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## 2020 1040 Income Tax Return Annual Engagement Letter & Privacy Notification

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

2. This engagement letter represents the entire agreement regarding the services described herein and supersedes all prior negotiations, proposals, representations or agreements, written or oral, regarding these services. It shall be binding on the heirs, successors and assigns of you and us. The Internal Revenue Service imposes penalties on taxpayers, and on us as return preparers, for failure to observe due care in reporting for income tax returns. In order to ensure an understanding of our mutual responsibilities, we ask all clients for whom we prepare tax returns to confirm the following arrangements. We will prepare the returns from information which you will furnish to us. It is your responsibility to provide all the information required for the preparation of complete and accurate returns. We will furnish you with any questionnaires and/or worksheets that you required to guide you in gathering the necessary information. Your use of such forms will assist us in keeping our fee to a minimum. To the extent we render any accounting and/or bookkeeping assistance, including (but not limited to) telephone calls, letters, emails and 3<sup>rd</sup> party consultations, it will be limited to those tasks we deem necessary for preparation of the returns and will be billed at our standard billing rates and minimums.

### Tax Preparer Responsibilities

3. We will prepare your **2020 Federal and State of Residency** Individual Income Tax Form 1040 and related individual state residency income tax forms income tax schedules from information you furnish us. We will not audit, review, compile or otherwise verify the data you submit although we may ask you to clarify some of the information. Our minimum fee to prepare an individual federal tax return is \$350.00, and your fee will be based upon our fee schedule plus any hourly charges incurred as discussed in number 2 above. We are not responsible for returns prepared by other preparers. It is your responsibility to provide all of the information required for the preparation of complete and accurate returns. We may furnish you with tax organizers and questionnaires to help you gather and organize the necessary information for us, in order to keep our fee to a minimum. ***If you have taxable activity in a state other than that specifically listed you are responsible for providing our firm with all information necessary to prepare any additional applicable state(s) or local income tax returns as well as informing us of the applicable states.***

***We will prepare only those state returns specifically listed above and specifically listed here: \_\_\_\_\_***

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***Please fill in additional state returns required. Also date and initial the changes to this preprinted form. Please note that additional charges will apply for each additional state return prepared.***

**4. We are responsible for preparing only the specific individual income tax forms for the specified reporting agencies listed in this letter. Any other required services, forms or other actions on our part require a separate engagement letter. In the absence of written communications from us documenting such services, our services will be limited to and governed by the terms of this engagement letter. Our services are not intended to determine whether you have filing requirements in taxing jurisdictions other than the one(s) which you have requested in paragraph 3 above. Our firm is available under the terms of a separate engagement letter to provide a nexus study that will determine whether any other state tax filings are required.**

## **Taxpayer Responsibilities**

5. Please note that any person or entity subject to the jurisdiction of the United States (includes individuals, corporations, partnerships, trusts, and estates) having a financial interest in, or signature or other authority over, bank accounts, securities, or other financial accounts having an aggregate value exceeding \$10,000 in a foreign country, shall report such a relationship. Although there are some limited exceptions, filing requirements also apply to taxpayers that have direct or indirect control over a foreign or domestic entity with foreign financial accounts, even if the taxpayer does not have foreign account(s). For example, a corporate-owned foreign account would require filings by the corporation and by the individual corporate officers with signature authority. Failure to disclose the required information to the U.S. Department of the Treasury may result in substantial civil and/or criminal penalties. Such disclosure includes filing Form 8938 with this Form 1040. **If you do not provide our firm with information regarding any interest you may have in a foreign account, we will not be able to prepare any of the required Income Tax related forms and penalties may be due, for which we have no responsibility. In the absence of such information being provided we will presume you do not have any foreign assets or financial interests and will not file any applicable disclosure forms without separate written authorization.**

6. If you and/or your entity have a financial interest in any foreign accounts, you are responsible for filing Form FinCEN Form 114 required by the U.S. Department of the Treasury on or before April 15th of each tax year. U.S. Citizens are required to report worldwide income on their U.S. tax returns.

7. In addition, currently the Internal Revenue Service, under IRC §6038 and §6046, requires information reporting if you are an officer, director or shareholder with respect to certain foreign corporations (Form 5471); foreign-owned U.S. corporation or foreign corporation engaged in a U.S. trade or business (Form 5472); U.S. transferor of property to a foreign corporation (Form 926) ); and, for taxable years beginning after March 18, 2010, if you hold foreign financial assets with an aggregate value exceeding \$50,000 (Form 8938). These code sections describe the information required to be reported on the respective forms, which are due when your income tax return is due, including extensions.

Therefore, if you fall into one of the above categories **you** may be required to file one of the above listed forms. Failure to timely file may result in substantial monetary penalties. By your signature below, you accept responsibility for informing us if you believe that you fall into one of the above categories and you agree to provide us with the information necessary to prepare the appropriate forms. We assume no liability for penalties associated with the failure to file or untimely filing of any of these forms.

