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**1-8**

# Statements on Standards for Tax Services

Issued by the Tax Executive Committee

**AICPA**

AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

**Statement on Standards for Tax Services No. 1,  
*Tax Return Positions***

**Interpretation No. 1-1, "Realistic Possibility Standard"**

**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***

**Statement on Standards for Tax Services No. 7,  
*Knowledge of Error: Administrative Proceedings***

**Statement on Standards for Tax Services No. 8,  
*Form and Content of Advice to Taxpayers***

## Statement on Standards for Tax Services No. 8, Form and Content of Advice to Taxpayers

### Introduction

1. This Statement sets forth the applicable standards for members concerning certain aspects of providing advice to a taxpayer and considers the circumstances in which a member has a responsibility to communicate with a taxpayer when subsequent developments affect advice previously provided. The Statement does not, however, cover a member's responsibilities when the expectation is that the advice rendered is likely to be relied on by parties other than the taxpayer.

### Statement

2. A member should use judgment to ensure that tax advice provided to a taxpayer reflects professional competence and appropriately serves the taxpayer's needs. A member is not required to follow a standard format or guidelines in communicating written or oral advice to a taxpayer.

3. 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 on the taxpayer's tax returns. Thus, for all tax advice given to a taxpayer, a member should follow the standards in Statement on Standards for Tax Services (SSTS) No. 1, *Tax Return Positions*.

4. A member has no obligation to communicate with a taxpayer when subsequent developments affect advice previously provided with respect to significant matters, except while assisting a taxpayer in implementing procedures or plans associated with the advice provided or when a member undertakes this obligation by specific agreement.

## Explanation

5. 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.

6. 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, or complicated transactions. The member may use professional judgment about whether, subsequently, to document oral advice in writing.

7. In deciding on the form of advice provided to a taxpayer, a member should exercise professional judgment and should 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 complications presented
- e.* The existence of authorities and precedents
- f.* The tax sophistication of the taxpayer
- g.* The need to seek other professional advice

8. 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.

9. Sometimes a member is requested 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.

10. Taxpayers should be informed that advice reflects professional judgment based on an existing situation and that subsequent developments could affect previous 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.

11. In providing tax advice, a member should be cognizant of applicable confidentiality privileges.

*These Statements on Standards for Tax Services and Interpretation were unanimously adopted by the assenting votes of the twenty voting members of the twenty-one-member Tax Executive Committee.*

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**Note:** *Statements on Standards for Tax Services are issued by the Tax Executive Committee, the senior technical body of the Institute designated to promulgate standards of tax practice. Rules 201 and 202 of the Institute's Code of Professional Conduct require compliance with these standards.*