

ENGAGEMENT LETTER – INDIVIDUAL INCOME TAX RETURNS

We thank you for selecting us to prepare your individual tax returns. This letter confirms the arrangements for our services.

We will prepare your 2021 Federal income tax return and income tax returns for the states of \_\_\_\_\_ and related schedules from information you furnish us. This engagement pertains only to the 2021 tax year, and our responsibilities do not include preparation of any other tax returns that may be due to any taxing authority. Our services are not intended to determine whether you have filing requirements in other taxing jurisdictions than the one(s) you have informed us of.

It is your responsibility to provide all the information required for the preparation of complete and accurate returns. We will not audit or otherwise verify the data you submit. Accordingly, our engagement cannot be relied upon to disclose errors, fraud, or other illegal acts that may exist. However, we may ask you to clarify some of the information or to furnish written or verbal assurance that records or other evidence exists to substantiate deductions. 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.

**We must receive all information to prepare your returns by April 8, 2022, to ensure that your returns will be completed by April 18, 2022. If we have not received all of your information by April 8, 2022 and your returns are not completed by April 18, 2022, you may be subject to late filing or late payment penalties. We do not file tax extensions for clients unless specifically requested to do so. Additionally, we charge a minimum of \$35 per extension request. We also reserve the right to charge a fee of \$50 for any appointment missed or canceled within 24 hours of the scheduled time.**

Paycheck Protection Program (PPP) Loans and their forgiveness as well as IRS Code section 199A may be applicable to your tax filings for 2021. We will provide guidance as best as we can based on our interpretation of any applicable code sections. Many unanswered questions have arisen in the tax profession and the IRS, in many cases, has yet to provide authoritative guidance. Further, the planning possibilities embedded in code section 199A may provide unintended results in other facets of tax planning such as pension, FICA tax, reasonable and unreasonable compensation, entity selection, etc. By executing this engagement letter, you are asserting that you are aware of the difficulties in tax planning for these areas and waive any liability against our firm for failing to contact you regarding authoritative guidance by the tax courts, IRS, SBA, and other agencies that may affect tax planning and tax preparation.

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 and related expenses and the required documents to support charitable contributions. (Please note that you must have receipts for any charitable contributions, travel, or meal expenses claimed.) 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 filing them with the tax authorities. We are not responsible for the disallowance of doubtful deductions or inadequately supported documentation, nor for resulting taxes, penalties, and interest.

The law provides various penalties and interest that may be imposed when taxpayers underestimate their tax liability. You acknowledge that any such understated tax, and any imposed interest and penalties, are your responsibility, and that we have no responsibility in that regard. If you would like information on the amount or circumstances of these penalties, please contact us.

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 a 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.

If you and/or your entity have a financial interest in any foreign accounts, you are responsible for providing our firm with all the information necessary to prepare FinCEN Form 114 required by the U.S. Department of the Treasury on or before April 15<sup>th</sup> of each tax year. 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 disclosure statements.

We are responsible for preparing only the returns listed above. If there are additional returns you wish us to prepare, please discuss them with us. 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.

We will use our judgment to resolve questions in your favor where a tax law is unclear if there is a reasonable justification for doing so. Whenever we are aware that a possible 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 position that may be taken on your returns. 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 such additional penalties and assessments.

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.

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 business associate. We recommend that you contact us before releasing any privileged information to a third party.

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've obtained and/or prepared during the course of this engagement, you agree to compensate us at our standard hourly rates, for the time expended in connection with such response, and to reimburse us for all of our out-of-pocket costs incurred in that regard.

Our firm maintains and complies with a 5-year records retention policy. If you need copies of any prior returns, feel free to call our office and request copies. There will be a \$30 fee charged for each year that is requested. Should you require a comfort letter to a mortgage lender during the year, there is a fee of \$125 per letter. Keep in mind our professional standards limit what we are able to provide in these comfort letters. This charge is for each letter, including each rewrite requested by the lender.

Our tax preparation fees are based upon the time required by the individuals assigned to the engagement. Billings are due upon submission. We reserve the right to hold the returns until payment is received.

If we are preparing a married filing joint tax return, there is a potential conflict of interest. You acknowledge that any information Heidenreich & Heidenreich, CPAs, PLLC receives from one party that may impact the other party will be made known to all parties; and, for that purpose, **waive the requirements of confidentiality**.

In the event that we are or may be obligated to pay any cost, settlement, judgement, fine, penalty, or similar award or sanction as a result of a claim, investigation, or other proceeding instituted by any third party, and if such obligation is or may be a direct or indirect result of any inaccurate, incomplete, or misleading information that you provide to us during the course of this engagement (with or without your knowledge or intent), you agree to indemnify us, defend us, and hold us harmless against such obligation.

If any dispute arises among the parties, they agree to try first in good faith to settle the dispute by mediation administered by the American Arbitration Association (AAA) under its Commercial Mediation Rules. All unresolved disputes shall then be decided by final and binding arbitration in accordance with the Commercial Arbitration Rules of the AAA. Fees charged by any mediators, arbitrators, or the AAA shall be shared equally by all parties. In agreeing to arbitration, we both acknowledge that in the event of a dispute over fees, 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.

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 Maricopa County, Arizona, USA and Maricopa County, Arizona, 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 Arizona.

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.

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.

Be sure to let us know if you mined, bought, sold, or exchanged a virtual currency, used a virtual currency to pay for goods, and services, or received a virtual currency as payment for goods or services.

It is your responsibility to verify the bank information for direct deposit or withdrawal for payment of tax. You will not hold us responsible for any tax, penalties, or interest resulting from any issues with direct deposits or payment of taxes.

While the nation is responding to the Coronavirus (COVID-19) pandemic, Heidenreich & Heidenreich, CPAs, PLLC will use reasonable efforts to complete the services as specified herein, while also taking the steps it deems necessary to protect the health, welfare, and safety of its professionals. Neither party shall be liable for any delay or failure in performance (excluding payment for fees and expenses incurred) due to circumstances resulting from the pandemic which are beyond its reasonable control.

We 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 our policy to initiate services after we receive the executed engagement letter.

Sincerely,



Heidenreich & Heidenreich, CPAs, PLLC

I have read the above terms of the engagement letter and agree with the terms of this engagement. Both must sign if a married filing joint return.

PRINTED NAME: \_\_\_\_\_

\_\_\_\_\_

SIGNATURE: \_\_\_\_\_

\_\_\_\_\_

DATE: \_\_\_\_\_

\_\_\_\_\_