8. You acknowledge that you have reported all 2020 income you received including barter, crypto-currency, consumer-to-consumer activity, cash-based revenues and all other whether received in-person, in-kind, or electronically. You also confirm that you have or will timely file any applicable required Forms W-2 and W-3 with the Social Security Administration and IRS for business employees or home-workers.

## **Other Items**

**9. Our fee does not include responding to inquires or examination by taxing authorities or third parties, for which you will be separately billed for time and expenses involved. However, we are available to represent you and our fees for such services are at our standard hourly rate of \$275 and would be covered under a separate engagement letter. You agree to immediately notify us upon the receipt of any correspondence from any agency covered by this letter. Please do not respond to or click on any links from emails purportedly from the IRS. The IRS never initiates correspondence via email and any such emails are attempts to steal your identity. Additionally in order to protect your identity we will verify your id, birthdate and social security number when you call or visit our office.**

10. 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 charitable contributions for three years from the filing date. If you have any questions as to the type of records required, please ask us 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. We are not responsible for the disallowance of doubtful deductions or inadequately supported documentation, nor for resulting taxes, penalties and interest. We will rely, without further verification, upon information you provide to us from 3rd parties including, but not limited to, K1's, 1099's, 1098's, and receipts and similar items.

**We DO NOT automatically file tax extensions for clients-you must notify us in writing, email or fax if you wish us to file an extension, and the notification should include your estimate of any balance due with the extension. We must receive your information by April 1 in order to complete your return in a timely manner and information received after that date may cause your return to be extended and completed after the April 15 due date.**

*Failure to file an extension may make you subject to various penalties and interest. Additionally, if your return is extended it does not relieve you from paying any tax due on the due date, or making quarterly estimated tax payments for the current year. Failure to pay any tax due with the extension or failure to pay quarterly estimated tax payments may make you subject to various penalties and interest.*

11. The mortgage deduction was changed as of January 1, 2018. Equity loans are not deductible unless the mortgage funds are used to buy, build or improve your personal residence and does not exceed the allowable mortgage debt. To comply with these new rules, we need to know any amounts borrowed against your home, the date borrowed and the use of the funds. Without that information we are unable to deduct mortgage interest on new borrowings.

**12. Business Owners: When a self-employed taxpayer reduces taxable income through tax deductions there is also a reduction in earned income reported to the Social Security Administration, which could reduce current and future benefits for the taxpayer and his or her dependents. You acknowledge and agree to the current tax reduction and also acknowledge and agree to the potential negative effects on future social security benefits for you, your spouse and any dependents. Additionally, new state laws regarding the collection of sales taxes by online sellers require separate registration, collection, filing and payment with many states at very low activity levels. We were not engaged to, nor did we, determine whether individual state sales tax rules apply to your business. Determination of whether an individual state's sales tax rules apply to your activity are your responsibility unless we have a SEPARATE written engagement letter acknowledging our responsibility to determine or apply sales tax rules for an individual state. Failure to register and file with an appropriate state may expose you to severe penalties.**

13. New privacy laws were established by the IRS effective January 1, 2009 and we are now prohibited from providing confidential information or copies to anyone other than you without your specific, written authorization. To comply with these new regulations, we provide all copies of all returns to you in a secure web portal. Your use of this portal is limited to lawful income tax related documents in compliance with our written portal usage policy and will be maintained and accessible solely in accordance with our policy for no more than 30 days after any notification of termination of services by either party, after which point it will be electronically deleted. In the interest of maintaining service quality and timeliness, we may use a 3rd party service provider to assist us in the use of technology to facilitate compliance with disclosure and storage of your tax information. The provider has established procedures and controls designed to protect client confidentiality and maintain data security.

14. If we are asked to disclose any privileged communication, unless we are required to disclose the communication by law, we 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 we 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. We recommend that you contact us before releasing information to a third party.

15. It is our policy to keep records related to this engagement for three years after which they are destroyed. However, we do not keep any original client records, so we 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 three years for possible future use, including potential examination by any government or regulatory agencies. Prior to each tax filing season, we electronically send client organizers to most of our clients as a convenience to assist them with gathering their tax information. If you move, change email addresses, or do not wish to receive an organizer, please notify us or we will send the organizer notification to the email address we used on your prior year's tax return.

16. In the interest of facilitating our services to you, we utilize a secure web portal. Your use of this portal must comply with our standards of use, and as owners of the portal we retain the right to limit and deny use of the portal for inappropriate purposes. Your access to files maintained on the portal will be terminated no later than 30 days after the earlier of your or our termination of services under this agreement or April 15, unless we are notified in writing of your desire to extend your tax return. All confidential information sent to you or third parties (at your direction), as well as the portal will be password protected. While we will use our best efforts to keep such communications secure in accordance with our obligations under applicable laws and professional standards, you recognize and accept that we have no control over the unauthorized interception of these communications once they have been sent and consent to our use of these devices during this engagement.

