

# 2023 Annual Engagement Letter

**[firm information including name, logo, street, city, state, zip, phone, fax and email]**

*(PLEASE COMPLETE, SIGN AND RETURN)*

Name	Date
Address	

Dear \_\_\_\_\_:

This letter is to confirm and specify the terms of our engagement with you for the year ended **December 31, 2023**, and to clarify the nature and extent of the tax services we will provide.

## SERVICES TO BE PROVIDED

We will prepare the tax returns for the calendar year **2023** as indicated by you below. *(Please place a checkmark besides the returns you would like us to prepare, specifically listing ALL state and local returns.)*

- Federal Income Tax Return—Form 1040
- State Income Tax Return(s) \_\_\_\_\_ *(please list states)*
- City Income Tax Return(s) \_\_\_\_\_ *(please list cities)*
- Other Tax Returns \_\_\_\_\_ *(please list other localities)*

We are not responsible for returns not on the list. We are under no duty to review the information you provide to determine whether you may have a filing obligation with another state, city or other locality. If we become aware of any other filing requirement, we will tell you of the obligation and may prepare the appropriate returns at your request as a separate engagement.

This engagement letter does not cover the preparation of any financial statements, or any other accounting or advisory services which, if we are to provide, will be covered under a separate engagement letter.

It is your responsibility to provide us with all the information necessary for the preparation of complete and accurate returns. **You should retain all the documents, receipts, canceled checks, and other data that form the basis of income and deductions for a minimum of four years.** These may be necessary to prove the accuracy and completeness of the returns to a taxing authority. You have the final responsibility for the income tax returns and, therefore, you should review them carefully before you sign them.

Our work in connection with the preparation of the tax return(s) does not include any procedures designed to discover defalcations or other irregularities, should any exist. The returns will be prepared solely from information provided to us without verification by us.

We will use our judgment to resolve questions in your favor where a tax law is unclear or if there is a reasonable justification for doing so. Whenever we are aware that a possibly applicable tax law is unclear or that there are conflicting interpretations of the law by authorities (e.g., tax agencies and courts), we will explain the possible positions that may be taken on your return. We will follow whatever position you request, so long as it is consistent with the codes and regulations and interpretations that have been promulgated. If the IRS should later contest the position taken, there may be an assessment of additional tax plus interest and penalties. We assume no liability for any such additional penalties or assessments.

If during our work, we discover information that affects prior-year tax returns, we will make you aware of the facts. However, we cannot be responsible for identifying all items that may affect prior-year returns. If you become aware of such information during the year, please contact us to discuss the best resolution of the issue. We will be happy to prepare appropriate amended returns as a separate engagement which will be billed separately from the preparation of this year's tax returns.

The IRS permits you to authorize us to discuss, on a limited basis, aspects of your return for one year after the return's due date. Your consent to such a discussion is evidenced by checking a box on the return. Unless you tell us otherwise, we will check that box authorizing the IRS to discuss your return with us.

**We will not file any federal, state or local tax extensions unless you specifically request us to do so in writing, by fax or email.**

Our policy is to put all tax advice in writing. You understand that you will not rely upon any unwritten advice because it may be tentative, incomplete, or not fully reviewed.

In accordance with federal law, in no case will we disclose your tax return information to any location outside the United States, to another tax return preparer outside of our firm for purposes of a second opinion, or to any other third party (except as specified below) for any other purpose without first receiving your written consent. Additionally, all information you provide us in connection with this engagement will be maintained by us on a strictly confidential basis according to our firm's *Privacy Policy*.

We may from time to time, and depending on the circumstances, use third-party service providers to assist in preparing your return, but these preparers will not make substantive decisions concerning your return. We may share your tax return information with these service providers but remain committed to maintaining the confidentiality and security of your personal information. In addition, we will secure confidentiality agreements with all service providers to maintain the confidentiality of your information and we will take reasonable precautions to determine that they have appropriate procedures in place to prevent the unauthorized release of your confidential information to others. If we are unable to secure an appropriate confidentiality agreement, you will be asked to provide your consent prior to the sharing of your confidential information with the third-party service provider. Furthermore, (firm name) will remain responsible for the work provided by any such third-party service provider.

#### **CLIENT RESPONSIBILITIES**

We will provide you with an information checklist and questionnaire requesting specific information. Completing these forms will assist us in making sure you are well served for a reasonable fee. In providing this information to us, **you represent that the information you are supplying is truthful, accurate and complete to the best of your knowledge and that you have truthfully disclosed to us all income and other relevant facts affecting the returns. You further represent that you have provided us true, correct and complete information regarding amounts you claimed as tax deductions, and have maintained written documentation supporting all amounts, including logbooks and receipts.** We will not audit or otherwise verify the information you give us; however, we may ask for additional clarification of some information.

You will contact us immediately if you discover additional information that will lead to a change in your return, or if you receive any letters from the IRS, state, or local taxing authorities.

