

[firm name]

**ANNUAL ENGAGEMENT LETTER**  
(PLEASE SIGN AND RETURN)

[date printed f/t]

[client name]

[client DBA]

[client street]

[client city], [client state] [client zip]

Dear [salutation]:

[firm name] is pleased to provide [client name] with professional services. This engagement letter and attached *Checklist of Services* serves to confirm our understanding of the terms and objectives of our engagement and the nature and limitation of the services we will provide. In order to better understand each party's obligations, the terms 'we, us, and our' will identify our firm, [firm name]. The terms 'you and your' will apply to [client name].

**SERVICES TO BE PROVIDED**

We will perform services as requested on the attached *Checklist of Services*. Services will be performed in accordance with the Professional Standards promulgated by the American Institute of Certified Public Accountants. The engagement between our firm and you will be governed by the terms of this letter. **Please acknowledge acceptance of the services requested by signing at the bottom of the both this letter and the attached *Checklist of Services*.**

Additional information regarding the nature and limitations of specific services to be provided are as follows:

**Tax Return Preparation**

We will perform the tax preparation services as requested on the attached *Checklist of Services*.

We will perform any bookkeeping transactions we find necessary for the proper stating of account balances on your tax return(s). If you have provided us with an operable *QuickBooks® Accountant's Copy* file from release years 2019, 2020 or 2021, we will prepare and post any adjusting entries and provide you with an *Accountant's Change File* to be imported into your company file. Otherwise, we will provide you with a list of the adjusting entries which you will need to enter into your bookkeeping system to update your records to reflect the transactions which were necessary for preparation of your tax returns. We will not audit, review or compile your financial statements. By signing this letter you are acknowledging that we have not audited, reviewed or compiled your financial statements and that you will not represent to any third party that [firm name] did perform any such services.

We will use our judgment to resolve questions in your favor where the tax law is unclear 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 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.

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 return(s) will be prepared solely from information provided to us without verification by us.

The Internal Revenue Code and regulations impose preparation and disclosure standards with noncompliance penalties on both the preparer of a tax return and on the taxpayer. 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 do not meet these standards. Accordingly, we will advise you if we identify such a situation, and we will discuss those tax positions that may increase the risk of exposure to penalties and any recommended disclosures before completing the preparation of the return. If we conclude that we are obligated to disclose a position and you refuse to permit disclosure, we reserve the right to withdraw from the engagement. Likewise, where we disagree about the obligation to disclose a position, you also have a right to choose another professional to prepare your return. In either event, you agree to

compensate us for our services to the date of the withdrawal. Our engagement with you will terminate upon our withdrawal.

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.

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.

We may from time to time, and depending on the circumstances, use third-party service providers to assist in preparing your return(s), but these preparers will not make substantive decisions concerning your return(s). 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. In the event that 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.

Please refer to the attached *Business Tax Engagement Addendum (Exhibit A)* for additional information and guarantees regarding our tax return preparation services.

#### **CLIENT RESPONSIBILITIES**

In order to prepare your federal tax return in time for you to file the return by the initial filing due date (March 15th if a calendar year business), we will need to receive your firm's final year end general ledger, bank statements, and additional documentation as requested by our *Business Tax Organizer*, no later than forty-five (45) days before it is due (January 31st for calendar year business). In some cases, unresolved tax issues or delays in processing may require applications for the extension of the initial or subsequent due dates.

Management is responsible for the proper recording of transactions in the book of accounts, for the safeguarding of assets and for the substantial accuracy of the financial records, and the full and accurate disclosure of all relevant facts affecting the return(s) to us. It is your responsibility to maintain, in your records, the documentation necessary to support the data used in preparing your tax return(s), 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 us for advice in that regard. You also have final responsibility for the tax return and, therefore, the appropriate officials should review each return carefully before an authorized officer signs and mails 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 provide you with a *Business Tax Organizer* or other documents requesting specific information. Completing those forms and providing the requested information will assist us in making sure you are well served for a reasonable fee. You represent that the information you are supplying to us is truthful, accurate and complete to the best of your knowledge and that you have disclosed to us all relevant facts affecting the return(s). We will not 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(s), or if you receive any letters from the IRS, state or local taxing authorities.

During the course of our engagement, we will request information and explanations from management regarding the company's operations, future plans, specific transactions, and accounting systems and procedures. The procedures we will perform in our engagement and the conclusions we reach as a basis for tax return preparation will be heavily influenced by the written and oral representations that we receive from management. Accordingly, false representations could cause us to expend unnecessary efforts or could cause a material error or a fraud to go undetected by our procedures. In view of the foregoing, you agree that we shall not be responsible for any misstatements in the company's tax return(s) that we may fail to detect as a result of false or misleading representations that are made to us by management.

