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Subject: Preparation of your State and Federal Tax Returns, Form 1040 for Tax Year 2023

Thank you for choosing Patricia Lancaster, CPA to assist you with your taxes.

This engagement 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.

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. 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. To the extent we render any accounting and/or bookkeeping assistance**, (including but not limited to telephone calls, letters, emails and 3rd party consultations), it will be limited to those tasks we deem necessary for preparation of the returns and **you will be billed at our standard billing rate.**

Tax Preparer Responsibilities

(1.) SCOPE: We will prepare your 2023 Federal and state of residency *Individual Income Tax Return (Form 1040)* and the related Federal and State 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. Your fee will be based upon our fee-per-form or schedule plus any hourly charges incurred as discussed above.** We are not responsible for returns prepared by other preparers. You are responsible for providing our firm with all information necessary to prepare any applicable state(s) or local income tax returns as well as informing us of the applicable states.

(2.) TAX PLANNING: With respect to 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.

(3.) INVESTMENT PLANNING: From time to time during our relationship, you may seek our advice regarding potential investments. **We are not investment advisors.** Accordingly, we suggest that you seek the advice of qualified investment advisors appropriate to each investment being considered.

(4.) RECORD RETENTION: According to *IRS Circular 230*, we are required to obtain a copy of Forms W-2, 1095-A, 1099, 1098 and retain a copy of your completed return and signed Form 8879 (authorization of E-file) **for a period of 3 years.**

Taxpayer Responsibilities

(5.) INCOME & TAX FORMS: You acknowledge that **you have reported all income you received** including barter, virtual-currency, consumer-to consumer activity, cash-based revenues and all other income whether received in-person, in-kind, or electronically. **Virtual-currency activity of any kind:** IRS issued Notice 2014-21 makes clear that virtual currency is to be treated as property, not as foreign currency. You also confirm that you have or will timely file any applicable required Forms W-2, W-3, or 1099 with the Social Security Administration and IRS for **business employees, contractors, and household employees.** State **sales tax** laws (example, online sellers) may be applicable, but such a determination was not made and is not part of this engagement.

(6.) MORTGAGE DEDUCTION: The mortgage deduction was changed as of January 1, 2018. Residential mortgages are only deductible if the mortgage is used to buy, build, or improve the property it is secured by. The total mortgage debt cannot exceed \$750,000 unless it is grandfathered at \$1,000,000 (as of 12/16/17) as long as the terms of the grandfathered debt have not changed. **Equity lines of credit 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.

(7.) SELF-EMPLOYED: **When a self-employed taxpayer reduces taxable income**, 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 **you acknowledge and agree to the potential negative effects on future social security benefits** for you, your spouse and any dependents.

(8.) RECORDKEEPING: **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, meals, 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 your return(s) are sent 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 third parties.

(9.) RECORD RETENTION: 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.

(10.) PORTAL: The primary purpose of the portal is to allow us to send and receive sensitive tax information; it is not designed to permanently store important tax information. **Files in the portal expire after six months; therefore, you are responsible for the permanent storage of your tax return and documents.** To comply with IRS privacy laws, we will not share your tax information with third parties. Instead, we provide all copies of all returns to you in a secure web portal. 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.

(11.) PROFESSIONAL JUDGEMENT: We will use our professional judgment in preparing your returns. 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 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. **We assume no liability for any such additional penalties or assessments.**

(12.) EXTENSIONS & DUE DATE: **We DO NOT automatically file tax extensions for clients;** you must notify us in writing or email 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 all tax information by March 31st 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.**

Other Items

(13.) TAX AUTHORITIES: **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 rates 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.

(14.) PRIVILEGED COMMUNICATION: 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.

(15.) THIRD PARTY: 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 carrier as well as the **state board of accountancy prohibit us from signing any such document**, and we suggest that you have the third party send IRS Form 4506 to the IRS to obtain such verification.

(16.) COMMUNICATION INTERCEPTION: In connection with this engagement, we may communicate with you or 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.

(17.) PAYMENT: **Payments for billings are due upon receipt and billings become delinquent if not paid within 30 days of the invoice date.** If you are delinquent in payment your account may be subjected to collection actions and you will become additionally responsible for collection, legal, administrative, court and any other fees incurred by us in collecting your delinquent account. Once you are delinquent, we may stop all work at our discretion until your account is brought current, or we may withdraw from this engagement. Our services will conclude upon delivery of the completed income tax returns discussed above (or upon our suspension of services or resignation from the engagement). **We will NOT electronically file your return until we have been paid in full.** You acknowledge and agree that in the event we 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), **we shall not be liable to you for any damages that occur as a result of our ceasing to render services.**

(18.) RISK & LIABILITY: 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.

(19.) JURISDICTION: Notwithstanding anything contained herein, both the 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 Madison County, Alabama and **Madison County 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 Alabama.

Foreign Income Reporting Requirements

(20.) 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.** 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.

(21.) If you and/or your entity **have a financial interest in any foreign accounts**, you are also responsible for filing *Form FinCen 114* required by the U.S. Department of the Treasury on or before April 15th of each tax year. US citizens are required to report worldwide income on their US tax return.

(22.) 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, foreign-owned U.S. corporation or foreign corporation engaged in a U.S. trade or business or U.S. transferor of property to a foreign corporation.

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.

Thank you for the opportunity to be of service. If you have any questions, contact the office at (256) 325.3654.
Sincerely,



Accepted By:

DATE: _____

Taxpayer

Spouse (when applicable)
