

## 2007 1040 Income Tax Return Annual Engagement Letter & Privacy Notification

Date: \_\_\_\_\_ Client Name(s) \_\_\_\_\_

I am pleased to confirm my understanding of the arrangements for your income tax return(s). This letter confirms the services you have asked my firm to perform and the terms under which I have agreed to do that work. Please read this letter carefully because it is important to both my firm and you that you understand what you can and cannot expect from my work. In other words, I want you to know the limitations of the services you have asked me to perform. If you are confused at all by this letter or believe I have misunderstood what you need, please call to discuss this letter before you sign it.

The Internal Revenue Service imposes penalties on taxpayers, and on me as return preparer, for failure to observe due care in reporting for income tax returns. In order to ensure an understanding of my mutual responsibilities, I ask all clients for whom I prepare tax returns to confirm the following arrangements.

I will prepare your 2007 Federal and resident state **Individual Income Tax Form 1040** and related Federal and resident state individual Form 1040 income tax return schedules from information you furnish me. I do not use third parties for preparation of your tax return and I do not share or use your information for other purposes without your express permission. I will not audit or otherwise verify the data you submit although I may ask you to clarify some of the information. I may furnish you with tax organizers and questionnaires to help you gather and organize the necessary information for me, in order to keep my fee to a minimum. ***I am responsible for preparing only the returns listed previously, if you have taxable activity in a state other than that specifically listed you are responsible for providing my firm with all information necessary to prepare any additional applicable state(s) income tax returns as well as informing me of the applicable states.*** Any additional state income tax returns will be prepared as a separate engagement. If you have income tax filing requirements in a given state but do not file that return there could be possible adverse ramifications such as an unlimited statute of limitations, penalties, etc. If you would like me to investigate to determine each state where you have an income tax filing requirement please inform me.

If you have derived income from a foreign country, I will use the foreign country income information which you provide to calculate any applicable federal or state foreign tax credit or other affected federal or state income tax items. However, you are responsible for meeting any foreign country income tax or other foreign country reporting requirements.

I must receive all information to prepare your return by **April 1, 2007**, to ensure that your return will be completed by April 15, 2007. The only exception is for returns which require information from K-1s that are not received until after April 1<sup>st</sup>, in which case I will complete the returns if I have everything other than the applicable K-1s prior to April 1<sup>st</sup> and the K-1s as soon as they are received. If I have not received all of your information by **April 1, 2007**, and your return is not completed by April 15, 2007, you may be subject to late filing or late payment penalties. ***I do not file tax extensions for clients unless specifically requested to do so.***

It is your responsibility to maintain, in your records, the documentation necessary to support the data used in preparing your tax returns, including but not limited to the auto, travel, entertainment, and related expenses and the required documents to support all charitable contributions. If you have any questions as to the type of records required, please ask me for advice in that regard. It is also your responsibility to carefully examine and approve your completed tax returns before signing and mailing them to the tax authorities. I am not responsible for the disallowance of doubtful deductions or inadequately supported documentation, nor for resulting taxes, penalties and interest. I will rely, without further verification, upon information you provide to me from 3<sup>rd</sup> parties including, but not limited to, K1's, 1099's, 1098's, receipts and similar items.

I am responsible for preparing only the individual income tax returns listed above. All other returns are to be prepared by you or other preparers. If there are additional returns you wish me to prepare, such as sales tax, property tax, inheritance, gift or estate tax, other income tax returns for other entities, or other state or city tax returns please insert them here: \_\_\_\_\_. My fee does not include responding to inquiries or examination by taxing authorities. However, I am available to represent you and my fees for such services are at my standard rates and would be covered under a separate engagement letter.

I will use my professional judgment in preparing your returns. Whenever I am 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), I will explain the possible positions that may be taken on your return. I will adopt whatever position you request on your return so long as it is consistent with the codes, regulations, and interpretations that have been promulgated. If the Internal Revenue Service should later contest the position taken, there may be an assessment of additional tax plus interest and penalties. I assume no liability for any such additional penalties or

assessments.

If I am asked to disclose any privileged communication, unless I am required to disclose the communication by law, I will not provide such disclosure until you have had an opportunity to argue that the communication is privileged. You agree to pay any and all reasonable expenses that I incur, including legal fees, that are a result of attempts to protect any communication as privileged.) In addition, your confidentiality privilege can be inadvertently waived if you discuss the contents of any privileged communication with a third party, such as a lending institution, a friend, or a business associate. I recommend that you contact me before releasing any privileged information to a third party.

It is my policy to keep records related to this engagement for four years after which they are destroyed. However, I do not keep any original client records, so I will return those to you at the completion of the services rendered under this engagement. When records are returned to you, it is your responsibility to retain and protect your records for possible future use, including potential examination by any government or regulatory agencies. Prior to each tax filing season I send a tax questionnaire to most of my clients as a convenience to assist them with gathering their tax information.

In the interest of facilitating my services to you, I may communicate by facsimile transmission or send electronic mail over the Internet. If I do send such information, it may be encrypted. In that case, **the password will be the last four digits of your social security number.** Such communications may include information that is confidential to your company. While I will use my best efforts to keep such communications secure in accordance with my obligations under applicable laws and professional standards, you recognize and accept that I have no control over the unauthorized interception of these communications once they have been sent and consent to my use of these electronic devices during this engagement.

From time to time during my relationship, you may seek my advice with regard to potential investments. I am not an investment advisor unless **specifically and in writing by separate agreement hired for that purpose.** Accordingly, I suggest that you seek the advice of qualified investment advisors appropriate to each investment being considered. Unless otherwise specifically agreed to in a separate engagement letter or in a written addendum or amendment to this engagement letter signed by the parties, I will not advise you regarding the economic viability or consequences of an investment or whether you should or should not make a particular investment.

Invoices for tax preparation are due **prior** to the filing of the returns. Billings for other services become delinquent if not paid within 30 days of the invoice date. If billings are not paid within 60 days of the invoice date, at my election, I may stop all work at my discretion until your account is brought current, or I will withdraw from this engagement. You acknowledge and agree that I am not required to continue work in the event of your failure to pay on a timely basis for services rendered as required by this engagement letter. You further acknowledge and agree that in the event I stop work or withdraw from this engagement as a result of your failure to pay on a timely basis for services rendered as required by this engagement letter, I shall not be liable to you for any damages that occur as a result of my ceasing to render services. My services will conclude upon delivery of the completed income tax returns discussed above or upon my suspension of services or resignation from the engagement.

In recognition of the relative risks and benefits of this agreement to both the client and the accounting firm, the client and the accounting firm have discussed and have agreed on the fair allocation of risk between them. As such, the client agrees, to the fullest extent permitted by law, to limit the liability of the accounting firm to the client for any and all claims, losses, costs, and damages of any nature whatsoever, so that the total aggregate liability of the accounting firm to the client shall not exceed the accounting firm's total fee for services rendered under the agreement. The client and the accounting firm intend and agree that this limitation apply to any and all liability or cause of action against the accounting firm, however alleged or arising, unless otherwise prohibited by law. Both parties agree that there is a one year limitation period to bring a claim against me for errors and omissions. The one year period will begin upon the date of the accountant's report discussed above.

I appreciate the opportunity to serve you. Please date and sign this letter to acknowledge your agreement with and acceptance of your responsibilities and the terms of this engagement. It is my policy to initiate services after I receive the executed engagement letter.

Sincerely,

_____ (Client Signature) _____ (Date) I have read the above terms of the engagement letter and agree with the terms of this engagement.
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