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## **PROFESSIONAL ETHICS OF CPAS IN TAX PRACTICE: AN HISTORICAL PERSPECTIVE**

*Abstract:* The paper traces the development of the accounting profession's own standards relating to tax practice. When appropriate, the nature and effect of government regulation on the profession's own standards are noted. It was determined that the accounting profession has been slow in developing standards for self-regulation in the area of tax practice. This may be related to two factors: (1) the existence of strong government regulation of tax practice, and (2) the diverse nature of the occupational groups engaged in tax practice.

Certified Public Accountants (CPAs) have been involved in tax practice since the passage of the corporate excise tax law in 1909. Over the years CPAs have been subject to various rules and standards prescribed by the profession. The purpose of this paper is to trace the development of the accounting profession's own standards relating to tax practice.

CPAs as professionals regulate themselves. However, in tax practice CPAs are also subject to government regulations. These regulations affect the accounting profession's own rules. The paper, however, is limited to the development of the rules and standards of the American Institute of Certified Public Accountants (AICPA) and its predecessors. When appropriate, the nature and effect of government regulation on the profession's own standards are noted. Generally, state societies and state boards follow the AICPA's lead in matters relating to ethics.

### *Ethics of Tax Practice—The Early Years (1900-1950)*

In the years immediately after the adoption of the Federal Income Tax, both the AICPA which was then called the American Institute of Accountants (AIA) and the Federal Government were concerned with the professional behavior of CPAs engaged in tax practice. The code of ethics of the AIA was still in its formative

stage, and none of the AIA's rules dealt specifically with tax practice. However, the Institute's rules relating to advertising, contingent fees, and confidential relations had implications for tax practice.

The government, in contrast, was concerned with the professional behavior in tax practice of not only CPAs, but also attorneys, and enrolled agents. In the early 1920s the Treasury department issued *Treasury Circular No. 230*, a set of regulations which was concerned with the behavior of all individuals engaged in tax practice. *Treasury Circular No. 230* has been amended many times over the years. The Institute has been concerned with the Treasury's regulations and appeared at times to react to it. CPAs in tax practice have looked to *Treasury Circular No. 230* for guidance in relation to professional behavior in tax practice.

### *Deficiency Act*

The need for developing standards for the ethical conduct of representatives before the Federal Government was recognized by Congress in the Deficiency Appropriation Act of July 7, 1884. This Act, among other things, appropriated money for lost horses and other property in military service and gave the Secretary of the Treasury regulatory power over attorneys and other agents representing claimants. The act while requiring prospective agents to show competence and to have good moral character also empowered the Secretary to disbar or suspend agents who acted in a disreputable or fraudulent manner.<sup>1</sup>

### *Treasury Circulars Nos. 13 and 94*

*Treasury Circular No. 13*, "Regulations Governing Attorneys and Agents Practicing Before the Treasury Department" was issued on February 6, 1886. This was amended by *Treasury Circular No. 94* issued October 14, 1890. These circulars listed procedural rules concerning such things as the use of powers of attorney and proper issuance and delivery of checks or drafts to claimants. Many of these rules and regulations were the basis for the present *Treasury Circular No. 230* which replaced the prior Circulars and today regulates practice before the IRS.

### *A Code of Ethics for CPAs*

In 1905, Robert H. Montgomery suggested the need for a code of ethics for the accounting profession.<sup>2</sup> Later that year two rules

of conduct were adopted by the American Association of Public Accountants (this was the original name of the organization that preceded the AIA).<sup>3</sup> Although the Association had dealt with the issue of advertising and disciplining of its members before 1905,<sup>4</sup> this was the first codification of special rules. In 1917, the AIA adopted a formal code of ethics which was taken in part from the by-laws of the predecessor American Association of Public Accountants.<sup>5</sup> None of these rules dealt specifically, however, with tax practice. The principal ethical problems relating to tax practice faced by the profession in the early years were: (1) advertising; (2) contingent fees; and (3) confidential relations.

