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October 3, 2024

Professional Ethics Executive Committee
Professional Ethics Divisions
American Institute of Certified Public Accountants
1211 Avenue of the Americas, 19th Floor
New York, NY 10036

Via Email to ethics-exposuredraft@aicpa.org

**Re: Comments on Exposure Draft, Proposed revised interpretation,
Tax Services (ET sec. 1.295.160)**

Dear Committee Members:

Grant Thornton LLP is pleased to offer its perspective on the June 2024 Exposure Draft proposing revisions to the “Tax Services” interpretation (ET sec. 1.295.160) of the “Independence Rule” (ET sec. 1.200.001) (“Exposure Draft”) issued by the Professional Ethics Executive Committee (“PEEC”) of the American Institute of Certified Public Accountants (“AICPA”). As currently exposed, if the proposed revisions to the “Tax Services” interpretation are adopted as final, the revised interpretation will be applicable to members in public practice without regard to the type of attest client they serve, that is, regardless of whether a client is a private business or an SEC registrant subject to SEC/PCAOB governance over tax services performed by a member also providing attest services.

We appreciate that the Exposure Draft is part of the AICPA’s PEEC project to converge the AICPA Code of Professional Conduct (“AICPA Code”) with the ethical standards promulgated by the International Ethics Standards Board for Accountants (“IEBSA”). However, based on our review, Grant Thornton concludes that the Exposure Draft lacks sufficient rationale and analysis for applying a “more likely than not” standard in the provision of tax service to private businesses for which attest services are provided and, relatedly, lacks adequate consideration of the implications and potential impact of applying a “more likely than not standard” to tax services performed for such attest clients.

Generally, we agree that tax advisory and tax planning services should be covered in the interpretation scope of Tax Services. We also agree that appropriate guidance is essential to address potential self-review and advocacy threats to independence when members perform tax services to attest clients, including the addition of specific relevant factors to consider when evaluating and identifying such threats. We further support the revisions to include guidance on the tax advisory and tax planning services that impair independence and specific guidance on such services that do not impair independence.

However, the Exposure Draft is substantively silent in explaining why tax services performed for privately held attest clients must be measured at more likely than not (“MLTN”). When the PCAOB exposed the Ethics and Independence Rules contained within Rule 3520 through 3526, with the MLTN focus of Rule 3522, adoption was a multi-year, multi-version of exposure drafts replete with rationale, examples, extensive commentary, and reply to the commentary seeking further input and analysis. The professional broadly understood the importance to public confidence of ensuring the integral importance of independence and ethics in providing both attest and tax services to registrant clients. That process moved forward cautiously, with a deep discussion and review of how the proposed PCAOB standards might operate in light of the existing legal and regulatory framework governing tax services and the implications to members and businesses for adopting new standards governing the allowability and framework of providing tax services to SEC registrants.

Grant Thornton believes that more deliberation and discussion is warranted before a more likely than not tax standard is adopted and broadly applied by the AICPA to tax services applied to a firm’s attest clients. We do not understand the drivers leading to the proposed more likely than not standard. It is not intuitive that the public policy rationale and public market concerns underlying the PCAOB Tax Services framework apply in the same manner to privately held attest clients. On the core point of converging with IESBA’s standards, it also is not intuitive that Exposure Draft proposal achieves that end. IESBA’s standard of “likely to prevail” itself is an underdeveloped framework and whatever level of confidence “likely to prevail” may relate to under the U.S. law and regulation should be explored before an expanded and revised AICPA standard governing Tax Services is finalized and adopted.

The thrust of the PCAOB’s adoption of Ethics and Independence rules governing tax services was concern with an attest firm advising a client on “aggressive” tax return positions. That concern rested primarily on the principle that fundamental confidence in public financial statements and other information relied on by the public reflected through required reporting activities of registrants warranted especially strong protections. Those protections were established through rules governing allowable and unallowable tax services and setting the threshold confidence level for firms providing attest services at MLTN, the highest statutory and regulatory levels of confidence (along with certain other protections).

Grant Thornton’s recommendation is not to finalize and adopt the expansion and revision set forth in the Exposure Draft until there is an opportunity to meaningfully evaluate through exposure in a more fulsome process at least the following: (i) why the more likely than not standard is considered necessary to apply to private company

attest clients; (ii) whether a more likely than not standard appropriately harmonizes (or converges) with IESBA's "likely to prevail" standard; and (iii) the impact of applying a more likely than not standard on members and clients, including potentially unintended-but- impactful negative consequences.

While there is uncertainty in the purpose of the underlying revisions in applying a MLTN standard, it is clear to Grant Thornton that the proposed revision is a meaningful change and will have substantial impact to members and private sector clients. We are interested to review comments provided by other AICPA members. If there is a lack of deep analysis on the Exposure Draft, we suggest that should weigh heavily in PEEC not seeking to finalize a vote (for adoption) on the Exposure Draft and instead, look toward a revised process that draws out discussion of a change that we think may meaningfully impact a large section of members and their private sector clients. By further comparison, that is the approach the AICPA's Tax Practice Responsibilities Committee has taken over the years in exposing and finalizing revisions to the Statements on Standards for Tax Services.

Grant Thornton would be pleased to further discuss any matters raised in this comment letter and other aspects of the subject matter with PEEC or any other AICPA committee.

We would be pleased to discuss our comments with you. If you have any questions, please contact Anna Dourdourekas, National Partner in Charge, Ethical Standards, at Anna.Dourdourekas@us.gt.com or (630) 873-2633.

Sincerely,

/s/ Grant Thornton LLP