



June 9, 2021

María E. Morales, CPA, CGMA
Accounting and Auditing Advisor
Colegio de CPA de Puerto Rico
Edificio Capital Center Torre Sur PH 2
Avenida Arterial Hostos
Hato Rey, Puerto Rico 00918

Dear María:

On behalf of the American Institute of CPAs (AICPA), thank you for your inquiry regarding the Puerto Rico Department of Treasury requirement that a certified public accountant include a due diligence form as part of an individual's tax return for businesses not exceeding a volume of \$1,000,000.

The AICPA is the world's largest member association representing the CPA profession, with more than 431,000 members in the United States and worldwide, and a history of serving the public interest since 1887. AICPA members represent many areas of practice, including business and industry, public practice, government, education and consulting. The AICPA sets ethical standards for its members and U.S. auditing standards for private companies, nonprofit organizations, and federal, state and local governments. It develops and grades the Uniform CPA Examination, offers specialized credentials, builds the pipeline of future talent and drives professional competency development to advance the vitality, relevance and quality of the profession.

In response to your inquiry, the AICPA reviewed form *Schedule DDC Individual: Due Diligence Checklist by Accredited Agent-Tax Returns Specialist (Schedule DDC Individual)* which is based on the United States Internal Revenue Service's *Form 8867-Paid Preparers Due Diligence Checklist*. Schedule DDC Individual goes beyond the requirements set forth by the United States Internal Revenue Service in that it requires a CPA to examine supporting documents to validate expense deductions. Moreover, the form requires a sworn statement by a CPA that states:

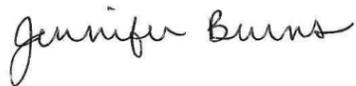
I hereby declare under penalty of perjury that I have examined the information included in this form and it is true, correct and complete. I am aware that by issuing and signing this form I attest that the categories of deductions and the amounts included in this form are ordinary and necessary expenses to carry out the operation of the taxpayer's industry or business. I understand that, if I have not met all the due diligence requirements listed above, I am subject to the suspension of my license as Accredited Agent-Tax Returns Specialist by the Department. I also accept that, in the case that the Department determines that any of the amounts included in this form and claimed as deduction by the taxpayer is not supported with documentary evidence, I will be subject to the payment of the find and other applicable penalties provided in Section 6074.03 of the Code.

This statement would in effect require a CPA to provide assurance with respect to these matters. For a CPA to provide assurance, a CPA must obtain sufficient appropriate evidence as a basis for that assurance. Accordingly, in order to comply with this requirement without risking their professional license, a CPA would need to perform an attestation engagement and attach their report.

Alternatively, if the Treasury Department does not wish to impose the cost of an attestation engagement on Puerto Rico taxpayers, we suggest conforming Puerto Rico's form to the language contained in *Form 8867*.

Again, thank you for your inquiry. Please let us know if we can provide further insight as you work with the Puerto Rico Department of Treasury.

Sincerely,

A handwritten signature in cursive script that reads "Jennifer Burns".

Jennifer Burns, CPA
Chief Auditor

cc: Rosa Rodríguez, President, Colegio de CPA de Puerto Rico
Francisco Fernández, President, Puerto Rico Board of Examiners of Certified Public Accountants