body at least annually regarding compliance with its WISP.

Customize the following template for the specific needs and requirements for your business. For assistance, [see IRS Publication 5708](#).



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ANNUAL TAX COMPLIANCE KIT

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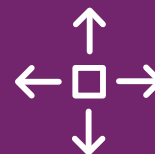
Engagement letters



Client organizers



Tax return checklists



Practice guides

[Browse the Annual Tax Compliance Kit →](#)

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Q&A roundtable tackling
today's top practice
management issues

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- 2 Watch previously recorded sessions
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Disaster tax relief resources

- Casualty loss FAQ
- Disaster tax relief FAQ and latest developments
- Disaster tax relief procedures and processes

Visit the Disaster Relief Resource Center →



Employee retention credit

- Podcast: ERC suspended: What happens next
- ERC: Fact or Fiction?
- ERC FAQ
- Employee Retention Credit Client Documentation Memo Template
- Employee Retention Credit Decision Tree

Visit the ERC resource library →

Employee retention credit: Fact or fiction?

Employee Retention Credit (ERC)

Decision tree for practitioners

The Employee Retention Credit (ERC) can be claimed for qualifying quarters from 2020 and 2021 on a Form 941X, Adjusted Employer's Quarterly Federal Tax Return or Claim for Refund. For determining the three-year statute of limitations, Forms 941 for a calendar year are considered filed on April 15 of the succeeding year if filed before that date. Therefore, for each quarter of 2020, Form 941X will be due to be filed by April 15, 2024. For each quarter in 2021, Form 941X will be due to be filed by April 15, 2025.

The IRS has issued several warnings related to ERC claims, specifically calling out promoters of the credit who may be misleading people and businesses about their eligibility for the credit. The IRS has also noted it is actively auditing and conducting criminal investigations related to ERC false claims.

This resource is meant to assist with the different decision points while working with your clients related to ERC claims.

After evaluating the business' eligibility and potential credit for ERC, did you/your firm prepare an ERC claim (on Form 941X) for the client?

YES

Practitioner considerations may include:

- ▶ Signed engagement letter for the ERC study and preparation of amended returns.
- ▶ Discussing with client that the business returns (and underlying individual returns if applicable) should be amended for the proper period.
- ▶ Documentation of work performed to include eligibility criteria and applicable worksheets with support used to prepare Form 941X.
- ▶ Consider professional standards applicable to tax return positions (including, but not limited to the Statement on Standards for Tax Services No. 1).
- ▶ Documentation of communication to client of the following as applicable:
 - IRS may examine and dispute ERC claim.
 - If the ERC claim is disallowed, additional payroll taxes, penalties and interest will be assessed.
 - IRS statute of limitations on the examination of claim has been extended for certain quarters (and could be extended further). This could cause the claim to be disallowed after the time of the business income tax return's statute of limitations (meaning the deduction of wages due to the disallowed credit will be lost).
- ▶ Discussion with your professional liability insurance carrier. See [AQN's risk alert](#) for more information.
- ▶ See [IRS Office of Professional Responsibility Issue Number 2023-02 for more professional responsibility considerations.](#)

NO

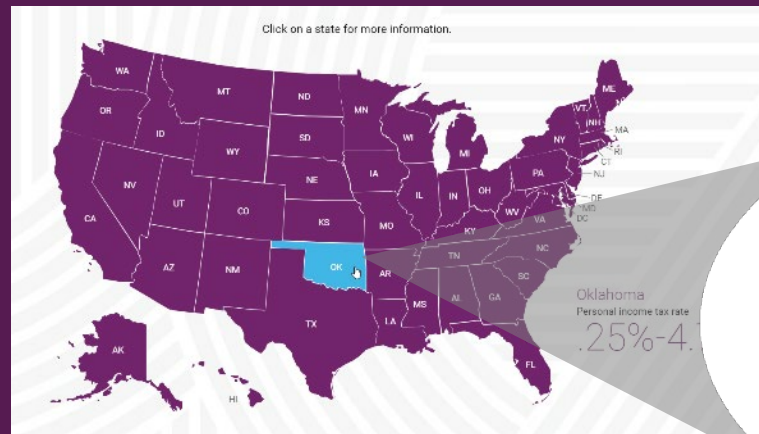
Practitioner considerations may include:

- ▶ Maintain documentation of work prepared to determine ERC eligibility.
- ▶ Consider billings based on prior agreement with client.
- ▶ Document the discussion with client about your conclusion.