### *Advertising In Tax Practice*

In 1918, the AIA began to take some action to control advertising. A rule was adopted under which a member could be required to submit circular letters for approval before issuance, upon request of the Committee on Ethical Publicity. This rule was further refined in 1919 to require such submission.<sup>6</sup>

At the Institute's annual meeting in September 1921, a representative of the Commissioner of the Bureau of Internal Revenue delivered a speech detailing numerous complaints received concerning publicity and solicitation by attorneys and agents authorized to practice before the Bureau. The Commissioner's representative asserted that revisions in the recently issued *Treasury Circular No. 230* would be made shortly in reference to advertising and contingent fees. He also requested the Institute's assistance in assessment of the character, reputation, and qualifications of applicants for admission to practice before the Treasury Department.<sup>7</sup> The Committee on Federal Legislation of the Institute was authorized to "cooperate fully" with this request by the Treasury Department.<sup>8</sup>

In June 1922, an editorial in *The Journal of Accountancy* referred to an amendment to *Treasury Circular No. 230* as "Ethics by Regulation." According to its provisions, advertising was forbidden except for name, address, and a brief description of the nature of one's practice. The CPA could list only the specialization of tax practice and had to refrain from implying official connection with the government. Also proscribed was advertising implying that the CPA could obtain information of special attention not generally available to the public.<sup>9</sup> The Institute endorsed the Treasury's actions by adopting, on September 18, 1922, its own rule prohibiting advertising except the practice of issuing business cards.<sup>10</sup>

Carey suggests that "since CPAs were practicing on an equal basis with lawyers in the tax field, it was obviously important to demonstrate that the ethical standards of the accounting profession were as high as those of the Bar."<sup>11</sup>

In 1926, the Committee on Professional Ethics found nothing improper with listing a member's specialty on a card.<sup>12</sup> *Treasury Circular No. 230* had already allowed this practice. In the Bercu Case in 1948 the right of a CPA to list a tax specialty was struck down by the New York Courts. This action was formally recognized by the Institute in 1957.<sup>13</sup> The rule against advertising and solicitation remained in effect until, as will be discussed in a later section, the late 1970s.

### *Contingent Fees*

A rule on contingent fees was defeated at the annual meeting of the American Association of Public Accountants in 1907.<sup>14</sup> Casler indicates that in 1919 the following rule on contingent fees was adopted by the Institute:

No member shall render professional service, the anticipated fee for which shall be contingent upon his findings and results thereof. This rule shall be construed as inhibiting only services in which the accountants' findings or expert opinion might be influenced by consideration of personal financial interest.<sup>15</sup>

The report of the Committee on Professional Ethics on September 15, 1920, cited many instances of complaints about contingent fee arrangements in tax practice. The Committee suggested the elimination of the second sentence of the rule on contingent fees and this suggestion was adopted by the AIA.<sup>16</sup>

After World War I, the use of contingent fee arrangements greatly increased the number of claims pending before the Bureau of Internal Revenue.<sup>17</sup> Cases presented were often unfounded and without merit.<sup>18</sup> Many Bureau employees left their jobs to take advantage of the high potential earnings if they won a case on the contingent fee arrangement. Since the practice was so widespread, the tax administration system was overburdened; something had to be done to alleviate the problem.<sup>19</sup>

On April 25, 1922, a new provision concerning contingent fees was added to *Treasury Circular No. 230* which stated that the inappropriate use of contingent fees could be cause for disbarment. Such fee arrangements were generally held in disfavor and were

considered the subject of possible inquiry by the Treasury Department.<sup>20</sup> On March 21, 1923, the Treasury Department issued an order requiring all attorneys, CPAs, and agents to submit a notice in the event of a contingent fee arrangement. This notice was to include the reason for the contingent fee as well as details concerning the fee.<sup>21</sup>

In 1934, the Treasury Department issued a revised *Treasury Circular No. 230* which prohibited "manifestly unreasonable fees." The revision contained a formula for calculation of a maximum contingent fee. Additionally, contingent fees were proper only where the financial status of a client meant that he could not engage an attorney or agent for his case and where extensive negotiation or litigation was apparent.<sup>22</sup>

In 1936, further revisions by the Treasury Department were made concerning contingent fees. A potential contingent fee arrangement could now be used even if the client could afford the customary fee. The arrangement, though, would still have to be disclosed to the Treasury Department.<sup>23</sup>