We are responsible for preparing only the tax return(s) listed on the attached *Checklist of Services*. If there are additional returns you wish us to prepare, such as sales tax, property tax, inheritance, gift or estate tax, other income tax returns, or other states' or cities tax returns please make note of these additional returns on the attached *Checklist of Services*. Our fee does not include responding to inquiries or examination by taxing authorities. However, we are available to represent you and our fees for such services are at our standard rates and would be covered under a separate engagement letter.

The law provides various penalties to be imposed when taxpayers understate their tax liability. If you would like information on the amount or circumstances of these penalties, please contact us.

## **EXTENDING TAX RETURN COMPLETION DEADLINES**

You agree that in the event your tax return(s) cannot be completed by the due date, it may become necessary for us to apply to extend the due date. Extensions are required when we do not receive information needed to prepare a return on a timely basis. Applying for an extension of time to file may extend the time available for a government agency to undertake an audit of your return or may extend the statute of limitations. Additionally, extensions may affect your liability for penalties and interest or compliance with government and constituent deadlines. We are available to discuss this matter with you at your request at our regular hourly fee should the need arise.

## **REQUEST FOR ADDITIONAL SERVICES**

You may request that we perform additional services not contemplated by this engagement letter. If this occurs, we will communicate with you regarding the scope and estimated fee for these additional services. Engagements for additional services may necessitate that we issue a separate engagement letter to reflect the obligations of both parties. In the absence of any other written communications from us documenting such additional services, our services will be governed by the terms of this engagement letter.

## **RESOLUTION OF POTENTIAL ETHICAL CONFLICTS**

The potential for conflicts of interest exists in any engagement. In the event that we in our sole discretion believe that a conflict has arisen affecting our ability to service your account in accordance with either the ethical standards of our firm or the ethical standards of our profession in continuing our engagement, we may be required to suspend or terminate our services until a satisfactory resolution can be achieved. We will notify you of such conflicts as soon as practicable, and will discuss with you any possible means of resolving them prior to suspending our services. Services will be performed in accordance with the Professional Standards promulgated by the American Institute of Certified Public Accountants.

## **RECORD RETENTION**

Our records retention policy requires us to return all original client-prepared documents to you at the completion of the engagement. Your company records are the primary records for your operations and comprise the backup and support for your financial reports and tax returns. Our records and files are our property and are not a substitute for your own records. In accordance with our firm's current document retention policy we will retain our work papers for your engagement for *seven (7) years*. The balance of our engagement file is our property, and we will provide copies of such documents at our discretion and if compensated for any time and costs associated with the effort. If you should need replacements, we will provide additional copies at our standard copying fees. After seven years, we will destroy our work papers and files. Physical deterioration or catastrophic events may result in our firm's records being unavailable before the expiration of the above retention period.

## **FACSIMILE TRANSMISSION AND ELECTRONIC MAIL**

In the interest of facilitating our services to your company, we may communicate by facsimile transmission or send electronic mail over the internet. Such communication may include information that is confidential to your company. Our firm employs measures in the use of facsimile machines and computer technology designed to maintain data security. While we 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 electronic devices during this engagement.

## **YOUR PRIVACY**

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*.

## **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 inadvertently 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 as a result 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 expend in connection with such response, and to reimburse us for all of our out-of-pocket costs incurred in that regard.

## **TAX EXAMINATIONS**

You understand that taxing authorities may examine the return(s) 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**, shareholder loans, 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.**

You understand that, in the event of a preparer error, you are responsible for additional tax 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. Rather, our fees will be billed based upon the value of the services performed. The fees will take into consideration the experience and expertise of the persons performing the work, plus out-of-pocket expenses. Invoices will be submitted for the services completed during that period.

Please refer to the attached *Business Tax Engagement Addendum (Exhibit A)* for your pre-quoted fee for tax return preparation. (Quoted fee is for tax return preparation only unless otherwise stated. You will be invoiced separately for services beyond the scope of tax preparation.)

## **PAYMENT TERMS**

We will send you a monthly billing invoice for the professional fees and expenses incurred on this engagement. Payment is due upon receipt unless otherwise specified.

In the event that 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. In the event that our work is suspended or terminated as a result 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. In the event that any collection action is required to collect unpaid balances due us, you agree to reimburse us for our costs of collection, including attorney fees.

