

[Sample Individual Tax Return Preparation Engagement Letter]

[Date]

[Client name or, if married couple, names]

[Client Address]

Dear [client or clients]:

This letter is to confirm and specify the terms of our [my] engagement with you and to clarify the nature and extent of the services we [I] will provide.

We [I] will prepare your [Year] joint federal income tax return, and the mutually agreed-upon income tax returns for the states of _____ (collectively, the “returns”). This engagement pertains only to the [Year] tax year, and our [my] responsibilities do not include preparation of any other tax returns that may be due to any taxing authority. Our [my] engagement will be complete upon the delivery of the completed returns to you. Thereafter, you will be solely responsible to file the returns with the appropriate taxing authorities.

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 (formerly Form TD-F-90-22.1) required by the U.S. Department of the Treasury on or before June 30 of each tax year. If you do not provide our [my] firm with information regarding any interest you may have in a foreign account, we [I] will not be able to prepare any of the required disclosure statements.

Your returns may be selected for review by one or more than one taxing authority. Any proposed adjustments by the examining agent are subject to certain rights of appeal. In the event of such government tax examination, we [I] will be available upon your written request to represent you during the examination and/or during any appeal. Any such representation will be the subject of, and governed by, a separate engagement letter.

We [I] will prepare the returns from information which you will furnish to us [me]. It is your responsibility to provide all the information required for the preparation of complete and

accurate returns. We [I] will furnish you with questionnaires and/or worksheets as needed to guide you in gathering the necessary information. Your use of such forms will assist us [me] in keeping our [my] fee to a minimum. To the extent we [I] render any accounting and/or bookkeeping assistance, it will be limited to those tasks we [I] deem necessary for preparation of the returns.

The timeliness of your cooperation is essential to our [my] ability to complete this engagement. Specifically, we [I] must receive sufficient information from which to prepare your returns within a reasonable period of time prior to the applicable filing deadline. Accordingly, if we [I] do not receive information from you, as noted above, by _____, it may be necessary for us [me] to pursue an extension of the due date of your returns, and we [I] reserve the right to suspend our [my] services or withdraw from this engagement.

We [I] will not audit or otherwise verify the data you submit. Accordingly, our [my] engagement cannot be relied upon to disclose errors, fraud, or other illegal acts that may exist. However, it may be necessary to ask you for clarification of some of the information you provide, and we [I] will inform you of any material errors, fraud, or other illegal acts that come to our [my] attention.

You are responsible for maintaining an adequate and efficient accounting system, for safeguarding assets, for authorizing transactions, and for retaining supporting documentation for those transactions, all of which will, among other things, help assure the preparation of proper returns. Furthermore, you are responsible for evaluating the adequacy and results of the services we [I] provide.

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 [I] have no responsibility in that regard. If you would like information on the amount or circumstances of these penalties, please contact us [me].

We [I] may encounter instances 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 those instances, we [I] will outline for you each of the reasonable alternative courses of action, including the risks and consequences of each such alternative. In the end, we [I] will adopt, on your behalf, the alternative which you select after having considered the information provided by us [me].

Without disclosure in the return itself of the specific position taken on a given issue, we [I] must have a reasonable belief that the position(s) satisfies the substantial-authority standard and that the position will be held to be the correct position upon examination by taxing authorities. If we [I] do not have that reasonable belief, we [I] must be satisfied that there is at least a reasonable basis for the position, and in such a case, the position must be formally disclosed on Form 8275 or 8275-R, which form would be filed as part of the return. If we [I] do not believe there is a reasonable basis for the position, either the position cannot be taken or we [I] cannot sign the return. In order for us [me] to make these determinations, we [I] must rely on the accuracy and

completeness of the relevant information you provide to us [me], and, in the event we [I] and/or you are assessed penalties due to our [my] reliance on inaccurate, incomplete, or misleading information you supplied to us [me] (with or without your knowledge or intent), you will indemnify us [me], defend us [me], and hold us [me] harmless as to those penalties

We [I] will also provide you with interim and year-end tax planning services on issues that you specifically bring to our [my] attention in writing. Our [my] ability to provide you with appropriate guidance on such issues will be entirely dependent on the timeliness, accuracy, and completeness of the relevant information bearing on the issue which we [I] will rely on you to provide to us [me]. Although we [I] may orally discuss tax planning issues with you from time to time, such discussions will not constitute advice upon which we [I] intend for you to rely for any purpose. Rather, any advice upon which we [I] intend for you to rely, and upon which you will rely, will be embodied in a written report or correspondence from us [me] to you, and any such writing will supersede any prior oral representations between the parties on the issue.

Our [my] fees for this engagement are not contingent on the results of our [my] services. Rather, our [my] fees for this engagement, including tax planning, preparation of your returns, and any representation of your interests during an examination by a taxing authority and/or any subsequent appeal, will be based on our [my] standard hourly rates, as set forth on the attached rate sheet. In addition, you agree to reimburse us [me] for any of our [my] out-of-pocket costs incurred in connection with the performance of our [my] services. We [I] estimate that our [my] fee for these services will range from approximately _____ to _____. You acknowledge that this range is not a limit to the total fees we [I] may charge for our [my] services, and that our [my] fees may actually exceed that range. However, in the event that we [I] encounter unusual circumstances that would require us [me] to expand the scope of the engagement, and/or if we [I] anticipate our [my] fees to exceed the aforementioned range, we [I] will adjust our [my] estimate, and obtain your prior approval before continuing with the engagement.