SALT Roadmap and Resource Center

Interactive reference library to access state and local tax info in one central place

- Due dates
- Tax rates
- Tax forms
- Nexus
- Passthrough entity tax



Oklahoma personal income tax rate
The tax ranges from
.25%-4.75%



OSCPA
Oklahoma Society of CPAs

Personal income tax	Corporate income tax	Franchise tax	Sales/use tax
Pass-through entity/ general business taxes	Due dates	State tax forms	View Oklahoma's state government websites

Access the SALT Roadmap →

IRS guidance and resources

- Collection appeal options chart
- Formal written protest issue response letter
- Letter to request installment agreement
- Payment agreements guide
- Penalty abatement templates
- Third-party authorization guidance

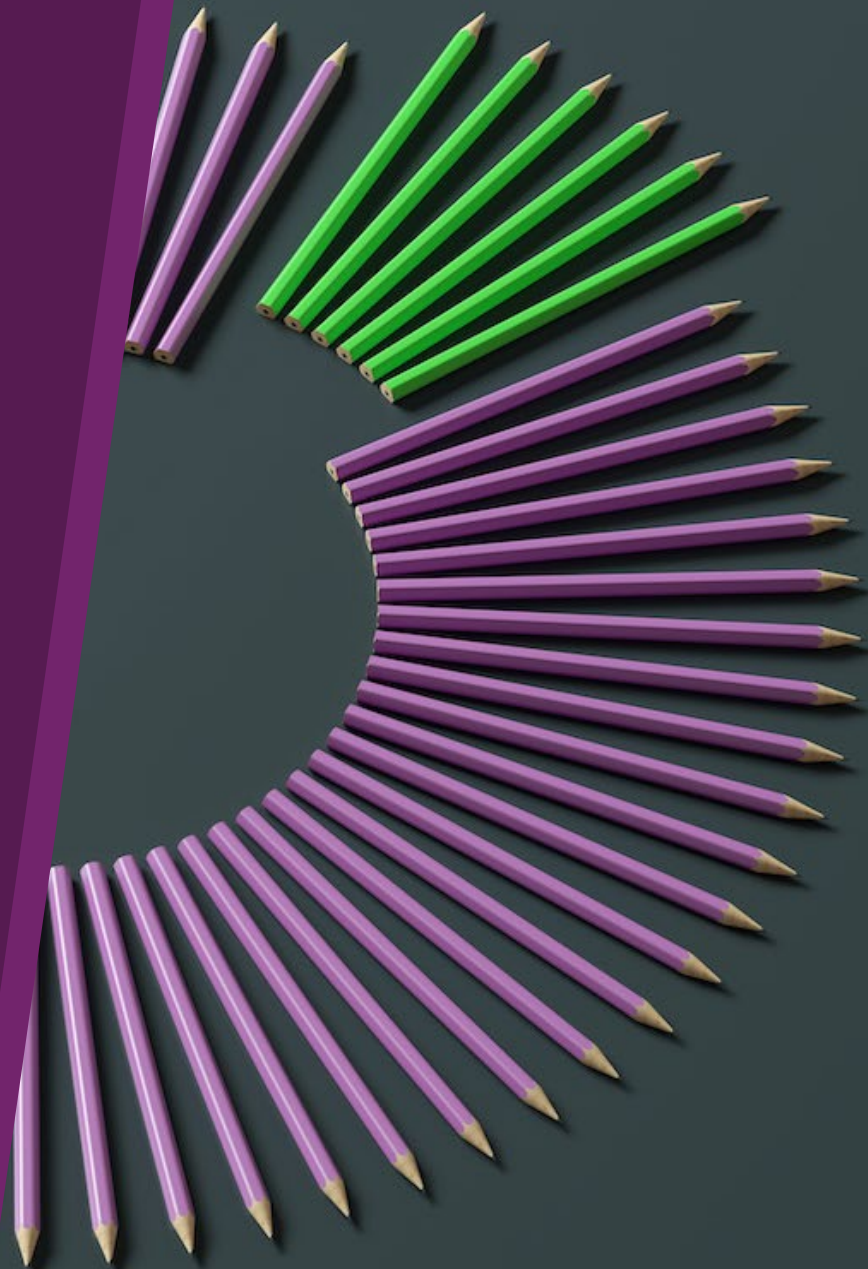
[View resources →](#)



IRS Schedules K-2 and K-3 guidance and resources

- Client information letter
- IRS guidance and forms
- AICPA advocacy
- Tax Section Odyssey podcast episodes:
 - Uncovering the intricacies — Schedules K-2 and K-3
 - Making sense of new international passthrough reporting
 - Transitional challenges for Schedules K-2 and K-3