In October of 1936, the AIA adopted the following addition to the rule on contingent fees:

This rule does not apply to cases such as those involving federal, state or other taxes, in which the findings are those of the tax or other similar authorities and not those of the accountant.<sup>24</sup>

Thus, contingent fees could be used in tax practice by CPAs; but, of course, the CPA still had to conform to *Treasury Circular No. 230*. Subsequent changes in the wording of the Institute rule on contingent fees were made in 1941; however, contingent fees could still be used in tax practice.<sup>25</sup>

### *Confidential Relationship*

The confidential relationship between CPA and client is an important aspect of public accounting practice. Carey notes that as early as 1923 the Bureau's agents attempted to examine working papers of accountants.<sup>26</sup> In most cases, CPAs refused unless the client consented. The Bureau decided not to seek working papers unless a subpoena was obtained.<sup>27</sup>

The Section 340 of the Revenue Act of 1937 required that CPAs file returns disclosing information about engagements in regard to foreign corporations. It seems that the Bureau of Internal Revenue had difficulties in enforcing the income tax laws against

foreign corporations and was trying to obtain assistance from other sources.<sup>28</sup> A *Journal of Accountancy* editorial deplored this action.<sup>29</sup> In 1941, the Institute made the confidential relationship between client and the CPA a formal rule of professional conduct.<sup>30</sup>

### *Treasury Circular No. 230*

*Treasury Circular No. 230* was originally issued on February 15, 1921. The *Circular* discussed a variety of issues. The reasons for disbarment listed in the 1884 law were expanded.<sup>31</sup> *Treasury Circular No. 230* has been revised many times over the years. Since our concern in this paper is self-regulation by CPAs in tax practice, in the remainder of this section we will highlight provisions, other than those previously mentioned, of early revisions to *Treasury Circular No. 230* that had possible implications to self-regulation by the profession.

*Treasury Circular No. 230* was revised on April 25, 1922. Besides prohibiting advertising and placing restrictions on contingent fees, a new rule held that a CPA could be disbarred for being disbarred by another branch of government.<sup>32</sup> Another important change was that members of a firm could not apply for enrollment collectively but had to do so as individuals.<sup>33</sup>

A revision of *Treasury Circular No. 230* dated August 15, 1923, for the first time referred to CPAs. Also, additional grounds for rejection, suspension, and disbarment included conduct counter to the rules of professional ethics of the American Bar Association or American Institute of Accountants.<sup>34</sup> This meant that agents who were not attorneys or CPAs were subject to the same ethical rules.<sup>35</sup>

On February 15, 1924, *Treasury Circular No. 230* was amended. The reference to rules of ethics of the AIA was dropped. The circular now read that one could not violate the canons of ethics of the American Bar Association.<sup>36</sup>

On April 15, 1924, enrollees were granted the right to put the following on letterheads or cards: "Enrolled to practice before the Treasury Department." For the first time, the Treasury Department provided a list of attorneys and agents disbarred or suspended in the *Internal Revenue Bulletin*.<sup>37</sup> The following year a description of the cause for disbarment or suspension was added. Some thought the publication of this list would be an effective prewarning to the profession.<sup>38</sup>

In 1927, *Treasury Circular No. 230* was again revised. One provision required an enrollee to "advise" a client to correct errors or omissions that did not comply with the law. CPAs who lost their

licenses would be disbarred. False financial statements made or certified by CPAs or agents were grounds for disbarment. Sharing fees with others who were not enrolled, not attorneys, or not accountants was forbidden.<sup>39</sup> Also prohibited was the distribution of solicitation type tax letters to non-client taxpayers containing some or all decisions or rules of the Treasury Department, U.S. Board of Tax Appeals, or other federal courts on tax matters.<sup>40</sup>

On October 1, 1936, another revision of *Treasury Circular No. 230* was issued. Reinstated was a stipulation that enrolled agents observe the ethical standards of the accounting profession. CPAs who had obtained their certificates by waiver could not be enrolled, unless they passed the Bureau's enrollment examination and were investigated by the Bureau.<sup>41</sup>

While there have been subsequent changes to *Treasury Circular No. 230*, many were administrative in nature or were made to clarify the language of various provisions. One of the more significant changes was a statement made in January of 1956 that was inserted as a footnote in *Treasury Circular No. 230* which affirmed the right of CPAs to represent clients before the Treasury Department. This was an important ruling in the face of the legal profession's questioning of the accountant's right to engage in tax practice.<sup>42</sup> In 1966, all non-tax ethical violations were removed from the *Circular* and enforcement responsibilities were left to the concerned professions.<sup>43</sup> The 1966 form of the *Circular* is, for the most part, the one that exists today. Importantly, in the late 1970s the *Circular* was modified to allow advertising and solicitation.

