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Letter from T. Coleman Andrews, President, Executive Committee, American Institute of Accountants, to Members of the American Institute of Accountants Re: Statement of Principles Relating to Practice in the Field of Federal income Taxation Promulgated by the National Conference of Lawyers and Certified Public Accountants (Approved May 8, 1951).

T. Coleman Andrews

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American Institute of Accountants

INCORPORATED UNDER THE LAWS OF THE DISTRICT OF COLUMBIA

THE NATIONAL ORGANIZATION OF CERTIFIED PUBLIC ACCOUNTANTS

270 MADISON AVENUE, NEW YORK 16, N. Y.

June 22, 1951

To Members of the
American Institute of Accountants

Gentlemen:

On May 8, 1951, the Council of the Institute approved the "Statement of Principles Relating to Practice in the Field of Federal Income Taxation Promulgated by the National Conference of Lawyers and Certified Public Accountants", which had already been approved by the House of Delegates of the American Bar Association last February. The full text of the Statement appears in The Journal of Accountancy for June, 1951, p. 869.

Only the National Conference of Lawyers and Certified Public Accountants, of course, may properly interpret this Statement of Principles, or apply its provisions to specific situations. A general review of the purposes and background of the Statement, however, may be helpful to you in discussing it with your clients and with lawyer acquaintances.

Purpose of Statement

"The principal purpose is to indicate the importance of voluntary cooperation between our professions", says the conclusion. It is hoped that the Statement may serve as a basis for settlement of any differences between the two professions by friendly negotiation, rather than by resort to the courts or the legislatures. It is recommended that joint committees representing the local societies of both professions be established. The National Conference of Lawyers and CPAs stands ready to consider any specific problem in the field covered by the Statement of Principles on which agreement cannot be reached by local committees.

The Statement describes itself as "tentative and subject to revision and amplification in the light of future experience". It is necessarily in general terms, and the meaning of many of the words and phrases which it contains can be determined only by the National Conference of Lawyers and Certified Public Accountants in the light of specific factual situations which may arise in the future.

Accordingly, the Statement is not to be regarded as a contract, or formal agreement, but, as its title indicates, as a declaration of broad principles, on the basis of which specific definitions and applications may be developed by the "case method" in the future.

The Statement, therefore, should be considered as a whole, and its various sections should not be subjected to interpretations apart from the general context.

Broadly, it seems to me, the most significant implications of the Statement are as follows:

(1) Each of the professions concerned recognizes the other as maintaining comparable standards, and as engaged in a field which frequently overlaps its own. Each profession recognizes the wisdom of voluntary cooperation with the other in matters in which their joint skills may be utilized to the best interests of the public.

(2) Each profession recognizes that members of the other have a proper and legitimate place in every phase of federal income-tax practice, but that neither should assume the functions peculiar to the other. Common sense will usually indicate what those peculiar functions are, but definitions of these functions will probably be developed as needed by the consideration of specific factual situations.

In approving the Statement, the Council of the Institute did not intend to abrogate or limit any rights or privileges which certified public accountants have properly maintained in federal income-tax practice, nor can I believe that the House of Delegates of the American Bar Association intended to abrogate or limit any rights or privileges of lawyers. The Statement itself says that it is "for the guidance" of members of the two professions, and it may be assumed that this applies both to their daily conduct and to the consideration of any disputes which may arise between them.

In a word, the Statement was written in good faith by men of good will in both professions. It may be presumed to mean just what it says, no more and no less.

Since 1932 the American Institute of Accountants has been engaged in more or less continuous negotiations with the committee on unauthorized practice of law of the American Bar Association on questions related to proper scope of tax practice by certified public accountants. The negotiations have been interrupted from time to time by litigation between members of the two professions, or by disputes over proposed legislation affecting tax practice.

The experience of fifteen years demonstrated that no satisfactory solution of this complex controversy was to be expected from the courts or from legislation, and that efforts to seek a solution in these forums would not only breed bitterness between the two professions but might be regarded with distaste and disfavor by the public at large.

The only alternative appeared to be settlement of differences by direct negotiation between representatives of the two professions. Such negotiations, however, cannot be conducted in a vacuum. It is necessary to have some postulates, however broad and general, on which settlement negotiations can be based, and it is with the purpose of providing such postulates, as I understand it, that the Statement of Principles, promulgated by the National Conference of Lawyers and Certified Public Accountants, has been approved.

It is impossible, of course, for the American Institute of Accountants and the American Bar Association to control all the activities of all their members, or even of the local organizations of each profession. In spite of the efforts of the National Conference of Lawyers and Certified Public Accountants, there may be further litigation and legislative proposals in which efforts will be made to limit the scope of practice by certified public accountants in the income tax field. It is recognized that in such event, the Statement of Principles may be quoted and an attempt may be made to interpret its provisions in a manner disadvantageous to the certified public accountant concerned. It is for this reason that I feel it necessary that you understand and have in mind the background of the Statement, as described in this letter, when it is discussed with your clients and with lawyers, in order to avoid the possibility of its being misunderstood.

Yours sincerely,

A handwritten signature in cursive script, reading "T. Coleman Andrews". The signature is written in black ink and is positioned below the text "Yours sincerely,".

President

TCA:A