Notice to Readers

The Statements on Standards for Tax Services (SSTSs) and interpretations, promulgated by the AICPA Tax Executive Committee (TEC), reflect the AICPA's standards of tax practice and delineate members' responsibilities to taxpayers, the public, the government, and the profession. The SSTSs are intended to be part of an ongoing process that may require changes to, and interpretations of, current SSTSs in recognition of the accelerating rate of change in tax laws and the continued importance of tax practice to members. The original Interpretations No. 1-1, "Realistic Possibility of Success," and No. 1-2, "Tax Planning," were adopted in 2000 and 2003, respectively, and updated in 2010. The TEC adopted the updated Interpretations No. 1-1, "Reporting and Disclosure Standards," and No. 1-2, "Tax Planning," on August 15, 2011, effective on January 31, 2012.[1]

The SSTSs have been written in as simple and objective a manner as possible. However, by their nature, ethical standards provide for an appropriate range of behavior that recognizes the need for interpretations to satisfy a broad range of personal and professional situations. The SSTSs recognize this need by, in some sections, providing relatively subjective rules and leaving certain terms undefined. These terms and concepts are generally rooted in tax concepts and, therefore, they should be readily understood by tax practitioners. It is, therefore, recognized that the enforcement of these rules, as part of the AICPA Code of Professional Conduct, Rule 201, *General Standards* (AICPA, *Professional Standards*, ET sec. 201 par. .01), and Rule 202, *Compliance With Standards* (AICPA, *Professional Standards*, ET sec. 202 par. .01), will be undertaken with flexibility in mind and handled on a case-by-case basis. Members are expected to comply with them.

[1] These interpretations do not consider any impact of Section 1409 of the Health Care and Education Reconciliation Act of 2010, P.L. 111-152 (Codification of Economic Substance Doctrine and Penalties). Under Section 7701(o) of the Internal Revenue Code, in the case of any transaction to which the economic substance doctrine is relevant, the transaction shall be treated as having economic substance only if the transaction changes in a meaningful way (apart from federal income tax effects) the taxpayer's economic position, and the taxpayer has a substantial purpose (apart from federal income tax effects) for entering into such transaction. Understatements of tax attributable to a failure to satisfy the economic substance doctrine, where relevant, can result in substantial taxpayer penalties.