#### *Development of the Institute's Statements on Responsibilities in Tax Practice (1950-1977)*

As of the mid-1950s, the Institute had not established standards in the area of tax practice. Regulation of tax practice was in essence vested in the Treasury Department via *Treasury Circular No. 230*. This section discusses the AICPA's development of standards for tax practice.

#### *Institute Committee on Professional Ethics*

In 1947, a special committee was appointed to consider whether the Institute's ethics Rule 5, relating to expression of an opinion on financial statements and acts discreditable to the profession, applied to tax practice. This Committee concluded that Rule 5 should not be expanded to include tax practice. An important factor in its recommendation was the fact that there existed no written



standards in tax practice. The special committee concluded that the Institute By-laws, subsection (d) of Section 4 of Article V which discussed sanctioning members for "an act descreditable to the profession," probably could be applied to tax cases.<sup>44</sup>

Why were there no written self-regulating standards in tax practice at that time? One possible reason was that CPAs were not the only occupation doing tax work. Also, since the 1930s there was a good deal of controversy between accounting and legal professions over who had the right to practice in the federal taxation area. The legal profession had been challenging the accounting profession's right to perform tax services.<sup>45</sup> Then, too, it appears that the profession's early effort relating to professional standards appeared to concentrate on areas relating to the attest function. Finally, standards that had been developed by the Treasury Department already existed.

#### *Committee on Tax Accounting Practice*

In 1956, Marquis G. Eaton, President of the Institute suggested that the profession was silent on the subject of ethics in tax practice. He furthermore suggested that if the Institute did try to formulate a set of standards, the profession's relations with the Internal Revenue Service would improve and the CPA's public image would be enhanced.<sup>46</sup>

In October 1956, Eaton established a Committee on Cooperation with the Internal Revenue Service consisting of five members with Mark E. Richardson as its Chairman. The committee was to act as a liason committee and thus could only recommend action to the other Institute committees such as the Ethics Committee.<sup>47</sup> The new committee's purpose was to maintain liason with the IRS on various professional matters. The timing of Mr. Eaton's initiative is most interesting. It came at a time at which the legal profession's challenge to the accounting profession's right to engage in tax practice was defeated.<sup>48</sup>

The committee name was changed to Committee on Tax Accounting Practice after it was felt that the original name connoted responsibilities that already belonged to other AICPA committees.<sup>49</sup> On December 1, 1956, the Committee adopted the following objectives:

- (1) To explore the possibility of devising standards of conduct for certified public accountants in tax practice. . . .
- (2) To explore the possibility of standards of conduct and procedures for revenue agents to be announced by the

Internal Revenue Service which would encourage taxpayer cooperation in the voluntary self-assessment and payment of federal taxes.

- (3) To explore the possibility of encouraging maximum cooperation between revenue agents and certified public accountants representing taxpayers with the object of minimizing the expense to the taxpayer of determining and settling his tax liabilities.<sup>50</sup>

On October 1, 1957, Russell C. Harrington, Commissioner of the IRS, endorsed these objectives; however, he questioned how they would be implemented. No meeting on a cooperative program took place until September 4, 1958 when Richardson met with Nelson P. Rose, General Counsel of the Treasury Department.<sup>51</sup> Richardson noted that many accountants approached preparation of a tax return as an "immediate adversary proceeding."<sup>52</sup> He suggested to Rose that a "Code of Conduct" accepted by both the profession and the IRS would be the first step to improving this situation through greater understanding with the corollary result of making the tax return as accurate as possible.<sup>53</sup>