[Visit library →](#)





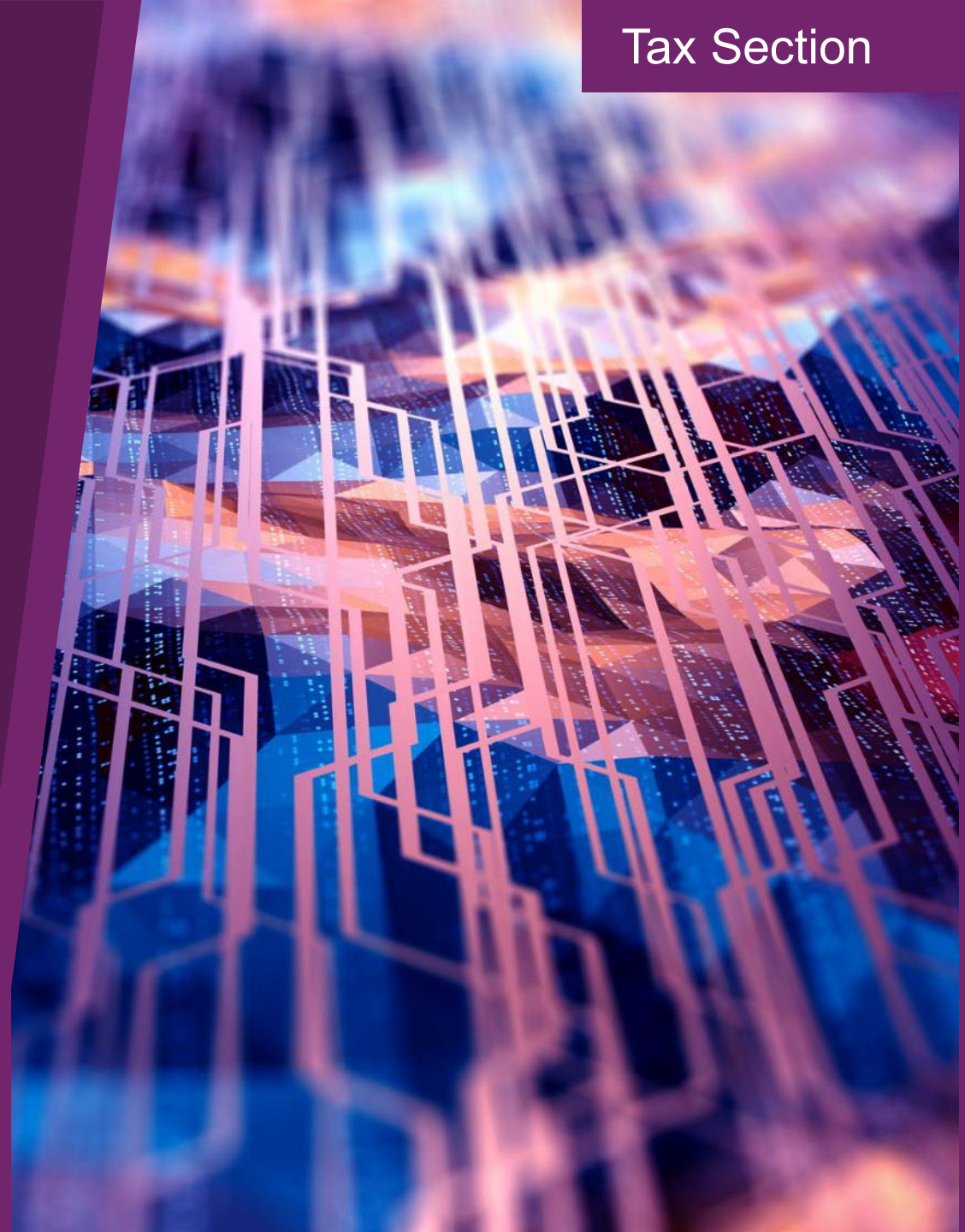
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Digital assets and virtual currency tax guidance and resources

- Questionnaire for Individual Clients
- Crypto Loss Tax Reporting : Fact or Fiction?
- State guidance on taxation and reporting of digital assets

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A quarterly roundup of the latest tax updates

- 2024 Winter Tax Rewind | Jan. 26, 1pm ET
- 2024 Spring Tax Rewind | May 8, 1pm ET
- 2024 Summer Tax Rewind | July 17, 1pm ET

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