The Internal Revenue Code and regulations impose preparation and disclosure standards with non-compliance penalties on both the preparer of a tax return and on the taxpayer. These standards differ and are higher for return preparers than taxpayers. To avoid exposure to these penalties, it may be necessary in some cases to make certain disclosures to you and/or in the tax return concerning positions taken on the return that don't meet these standards. Accordingly, we will discuss tax positions that may increase the risk of exposure to penalties and any recommended disclosures with you before completing the preparation of the return. If we conclude that we are obligated to disclose a position and you refuse to permit the disclosure, we reserve the right to withdraw from the engagement and you agree to compensate us for our services to the date of withdrawal. Our engagement with you will terminate upon our withdrawal.

#### **TAX EXAMINATIONS**

You understand that taxing authorities may examine the returns and that penalties may be imposed on returns that are late, underpaid, or incorrect. In the event of an audit, you may be requested to produce documents, records, or other evidence to substantiate the items of income and deduction shown on a tax return. As such, you should know that IRS audit procedures will almost always include questions on bartering transactions and on deductions that require strict documentation such as **all charitable contributions**, travel and entertainment expenses and expenses for business usage of autos, computers, and cell phones. In preparing your returns we rely on your representations that we have been informed of all bartering transactions and that you understand and have complied with the documentation requirements for your expenses and deductions. We are not responsible for disallowed deductions, or the inclusion of additional unreported income or any resulting taxes, penalties, or interest. If you have questions about these issues, please contact us.

Any proposed adjustments by the examining agent are subject to certain rights of appeal. Our standard tax preparation fee does not include responding to inquiries or examination by taxing authorities. However, we will be available, upon request, to represent you. **You understand that you will be charged an additional fee if we are asked to assist or represent you in a tax examination OR INQUIRY.** (Purchase of our Audit Guarantee within 10 days of receipt of your tax returns will exempt you from additional costs related to our responding to a tax examination or inquiry.)

You understand that, in the event of a preparer error, you are responsible for additional tax and interest that may be due, but our responsibility is to pay for any penalty that the IRS, state or local taxing authorities may assess.

#### **COMPENSATION**

Our fees are not contingent on the results of our services. Fees for our tax return preparation services are based upon the appropriate market rate for the level and value of services rendered. Our bill for this engagement will be due and payable upon completion of these returns and additional services will not be performed until the bill for these services is paid in full. You understand that your bill will be based upon the predetermined amount given to you in Exhibit A attached or by the standard billing rates presented to you.

If payment is not received when due, you will be assessed interest charges of 1½% per month on the unpaid balance. We reserve the right to suspend or terminate our work due to non-payment. In accordance with our firm policies, work may be suspended if your account becomes ninety (90) days or more overdue and will not be resumed until your account is paid in full. The suspension or termination of our work may cause you to fail to meet deadlines imposed by creditors, governments or other third-parties or may result in other adverse consequences and is a proper consequence of nonpayment of our statements. If our work is suspended or terminated because of non-payment, you agree that we will not be responsible for your failure to meet government and other filing

deadlines, or for penalties or interest that may be assessed against you resulting from your failure to meet said deadlines. Additionally, if we elect to terminate our services for nonpayment, our engagement will be deemed to have been completed upon written notification of termination, even if we have not completed the services contemplated in this engagement. You will be obligated to compensate us for all time expended and to reimburse us for all out-of-pocket expenditures through the date of termination. If any collection action is required to collect unpaid balances due us, you agree to reimburse us for our costs of collection, including attorney fees.

#### **RECORD RETENTION**

**In accordance with our firm's current document retention policy, we will retain our work papers and your tax returns for your engagement for *seven (7) years*.** We will provide you a copy of the depreciation schedules and tax returns and other pertinent work papers that should be a part of your books and records. If you should need replacements, we will provide additional copies at our standard copying fees. All your original records will be returned to you. After seven years, our work papers and files will no longer be available. Physical deterioration or catastrophic events may shorten the time during which our records will be available. The working papers and files of our firm are not a substitute for the original records of your company. When any records are returned to you, it is your responsibility to retain and protect the records for possible future use, including potential examination by governmental or regulatory agencies. It is agreed and understood that in connection with the performance of this engagement by (firm name), that the work papers prepared by us shall remain the property of (firm name).

#### **CONFIDENTIALITY PRIVILEGE**

Certain communications involving tax advice are privileged and not subject to disclosure to the IRS. By disclosing the contents of those communications to anyone, or by turning over information about those communications to the government, you may be waiving this privilege. To protect this right to privileged communication, please consult with us or your attorney prior to disclosing any information about our tax advice. Should you decide that it is appropriate for us to disclose any privileged communication; you agree to provide us with written, advanced authority to make that disclosure.