Rose noted that *Treasury Circular No. 230* gave sufficient guidelines concerning rules of conduct for practitioners. But he seemed to feel the IRS did not have enough employees to properly enforce these rules of conduct.<sup>54</sup> Rose suggested that if an effort were made by the accounting profession to improve ethics in tax practice this would help with the administration of the tax code.<sup>55</sup>

In April 1959, Richardson referred to the first objective of this committee in his report to the AICPA Council.<sup>56</sup> He focused on clarifying the relationship of the code of ethics to tax practice.<sup>57</sup> Richardson was concerned that there appeared to be potential on the part of both the public and government officials to confuse the responsibilities of CPAs under the Code of Ethics when engaged in tax work.<sup>58</sup> For example, some of the Institute's ethical rules referred to reports on financial statements. Nowhere, however, was it indicated that these rules were not applicable to tax practice. Richardson proposed to the AICPA Council that the Committee on Professional Ethics begin a study to determine the applicability of the rules of professional conduct to tax practice.<sup>59</sup>

#### *Committee on Ethics of Tax Practice*

During the period 1959-1960, the Institute created a new committee that succeeded the Committee on Tax Accounting Practice and was called the Committee on Ethics of Tax Practice<sup>60</sup> with

Thomas J. Green as Chairman. Green, in a paper in the AICPA's files, noted that the Committee believed the rules of professional conduct at that time were not proper for application to tax practice. The committee was developing information to assist the Committee on Professional Ethics and the Federal Taxation Committee.<sup>61</sup>

A primary concern of the Committee on Ethics of Tax Practice was the preparation of a draft opinion on the applicability to tax practice of the rules of professional conduct. In early 1962 the Committee was working on a draft opinion that was to be submitted to the AICPA's Committee on Professional Ethics for their consideration.<sup>62</sup>

A significant development occurred on February 15, 1962. In a speech in Fort Worth, IRS Commissioner Mortimer M. Caplin suggested the idea of certified tax returns.<sup>63</sup> Although Commissioner Caplin's idea was never implemented, Gilbert Simonetti recalled that the speech caused the AICPA to move more quickly to issue an opinion on the applicability of the code of ethics to tax practice and also to develop the tax practice statements.<sup>64</sup>

Opinion 13 of the Committee on Professional Ethics was issued later in 1962. Dealing with the application of the Code of Professional Ethics to tax practice, Opinion 13 stated:

It is the opinion of the Committee that the Code of Professional Ethics applies to the tax practice of members and associates except for Article 2, relating to technical standards and any other sections of the Code which relate only to examination of financial statements requiring opinions or disclaimers.

The Committee is of the opinion that the statement, affidavit or signature of preparers required on tax returns neither constitutes an opinion on financial statements nor requires a disclaimer within the meaning of Article 2 of the Code.

In tax practice, a member or associate must observe the same standards of truthfulness and integrity as he is required to observe in any other professional work. This does not mean, however, that a member or associate may not resolve doubt in favor of his client as long as there is reasonable support for his position.<sup>65</sup>

#### *Statement on Responsibilities in Tax Practice Program*

Opinion 13 alone was not enough. Thus, effective September 1,

1963, the AICPA started a new program which eventually culminated in *Statements on Responsibilities in Tax Practice*.<sup>66</sup>

The principal objectives of the Statements on Responsibilities in Tax Practice Program were:

1. To identify and develop minimum standards of responsibilities in tax practice and to encourage and promote their uniform application by CPAs.
2. To encourage the development of better understanding of responsibilities of the CPA by the Internal Revenue Service.
3. To foster increased public integrity and confidence in the tax system through awareness of self-imposed standards of conduct accepted by CPAs.
4. To protect CPAs against charges of misconduct resulting from misunderstanding regarding the extent of the CPA's responsibility.<sup>67</sup>

The purpose of the program was not to develop a separate code of ethics for tax practice but to provide guidance to CPAs so that their behavior was within the Code of Professional Ethics.<sup>68</sup>

### *Subsequent Changes and Enforcement*

The Program's Introduction and Objectives were revised in 1969. Objective 4 was eliminated.