17. From time to time during our relationship, you may seek our advice with regard to potential investments. We are not investment advisors unless **specifically and in writing by separate agreement hired for that purpose**. Accordingly, we 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 signed by both parties, we will not advise you regarding the economic viability or consequences of an investment or whether you should or should not make a particular investment.

18. Payment of all invoices is expected upon delivery of, or acceptance of your electronically filed federal and state individual tax returns. It is indicated by your signature below that you understand that the cost of preparing the return(s) depends upon the complexity of the return(s). The fee for such service will be in accordance with the fee schedule (Addendum A posted to our website [www.victorialong.org](http://www.victorialong.org)) based on the forms required to be prepared for your return(s). The fee may be increased for any additional forms not listed in Addendum A or if data is incomplete or additional time is required to summarize data provided to us. Your signature below indicates that you have reviewed the current fee schedule and understand that all fees are due upon delivery of the prepared return(s).

Tax consulting and representation to resolve problems with the Internal Revenue Service or any state taxing authorities will be billed at the hourly rate of \$275. In situations where the estimate of work involves greater than one hour, a retainer of \$500 will be paid in advance of the work starting and time will be billed against the retainer after which regular billing will occur. Monthly bills showing time spent will be sent to you for review and payment.

Balances unpaid within 30 days may have a finance charge assessed on the unpaid balance computed at a periodic rate of 1.0% per month, which is an annual percentage rate of 12%. If billings become delinquent after 60 days, at our election, we may stop all work at our discretion until your account is brought current, or we will withdraw from this engagement. You acknowledge and agree that we are 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 we stop work or withdraw from this engagement as result of your failure to pay on a timely basis for service rendered as required by the engagement letter we shall not be liable to you for any damages that occur as a result of our ceasing to render services and you hereby agree to allow us to release personal information for use in collecting any outstanding balances you may owe the firm. Our service will conclude upon delivery of the completed income tax return discussed above or upon our suspension of services or resignation from the engagement.

19. 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 this 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 us for errors and omissions. The one-year period will begin upon the date of the tax professional's signature on the tax returns covered by this engagement letter.

**20. From time to time various third parties may request that we sign, for you, some verification of income, employment or tax filing status. Because we were engaged only to prepare your income tax return, without examination, review, audit or verification our insurance carriers as well as the state board of accountancy prohibit us from signing any such document and we suggest that you have them send IRS Form 4506 to the IRS to obtain such verification.**

21. We are required to obtain a copy of all Form W-2s and 1095(s) before we are allowed to electronically file your returns under the rules of IRS Circular 230.

22. Notwithstanding anything contained herein, both accountant and client agree that regardless of where the client is domiciled and regardless of where this Agreement is physically signed, this Agreement shall have been deemed to have been entered into at Accountant's office located in Arapahoe County, Colorado, USA, shall be the exclusive jurisdiction for resolving disputes related to this Agreement. This Agreement shall be interpreted and governed in accordance with the Laws of Colorado.

23. In connection with this engagement, we may communicate with you and others via email transmission. As emails can be intercepted and read, disclosed, or otherwise used or communicated by an unintended third party, or may not be delivered to each of the parties to whom they are directed and only to such parties, we cannot guarantee or warrant that emails from us will be properly delivered and read only by the addressee. Therefore, we specifically disclaim and waive any liability or responsibility whatsoever for interception or unintentional disclosure of emails transmitted by us in connection with the performance of this engagement. In that regard, you agree that we shall have no liability for any loss or

damage to any person or entity resulting from the use of email transmissions, including any consequential, incidental, direct, indirect or special damages, such as loss of revenues or anticipated profits, or disclosure or communication of confidential or proprietary information.

24. While we are, of course, available to provide you with tax and business planning services, it is our policy to put all advice upon which a client might rely into a written memorandum prior to you relying on such advice. We believe this is necessary to avoid confusion and to make clear the specific nature of our advice. You should not rely on any advice that has not been put into writing for you.

25. We appreciate the opportunity to serve you. Please date and sign the enclosed copy of this letter to acknowledge your agreement with and acceptance of your responsibilities and the terms of this engagement. It is our policy to initiate services after we receive the executed engagement letter. If any provision of this agreement is declared invalid or unenforceable, no other provision of this agreement is affected and all other provisions remain in full force and effect.

*Victoria Long*  
MT, CPA, CFP

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

\_\_\_\_\_ (Joint Signature) \_\_\_\_\_ (Date)  
I have read the above terms of the engagement letter and agree with the terms of this engagement.