#### **SUBPOENAS AND OUTSIDE INQUIRIES**

Should we receive any request for the disclosure of privileged information from any third party, including a subpoena or IRS summons, we will notify you prior to responding to it if we are legally permitted to do so. You may, within the time permitted for our firm to respond to any request, initiate such legal action as you deem appropriate to protect information from discovery. If you take no action within the time permitted for us to respond or if your actions do not result in a judicial order protecting us from supplying requested information, we may construe your inaction or failure as consent to comply with the request. In the event you direct us to not make the disclosure, you agree to hold us harmless from any expenses incurred in defending the privilege, including, by way of illustration only, our attorney's fees, court costs, outside advisor's costs, or penalties or fines imposed because of your asserting the privilege or your direction to us to assert the privilege. In the event we are required to respond to a subpoena, court order or other legal process for the production of documents and/or testimony relative to information we obtained and/or prepared during the course of this engagement, you agree to compensate us at our hourly rates, as set forth above, for the time we expand in connection with such response, and to reimburse us for all of our out-of-pocket costs incurred in that regard.

#### **DISPUTE RESOLUTION**

If any dispute, controversy, or claim arises among the parties of this agreement, either party may, upon written notice to the other party, request that the matter be mediated. Such mediation will be conducted by a mediator appointed by and pursuant to the Rules of the American Arbitration Association (AAA) under its Commercial Mediation Rules or such other neutral facilitator acceptable to both parties. Both parties will exert their best efforts to discuss with each other in good faith their respective positions to finally resolve such dispute or controversy. Any mediation initiated because of this engagement shall be administered within (county and state).

Each party may disclose any facts to the other party or to the mediator which it, in good faith, considers necessary to resolve the matter. All such discussions, however, will be for the purpose of assisting in settlement efforts and will not be admissible in any subsequent litigation against the disclosing party. Except as agreed by both parties, the mediator will keep confidential all information disclosed during negotiations. The mediator may not act as a witness for either party in any subsequent arbitration between the parties.

The mediation proceedings will conclude within sixty (60) days from receipt of the written notice unless extended or terminated sooner by mutual consent. Each party will be responsible for its own expenses. The fees and expenses of the mediator, if any, will be borne equally by the parties.

If any dispute, controversy, or claim cannot be resolved by mediation, then the dispute, controversy, or claim will be settled by final and binding arbitration in accordance with the Rules of the American Arbitration Association (AAA) for the Resolution of Accounting Firm Disputes. No prehearing discovery will be permitted unless specifically authorized by the arbitration panel. The arbitration hearings will take place in the city closest to the place where this agreement was performed in which the AAA maintains an office unless the parties agree to a different locale.

The award issued by the arbitration panel may be confirmed in a judgment by any federal or state court of competent jurisdiction. All reasonable costs of both parties, as determined by the arbitrators, including (1) the fees and expenses of the AAA and the arbitrators and (2) the costs, including reasonable attorneys' fees, necessary to confirm the award in court, will be borne entirely by the non-

prevailing party (to be designated by the arbitration panel in the award) and may not be allocated between the parties by the arbitration panel.

Such arbitration shall be binding and final. In agreeing to arbitration, we both acknowledge that in the event of a dispute over fees charged by the accountant, each of us is giving up the right to have the dispute decided in a court of law before a judge or jury and instead we are accepting the use of arbitration for resolution.

Potential errors may occur in your tax return(s) that can result in damages that may be many times the amount of the fees for this engagement. To induce us to accept this engagement, you therefore agree that our liability for any negligent errors or omissions committed by us in the performance of the engagement will be limited to the total amount of fees paid by you to us under the terms of this agreement.

Because there are inherent difficulties in recalling or preserving information as the period after an engagement increases, you agree that, notwithstanding the statute of limitations of the State of (state), any claims based on this engagement must be filed within twelve (12) months after performance of our service, unless you have previously provided us with a written notice of a specific defect in our services that forms the basis of the claim.

If any portion of this engagement letter is deemed invalid or unenforceable, said finding shall not operate to invalidate the remainder of this engagement letter.

**CONFIRMATION OF AGREEMENT**

This engagement letter is contractual in nature and includes all the relevant terms that will govern the engagement for which it has been prepared. The terms of this letter supersede any prior oral or written representations or commitments by or between the parties. Any material changes or additions to the terms set forth in this letter will only become effective if evidenced by a written amendment to this letter, signed by all the parties.

If the foregoing is in accordance with your understanding, **please sign and date this letter in the spaces provided. Return all pages to us.** We appreciate the opportunity to be of service to you. We shall be pleased to discuss this engagement letter with you at any time. It is our policy to initiate services after we receive the executed engagement letter. **NOTE: If you live in a community property state (AZ, CA, ID, LA, NV, NM, TX, WA, and WI), both spouses are required to sign this engagement letter. If you have decided to divorce but are filing together, please notify us so a separate supplemental engagement letter can be signed.**

Very truly yours,

(Firm Name)

Accepted by: \_\_\_\_\_ Date: \_\_\_\_\_

Accepted by: \_\_\_\_\_ Date: \_\_\_\_\_

***PLEASE SIGN AND RETURN ALL FOUR PAGES. THANK YOU!***