

Executive Summary

The Statements on Standards for Tax Services (SSTSs or statements) are enforceable tax practice standards for members of the AICPA. These statements apply to all members providing tax services regardless of the jurisdictions in which they practice. The statements are intended to complement other standards of tax practice, such as Treasury Department Circular No. 230, *Regulations Governing the Practice of Attorneys, Certified Public Accountants, Enrolled Agents, Enrolled Actuaries, Enrolled Retirement Plan Agents, and Appraisers before the Internal Revenue Service*; penalty provisions of the Internal Revenue Code; and state boards of accountancy rules.

The SSTSs 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, 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.

In 1999, the AICPA's Tax Executive Committee concluded it was appropriate to issue tax practice standards that would become a part of the Institute's *Professional Standards*. As a result, the original SSTSs, largely mirroring the SRTPs, were issued in August 2000.

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, *Tax Return Positions*, and No. 8, *Form and Content of Advice to Taxpayers*.

As a result, revisions to the original SSTSs have been drafted, as reflected in the attached proposed SSTSs. Corresponding revisions to current Interpretation No. 1-1, "Realistic Possibility Standard," and No. 1-2, "Tax Planning," of SSTS No. 1 (AICPA, *Professional Standards*, vol. 2, TS sec. 9100), will be made at a later date. Revisions to SSTS No. 1 are proposed to clarify the need to satisfy both the AICPA standards and the standards of the applicable taxing authority. Revisions to SSTS No. 8 are proposed to address new requirements that apply when providing certain types of tax opinions. In addition, the original SSTS Nos. 6 and 7 have been combined into the revised SSTS No. 6. The original SSTS No. 8 has been renumbered SSTS No. 7. Various revisions also have been made to the language of the original SSTSs.