The new objectives read as follows:

- (a) To identify and develop appropriate standards of responsibilities in tax practice and to promote their uniform application by CPAs;
- (b) To encourage the development of increased understanding of the responsibilities of the CPA by the Treasury Department and the Internal Revenue Service and to urge their officials to promote the application of commensurate standards of responsibility by their personnel;
- (c) To foster increased public compliance with and confidence in our tax system through awareness of the standards of conduct accepted by CPAs and of reciprocal measures adopted by the Treasury Department and the Internal Revenue Service.<sup>69</sup>

Other changes related to the statement's wording as to scope, effect, and enforcement. A sentence comparing the potential bene-

fits of these tax statements with the benefits the *Statements on Auditing Procedure* had on auditing was eliminated. The term "advisory" was added to the section discussing the significance of the statements. This emphasized the advisory nature of the statements.<sup>70</sup>

The major change in the *Statements*, however, concerned the section related to referral of violations of the responsibility statements to the Committee on Professional Ethics.<sup>71</sup> That wording was eliminated and the following was substituted:

Statements containing standards of responsibility which are more restrictive than those established by the Treasury Department or by the Code of Professional Ethics depend for their authority upon the general acceptability of the opinions expressed.<sup>72</sup>

Consequently, violations of standards set by the statements which were beyond *Treasury Circular No. 230* or the code of ethics would not be referred to the Committee on Professional Ethics for disciplinary action. Instead they rested upon their general acceptability.<sup>73</sup> Since the program started, ten statements have been issued on a variety of tax related issues. The last statement was issued in April, 1977. In 1982 the first two statements were withdrawn.

#### *Changes to the Code of Professional Ethics in the 1970s that Relate to Tax Practice*

During the decade of the 1970s there were three major sets of changes in the AICPA's Code of Professional Ethics. In March 1973, a major restructuring of the code occurred. The newly revised code had three sections: (1) a philosophical essay; (2) rules of conduct; and (3) interpretations of the rules. The philosophical essay was included to guide practitioners. The rules were actually enforceable and contained a section on applicability which clearly indicated that the code was applicable to tax practice except where the wording indicates otherwise.

The next major changes occurred in 1978. Two of the changes that occurred that year were closely related to tax practice. The first change related to competence and technical standards. Rule 201 relating to general standards was adopted. A CPA in tax practice was required to be professionally competent, use due professional care on an engagement, adequately plan and supervise an engagement, and base conclusions or recommendations on suffi-

cient relevant data. Additionally, a new Rule 204 relating to other technical standards was adopted. Under this rule, a CPA in tax practice would have to comply with technical standards set by a body designated by the Council of the AICPA to establish such standards. As of spring 1983, Council had not yet designated such a body. Eventually the AICPA's Federal Taxation Executive Committee is expected to be so designated and the *Statements on Responsibilities in Tax Practice* may be a basis of their early technical standards.

The second significant change in 1978 related to advertising and solicitation. In the 1977 Bates decision, the U.S. Supreme Court ruled that certain types of advertising were allowable in the legal profession.<sup>74</sup> In 1978, a new ethics rule was approved by the AICPA that allowed advertising that was not "false, misleading, or deceptive." However, direct uninvited solicitation of a specific individual or business was still proscribed. In 1979, however, the third major change resulted in the elimination of the uninvited solicitation rule. Thus advertising and solicitation was permissible if it was not "false, misleading, or deceptive." However, in January 1983 a new ethics rule was adopted also proscribing solicitation that utilized "coercion, overreaching, or harassing conduct."

### *Summary and Conclusions*

The accounting profession has been slow in developing ethical standards relating to tax practice. It was not until 1962, when the Institute's Committee on Professional Ethics issued Opinion 13 that the AICPA clearly indicated that the code of ethics was applicable to tax practice. Until then, CPAs could assume that certain rules, particularly those relating to advertising, contingent fees, and confidential relations applied to tax practice.

In the mid-1960s, the Institute began its series of *Statements on Responsibilities in Tax Practice* program. However, only ten statements have been issued. Since the 1978 modification to the Rules of Conduct of the Code of Professional Ethics, the Council of the Institute has been empowered to designate a body to establish technical standards relating to tax practice that would be enforceable under the Code of Professional Ethics. As of spring 1983 Council had yet to act in this matter.

