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## **New Provision Would Change Tax Preparers' Role and Lead to Likely Increase in Fees for Taxpayers, AICPA Tells Congress**

*Institute Urges Congress to Modify Provision in New Law*

**Washington, DC (July 13, 2007)** – The American Institute of Certified Public Accountants (AICPA) is urging Congress to modify a provision it approved that has resulted in a fundamental change in the role of tax return preparers and will likely cause an increase in preparer fees for taxpayers. The provision is included in the Iraq war funding bill that became law in May.

“The new provision puts tax preparers in a position of supporting the IRS rather than their taxpayer clients,” Tom Ochenschlager, AICPA Vice President – Taxation, said.

He emphasized that the new law’s requirement—increasing the tax return reporting standards applicable to tax return preparers for undisclosed non-tax shelter items from the “realistic possibility of success” standard to the “more likely than not” standard—is a major change in tax policy. He noted that the change was made without a Congressional hearing to study the full consequences of the provision.

“Because it also raises the standard for tax preparers to a level above the standard for taxpayers, it creates the potential for conflicts of interest between preparers and their clients, and consequently affects the nature of taxpayers’ representation,” he said.

Return preparation fees are likely to increase because more research will be required for tax preparers to feel secure that the “more likely than not” standard is satisfied, he said.

Furthermore, IRS administration could be overburdened by the provision, Ochenschlager said, because preparers, in order to protect themselves from penalties, may feel they must ask their clients to include disclosures for virtually every item on their tax returns for which there is the slightest uncertainty regarding the proper treatment. Such excessive disclosures for routine tax return positions would defeat the purpose of the disclosure system and undermine the electronic filing initiative, which currently is not capable of processing a large number of disclosures in a return, he said.

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Therefore, Ochsenschlager said the AICPA is recommending that Congress equalize the tax return reporting standards for preparers with the standards currently applicable to taxpayers. He noted that, given the complexity of the tax law, the lack of guidance from Treasury and the IRS on many issues, and the factual nature of many issues, the taxpayers' lower reporting standard of "substantial authority" is more appropriately applied to routine items. The "more likely than not standard" should be applied to taxpayers and preparers only with respect to tax avoidance items. This would be consistent with the approach that Congress and Treasury have taken in recent years to utilize directed disclosures that focus on potentially problematic transactions, without either overburdening the IRS with unnecessary disclosures or inhibiting the electronic filing system.

The American Institute of Certified Public Accountants ([www.aicpa.org](http://www.aicpa.org)) is the national, professional association of CPAs, with approximately 330,000 members, including CPAs in business and industry, public practice, government, and education. It sets ethical standards for the profession and U.S. auditing standards for audits of private companies; federal, state and local governments; and non-profit organizations. It also develops and grades the Uniform CPA Examination.

Headquartered in New York, the AICPA also maintains offices in Washington, D.C.; Durham, N.C.; and Lewisville, TX.

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