

## 1040 - INDIVIDUAL TAX RETURN ENGAGEMENT LETTER

### Subject: Preparation of Your Tax Returns

Thank you for selecting Number Crunchers, Inc to assist you with your tax affairs. This letter confirms the terms of our engagement with you and the nature and extent of services we will provide.

We will prepare your 2016 federal and all state income tax returns you request using information you provide to us. We may ask for clarification or verification of some items, but we will not audit or otherwise verify all the data you submit.

### EXTENSIONS

It is your responsibility to provide any/all documentation and information required for preparation of complete and accurate returns. We must receive all information within a reasonable period of time prior to the filing deadline. Any failures to provide such cooperation may require us to pursue an extension of filing due date on your returns, suspend our services, or withdraw from the engagement. **If an extension is filed on your behalf, please note that it is an extension of time to file, not an extension of time to pay if you owe a taxing authority.** Extensions are an additional fee of \$25 \_\_\_\_\_ (Initials)

### YOUR RESPONSIBILITY

You should keep all documents, canceled checks, and other data that support your reported income and deductions. They may be necessary to prove accuracy and completeness of the returns to a taxing authority. You are responsible for the returns, so you should review them carefully before you sign them.

We will retain an electronic copy of your return and one physical copy of each W-2, for a period of three years. After three years, our work papers and engagement files may be destroyed. All of your other original records will be returned to you at the end of this engagement. You should keep the original records in secure storage.

### ADDITIONAL FEES

Our work will not include any procedures to discover defalcations or other irregularities. Any "accounting" work we do for preparation of your income tax returns will be at our rate of **\$90 per hour**. We reserve the right to require a minimum **\$250 (non-refundable)** retainer prior to onset of tax preparation for new clients and/or if the amount of work required is deemed to be significant in nature.

We will provide one copy of each tax return free of charge. Any additional copies will be at a rate of **\$25 each**.

Please mark the box below indicating how you would like to receive your **(1) free** copy of the tax return:

- ☐ **Bound paper copy**
- ☐ **Electronic copy via encrypted email:** \_\_\_\_\_

### FRAUD DISCLOSURE

We must use our judgment in resolving questions where the tax law is unclear, or where there may be conflicts between the taxing authorities' interpretations of the law and other supportable positions. In order to avoid penalties, we will apply the "more likely than not" reliance standard to resolve such issues. You agree to honor our decisions regarding the need to make protective disclosures in your returns.

Penalties of as much as \$100,000 can be imposed on you for failing to disclose participation in "reportable transactions," that is, certain arrangement the IRS has identified as potentially abusive. We will insist that all such transactions be properly disclosed. The law also imposes penalties when taxpayers understate their tax liability.

### AUDITS

Your returns may be selected for audit by a taxing authority. Any proposed adjustments are subject to appeal. In the event of a tax examination, we can arrange to be available to represent and/or assist you. Such representation will be a separate engagement. Fees and expenses for defending the returns will be invoiced in accordance with our rates of **\$190.00 per hour**.

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## **BEFORE WE CAN FILE**

Our fee for preparation of your tax returns will be based on the amount of time required at standard billing rates. All invoices are due and payable upon completion. To the extent permitted by state law, an interest charge may be added to all accounts not paid within thirty (30) days. **WE DO NOT FILE WITHOUT PAYMENT IN FULL.** Prior to e-filing your return, it is required, per the IRS, that Form 8879 is signed by all taxpayers (and their spouse if applicable). We also require that this engagement letter is signed by all taxpayers. We do not start a return without these forms in our possession. If you are eligible for the Earned Income Tax Credit, a face-to-face meeting is also required.

## **REPORTING CHANGES**

After reading the list below, please mark any box that is applicable to you for the current tax year.

- ☐ **YES**   ☐ **NO**   Has there been a change in the filers and/or dependents included on the return since the last tax year?
- ☐ **YES**   ☐ **NO**   Has there been a change of address since the last tax year?
- ☐ **YES**   ☐ **NO**   Has there been a change in filing status since the last tax year?
- ☐ **YES**   ☐ **NO**   Has there been a change in occupation since the last tax year?
- ☐ **YES**   ☐ **NO**   Have all people listed on the return been covered with medical insurance all 12 months of the last tax year?

If there are other notable changes, please list them here:

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To affirm that this letter correctly summarizes your understanding of the arrangements for this work, please sign the enclosed copy of this letter in the space indicated.

We appreciate your confidence in us.

Sincerely,

Number Crunchers, Inc

*Melody Cutler*, MSA, EA, RTRP  
ACCOUNTANT IN CHARGE

Accepted By: (Taxpayer) \_\_\_\_\_ Date: \_\_\_\_\_

Spouse (if applicable) \_\_\_\_\_ Date: \_\_\_\_\_