AI in tax preparation: what the IRS Advisory Council recommends for preparers

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Short answer: the IRS Advisory Council (IRSAC) says existing rules on preparer conduct and taxpayer information were not written for AI in tax preparation, and in its annual report of 18 November 2026 it recommends clearer and wider IRS guidance. It asks the IRS to reissue its June 2026 professional responsibility guidance after comments, warn all preparer tax identification number holders, and add AI risks to its security plan template. These are recommendations, not new rules.

TL;DR The short version

- The IRS Advisory Council's report of 18 November 2026 says existing preparer conduct and taxpayer information rules were not written for AI.
- It asks the IRS to reissue its June 2026 guidance after comments, warn all PTIN holders, and add AI risks to its security plan template.
- These are recommendations, not new rules, but practices can already review which AI tools touch client data.

Read online, listen to it, or change the text size: https://blogs.iictp.org/irsac-ai-tax-preparers-recommendations-2026-explained

What did the council publish?

IRSAC is a federal advisory committee. Its report covers 33 issues, one of which is AI use by tax return preparers. It notes that preparers use AI to extract and summarise information from returns and accounting records, review documents, prepare workpapers and draft returns, research tax questions and communicate with clients.

How current guidance works

- The IRS Office of Professional Responsibility (OPR) issued Issue No. 2026-19 on 24 June 2026, applying Circular 230 to AI-assisted practice.
- It says practitioners must review AI-created material before it reaches a client or the IRS and cannot rely on AI alone.
- It ties competence to understanding how AI produces content and its errors and bias.
- It discusses civil and criminal penalties for improper disclosure or use of taxpayer information under Sections 6713 and 7216.
- It lists best practices, including vetting vendors, documenting use and verification, and treating AI text as a draft.

What is new in the recommendations

- Reissue the OPR guidance after public comment, focus it on Circular 230 principles, and separate legal requirements from best practice.
- Reconcile its statement on billing for AI time savings with the existing ban on unconscionable fees.
- Consider further guidance on penalty and confidentiality risks, including privilege under Section 7525.
- Address AI in the final Circular 230 regulations and give AI cautions to all PTIN holders.
- Update Publication 5708, the written information security plan template, for AI vendor due diligence, access control, retention and incident response.
- Add AI risk training for volunteer tax assistance programmes.

Facts reported in the report

- At 1 August 2026 there were 879,698 PTIN holders, of whom 375,817, or 42.7%, were enrolled or in the 2026 Annual Filing Season Program, based on IRS statistics cited by the council.
- About 144,000 people subscribed to the OPR email alerts that carried the guidance, per information given to the council in August 2026.
- The council says taxpayers and preparers may not fully understand how an AI provider receives, stores, uses or retains submitted information.
- A footnote warns that giving privileged information to an AI operator might lead to loss of privilege.

Limitations and open questions

- The IRS has not adopted these recommendations by publishing the report.
- The guidance applies to United States federal tax practice; other jurisdictions have their own rules.
- Whether and when taxpayer information may be put into a particular AI tool is exactly what the council asks the IRS to clarify.
- This is general information, not tax or legal advice. Sources were read on 26 November 2026. Products, rules and standards change, so check the linked originals before you rely on any detail.

How a practice can act now

1. List every AI tool in use, including free assistants staff use on their own.
2. For each, record what client data goes in, where it is stored, how long, and whether it trains models.
3. Block uploads of taxpayer information to tools you have not vetted, and get consents your rules require.
4. Add AI vendors, access, retention and incidents to your written information security plan.
5. Require documented human review of every AI-assisted research answer and return item, including citations.
6. Review engagement letters and fee practice with your insurer and professional body.

What it means for CPAs, enrolled agents and firm owners

The direction is clear even before rules change: competence, due diligence and confidentiality already apply to AI-assisted work. A one-page policy with a named owner and evidence of review is easier to defend than an informal habit. For a related audit view, see auditor independence and AI.

Frequently asked questions

- **Is AI allowed in tax preparation?** The report does not ban it. Existing conduct and confidentiality rules apply, and OPR has issued introductory guidance.
- **Did the IRS change Circular 230 for AI?** Not through this report; the council recommends addressing AI in the final regulations.
- **What is the biggest confidentiality risk?** Entering taxpayer information into a system without knowing how the provider stores, uses or retains it.
- **Where is the full text?** IRS Publication 5316, the IRSAC public report.

Related reading

- FRC guidance on auditor independence and AI
- Confidence scores in financial document extraction
- SOC 2 plus AIUC-1 for AI agents
- AI Practitioner certification

> Related credential: AI Practitioner. Explore the exam facts and syllabus.

Sources and further reading

1. Internal Revenue Service Advisory Council. 2026 Annual Report, Publication 5316, Issue Eight: Use of Artificial Intelligence by Tax Return Preparers. November 2026. irs.gov/pub/irs-pdf/p5316.pdf
2. Internal Revenue Service. IRS Advisory Council issues annual public report (IR-2026-142). 18 November 2026. irs.gov/newsroom/irs-advisory-council-issues-annual-public-report

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