Prior to commencing our services, we [I] require that you provide us [me] with a retainer in the amount of _____. The retainer will be applied against our [my] final invoice, and any unused portion will be returned to you upon our [my] collection of all outstanding fees and costs related to this engagement. Our [my] fees and costs will be billed monthly, and are payable upon receipt. Invoices unpaid 30 days past the billing date may be deemed delinquent, and are subject to a late fee of 1.0% per month. We [I] reserve the right to suspend our [my] services or to withdraw from this engagement in the event that any of our [my] invoices are deemed delinquent. In the event that any collection action is required to collect unpaid balances due us [me], you agree to reimburse us [me] for our [my] costs of collection, including attorneys' fees.

If we [I] elect to terminate our [my] services for nonpayment, or for any other reason provided for in this letter, our [my] engagement will be deemed to have been completed upon written notification of termination, even if we [I] have not completed your return. You will be obligated to compensate us [me] for all time expended, and to reimburse us [me] for all of our out-of-pocket costs, through the date of termination.

You should retain all the documents, canceled checks and other data that form the basis of income and deductions. These may be necessary to prove the accuracy and completeness of the returns to a taxing authority. You have the final responsibility for the income tax returns and, therefore, you should review them carefully before you sign them.

In connection with this engagement, we [I] 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 [I] cannot guarantee or warrant that emails from us [me] will be properly delivered and read only by the addressee. Therefore, we [I] specifically disclaim and waive any liability or responsibility whatsoever for interception or unintentional disclosure of emails transmitted by us [me] in connection with the performance of this engagement. In that regard, you agree that we [I] 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.

It is our [my] policy to retain engagement documentation for a period of seven years, after which time we [I] will commence the process of destroying the contents of our [my] engagement files. To the extent we [I] accumulate any of your original records during the engagement, those documents will be returned to you promptly upon completion of the engagement, and you will provide us [me] with a receipt for the return of such records. The balance of our [my] engagement file, other than a copy of your income tax return, which we [I] will provide to you at the conclusion of the engagement, is our [my] property, and we [I] will provide copies of such documents at our [my] discretion, unless required by law, and if compensated for any time and costs associated with the effort.

Commented [phb1]: leave blank?

[For married clients filing joint returns.]Because the income tax returns we [I] are [am] to prepare in connection with this engagement are joint returns, and because you will each sign those returns, you are each our [my] client. You each acknowledge that there is no expectation of privacy from the other concerning our [my] services in connection with this engagement, and we [I] are [am] at liberty to share with either of you, without the prior consent of the other, any and all documents and other information concerning preparation of your returns. We [I] will require, however, that any request for documents or other information be communicated to us [me] in written form. You also acknowledge that unless we [I] are [am] notified otherwise in advance and in writing, we [I] may construe an instruction from either of you to be an instruction on your joint behalf. Absent a contrary written instruction in the future, from either or both of you, we [I] will communicate with either or both of you at the following mailing address:

_____.

In the event we [I] are [am] required to respond to a subpoena, court order, or other legal process for the production of documents and/or testimony relative to information we [I] have obtained and/or prepared during the course of this engagement, you agree to compensate us [me] at our [my] hourly rates, as set forth above, for the time we [I] expend in connection with such response, and to reimburse us [me] for all of our [my] out-of-pocket costs incurred in that regard.

In the event that we [I] are [am] or may be obligated to pay any cost, settlement, judgment, 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 [me] during the course of this engagement (with or without your knowledge or intent), you agree to indemnify us [me], defend us [me], and hold us [me] harmless as against such obligation.

You agree that any dispute (other than our [my] efforts to collect an outstanding invoice) that may arise regarding the meaning, performance, or enforcement of this engagement or any prior engagement that we [I] have performed for you, will, prior to resorting to litigation, be submitted to mediation, and that the parties will engage in the mediation process in good faith once a written request to mediate has been given by any party to the engagement. Any mediation initiated as a result of this engagement shall be administered within the county of [County and State], by [Name of Mediation Organization], according to its mediation rules, and any ensuing litigation shall be conducted within said county, according to [State] law. The results of any such mediation shall be binding only upon agreement of each party to be bound. The costs of any mediation proceeding shall be shared equally by the participating parties.

Any litigation arising out of this engagement, except actions by us [me] to enforce payment of our [my] professional invoices, must be filed within one year from the completion of the engagement, notwithstanding any statutory provision to the contrary.

Our [my] liability relating to the performance of the services rendered under this letter is limited solely to direct damage sustained by you. In no event shall we [I] be liable for the consequential, special, incidental, or punitive loss, damage, or expense caused to you or to any third party (including without limitation, lost profits, opportunity costs, etc.). Notwithstanding the foregoing, our [my] maximum liability relating to services rendered under this letter (regardless of form of action, whether in contract, negligence or otherwise) shall be limited to the fees received by us [me] for this engagement. The provisions set forth in this paragraph shall survive the completion of the engagement.

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 [County], [State], USA, and [County], [State], 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 [State].

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, after full consideration and consultation with counsel if so desired, you agree to authorize us [me] to prepare your personal income tax returns pursuant to the terms set forth above, please execute this letter on the line below designated for your signature, and return the original of this executed letter to this office along with a completed copy of the enclosed tax organizer and the supporting documentation requested therein. You should keep a copy of this fully executed letter for your records. If this firm does not receive from you the original of this letter, in fully executed form, but receives from you a completed copy of the enclosed tax organizer and/or supporting documentation requested therein, then such receipt by this office shall be deemed to evidence your acceptance of all of the terms set forth above. If, however, this office receives from you no response to this letter, then this office will not proceed to provide you with any professional services, and will not prepare your income tax returns.

Thank you for your attention to this matter, and please contact me with any questions that you may have.

Very truly yours,

[Firm Contact]
[Title]

ACCEPTED AND AGREED:

[Name of Signatory #1]

Date

[Name of Signatory #2]

Date