Why has the Institute been slow in developing standards for self-regulation in the area of tax practice? Perhaps the reasons may be related to two factors: (1) the existence of strong govern-

ment regulation and (2) the diverse nature of the occupations engaged in tax practice.

The Treasury Department has had a long history of involvement in the regulation of tax practice. *Treasury Circulars No. 13* (1886) and *No. 94* (1890) were to an extent the basis for *Treasury Circular No. 230* which was issued in 1921 and since then has been revised many times. This *Circular* contains many detailed rules to which the CPA can look to determine appropriate professional behavior in tax practice. The existence of these regulations as well as the tax preparer rules and regulations probably reduced the pressure for self-regulating standards.

In contrast to the attest function, tax preparation and tax practice can be performed by a number of parties other than CPAs. While CPAs have attempted to develop the attest function as an area of exclusive jurisdiction, there have been periods in which CPAs have battled with the legal profession for the CPA's very right to engage in tax practice. Thus, CPAs have not attempted to claim tax as an area of exclusive jurisdiction. Consequently, it is likely that efforts to develop the attest function as an area of exclusive jurisdiction made the development of standards in that area an early priority. When, and how far the AICPA will go in the future in developing standards of tax practice is difficult to predict. The issue relates to the accounting profession's relations with the IRS and other occupations engaged in tax preparation and practice before the IRS.

#### FOOTNOTES

<sup>1</sup>23 Stat. 258 (July 7, 1884).

<sup>2</sup>Montgomery, "Professional Standards: A Plea for Cooperation Among Accountants," p. 39.

<sup>3</sup>Casler, p. 35.

<sup>4</sup>Lameron, p. 14.

<sup>5</sup>Carey, *The Rise: Vol. I*, p. 229.

<sup>6</sup>Casler, p. 82.

<sup>7</sup>Richardson, "A Word of Warning," pp. 279-282.

<sup>8</sup>Carey, *The Rise: Vol. I*, p. 220.

<sup>9</sup>Richardson, "Ethics by Regulation," pp. 438-439.

<sup>10</sup>Casler, pp. 85-86.

<sup>11</sup>Carey, *The Rise: Vol. I*, p. 232.

<sup>12</sup>Casler, p. 86.

<sup>13</sup>Casler, p. 93-94.

<sup>14</sup>Lameron, pp. 19, 292.

<sup>15</sup>Casler, p. 29.

<sup>16</sup>1920 *Yearbook of the American Institute of Accountants*, pp. 118-119. Also, Casler, p. 30.

<sup>17</sup>Richardson, "Contingent Fees," pp. 357-358.