## **ENGAGEMENT TERM**

This agreement shall be in effect for services provided in the 2021 calendar year in preparation of the tax returns for the year ended [end/yr date f/t] and in all interim tax matters pertaining to the year ending [next end/yr f/t]. However, either party may terminate the agreement at any time by giving the other party thirty (30) days notice in writing.

We have the right to withdraw from this engagement, in our discretion, if you don't provide us with any information we request in a timely manner, refuse to cooperate with our reasonable request, or misrepresent any facts. Our withdrawal will release us from any obligation to complete your return(s) and will constitute completion of our engagement. You agree to compensate us for our time and out-of-pocket expenses through the date of our withdrawal.

## **CONSENT FOR USE OF TAX RETURN INFORMATION**

By executing this engagement letter, you [client name] consent to this firm, [firm name] using your tax return information to send you and/or your designated personnel, by any medium: firm newsletters, surveys, press releases, information concerning firm seminars and nontax-related services, and any other communication sent to some or all of the firm's clients. This consent shall be valid for a perpetual period of time. The disclosure will include the entire federal income tax return, and you acknowledge, by signing this engagement letter, that you have the right to consent to a disclosure of less than the entire tax return, but have decided, without coercion, that you consent to the disclosure of the entire tax return. This consent is not conditioned on our providing services to you.

## 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 in an attempt to finally resolve such dispute or controversy. Any mediation initiated as a result of this engagement shall be administered within [County, 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 born 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. In order 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 \_\_\_\_\_, 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.

In the event that 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 of 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 of the parties.

*If the foregoing is in accordance with your understanding, please sign and date this letter and the attached Checklist of Services in the spaces provided. Return all pages to us in the enclosed envelope.* 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.

Respectfully submitted,

[preparer name]  
[firm name]

**Client Acceptance:** [client name]

The terms described in this document are acceptable to me and are hereby agreed to as indicated by my signature below:

\_\_\_\_\_  
Officer's Name (Printed)

\_\_\_\_\_  
Officer's Signature

\_\_\_\_\_  
Date

***PLEASE SIGN AND RETURN ALL PAGES – INCLUDING CHECKLIST OF SERVICES. THANK YOU!***

[firm name]

## EXHIBIT A

### Business Tax Engagement Addendum

It is our goal to provide awesome service to every one of our clients. This business tax return preparation fee and guarantee disclosure is being provided to you in advance of our services to demonstrate our commitment to you and our appreciation of the investment you are making with us. **Please take the time to read the enclosed information carefully and completely.**

#### Our Guarantees to You

- We will provide **free phone calls** for all 2021. <sup>1</sup>
- We will return your **emails and phone calls** within     **business days**.
- We will provide a regular **electronic newsletter** of tax advice. <sup>2</sup>
- We will start your **appointment within     minutes** of the scheduled time. <sup>3</sup>
- We are **responsible for penalties** related to our preparation errors. <sup>4</sup>
- Your return will always be **reviewed by at least     sets of eyes**. <sup>5</sup>

#### The Investment

- Your **all-inclusive** investment with us for business tax return preparation, assuming no material changes from last year will be

\$ \_\_\_\_\_

There will be a 10% surcharge for all returns received after \_\_\_\_\_.<sup>167</sup>

- **The investment is payable when your returns are completed or sooner.**
- You can pay by cash, check, or credit card including VISA and MasterCard. (American Express and Discover are not accepted.)

#### Your Guarantees to Us

- You will do your best to accumulate your tax information in an orderly manner (following the information request guidance of our Business Tax Organizer) and submit the information as early as possible.
- You will punctually attend your appointment and have your complete information or **call us to reschedule at least 72 hours in advance**. <sup>3</sup>
- You will make an effort to refer at least one client like yourself to our firm so that we can continue to be here for you when you need us.

1. If the question or issue requires additional research and analysis beyond the consultation, that work will be subject to an additional price quotation before the service is performed.
2. You must provide us with a valid e-mail address to receive the newsletters.
3. You need only be in our office by the appointed time.
4. We work hard not to make errors on your tax return. If you have given us complete and accurate information and we fail to properly prepare your returns based on that information, we will pay the penalties associated with the error.
5. All tax returns are prepared and/or reviewed by at least 2 professional and 1 administrative team members.
6. Your fee can be adjusted upward or downward based on material changes from last year. You will be notified of upward adjustments before the return is completed.
7. Quoted fee is for tax return preparation only. You will be invoiced separately for services beyond the scope of income tax preparation.