- <sup>18</sup>Richardson, "Contingent Fees," pp. 357-358.
- <sup>19</sup>Richardson, "Contingent Fees," p. 358.
- <sup>20</sup>U.S. Treasury Department, Bureau of Internal Revenue, *Internal Revenue Bulletin*, 1922, Part I., pp. 473-474.
- <sup>21</sup>U.S. Treasury Department, Bureau of Internal Revenue, *Internal Revenue Bulletin* 2, 1923, Part I, pp. 344-345.
- <sup>22</sup>U.S. Treasury Department, Bureau of Internal Revenue, *Internal Revenue Bulletin* 13, 1934, Part II, pp. 604-605.
- <sup>23</sup>Carey, "Circular No. 230," p. 174.
- <sup>24</sup>Casler, p. 33.
- <sup>25</sup>Casler, pp. 33-34.
- <sup>26</sup>Carey, *The Rise*, Vol. I, p. 221.
- <sup>27</sup>Carey, *The Rise*, p. 221.
- <sup>28</sup>Carey, "Information Returns by Accountants," pp. 241-243.
- <sup>29</sup>Carey, "Information Returns by Accountants," pp. 242-243.
- <sup>30</sup>Casler, p. 69.
- <sup>31</sup>U.S. Treasury Department, Bureau of Internal Revenue, *Cumulative Bulletin* 4, January-June 1921 *Income Tax Rulings Nos. 1369-1710 Inclusive*, pp. 408-414.
- <sup>32</sup>U.S. Treasury Department, Bureau of Internal Revenue, *Internal Revenue Bulletin* 1, 1922, Part I, pp. 473-474.
- <sup>33</sup>Richardson, "Ethics by Regulation," pp. 440-441.
- <sup>34</sup>U.S. Treasury Department, Bureau of Internal Revenue, *Internal Revenue Bulletin* 2, 1923, Part II, pp. 372, 375.
- <sup>35</sup>Carey, *The Rise*, Vol. I, pp. 220-221.
- <sup>36</sup>U.S. Treasury Department, Bureau of Internal Revenue, *Internal Revenue Bulletin* 3, 1924, Part I, pp. 525-526.
- <sup>37</sup>U.S. Treasury Department, *Internal Revenue Bulletin* 3, 1924, Part I, pp. 536-537.
- <sup>38</sup>Manson, p. 200.
- <sup>39</sup>U.S. Treasury Department, Bureau of Internal Revenue, *Internal Revenue Bulletin* 6, 1927, Part II, p. 398.
- <sup>40</sup>U.S. Treasury Department, *Internal Revenue Bulletin* 6, 1927, Part II, p. 398.
- <sup>41</sup>U.S. Treasury Department, Bureau of Internal Revenue, *Internal Revenue Bulletin* 15, 1936, Part II, p. 546.
- <sup>42</sup>Carey, *The Rise: Vol. II*, pp. 252-253.
- <sup>43</sup>Smith, pp. 257-258.
- <sup>44</sup>1947 *Yearbook of the American Institute of Accountants*, pp. 103, 209, and 215.
- <sup>45</sup>Carey, *The Rise: Vol. II*, pp. 204-257.
- <sup>46</sup>Carey, *The Rise: Vol. II*, p. 479.
- <sup>47</sup>Gilbert Simonetti, Jr., "Brief History of AICPA-IRS Discussions on Ethical Responsibility of Professional Tax Practitioners," p. 1 and Appendix A.
- <sup>48</sup>Carey, *The Rise: Part II*, pp. 251-253.
- <sup>49</sup>Simonetti, p. 2.
- <sup>50</sup>Simonetti, pp. 2-3.
- <sup>51</sup>Simonetti, p. 3.
- <sup>52</sup>Simonetti, Appendix C (Written by Mark E. Richardson), p. 1.
- <sup>53</sup>Simonetti, Appendix C (Written by Mark E. Richardson), p. 1.
- <sup>54</sup>Simonetti, Appendix C (Written by Mark E. Richardson), p. 2.
- <sup>55</sup>Simonetti, Appendix C (Written by Mark E. Richardson), p. 3.
- <sup>56</sup>Simonetti, Appendix D (Written by Mark E. Richardson), p. 1.
- <sup>57</sup>Simonetti, pp. 3-4.
- <sup>58</sup>Simonetti, Appendix D (Written by Mark E. Richardson), pp. 1-3.



- <sup>59</sup>Simonetti, Appendix D (Written by Mark E. Richardson), pp. 3-4.  
<sup>60</sup>Simonetti, p. 5.  
<sup>61</sup>Green, pp. 5, 9, and 10.  
<sup>62</sup>Simonetti, p. 8.  
<sup>63</sup>Caplin, p. 19.  
<sup>64</sup>Letter from Gilbert Simonetti, Jr., to Donald T. Burns of Arthur Young & Company, December 20, 1966.  
<sup>65</sup>*Summaries of Ethics Rulings*, Appendix B., p. 168.  
<sup>66</sup>Wilschey, pp. 65-67.  
<sup>67</sup>"Introduction," *Statement on Responsibilities in Tax Practice*, pp. 1-2.  
<sup>68</sup>Wilschey, p. 66.  
<sup>69</sup>AICPA Professional Standards, Volume 2, TX Section 101.03.  
<sup>70</sup>Committee on Responsibilities in Tax Practice, May 26-28, 1968 meeting.  
<sup>71</sup>Committee on Responsibilities in Tax Practice, May 26-28, 1968 meeting.  
<sup>72</sup>AICPA Professional Standards, Volume 2, TX Section 101.10.  
<sup>73</sup>Committee on Responsibilities in Tax Practice, May 26-28, 1968 meeting.  
<sup>74</sup>Bates et al. v. State Bar of Arizona, 97 S. Ct. 2691 (1977).

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