

# 2023 Engagement Letter Terms

## Engagement Letter Terms for 2023 and Prior Year Tax Periods

Thank you for choosing Tax Experts of Colorado (TEC) to be part of your advisory team. This firm adheres to the guidelines of the National Association of Tax Professionals (NATP). The General Excepted Accounting Procedures (GAAP) and most importantly the rules and regulations of the Department of Treasury as determined by the Internal Revenue Service outlined in the Circular 230, IRM and IRC. The following terms and disclosures are provided as part of the engagement process which serves to detail the roles and responsibilities of all parties.

**1. Services TEC may provide.** TEC may provide one or more of the Tax Return Services, Consulting Services or Accounting Services indicated below. (The Services to be provided as described hereafter shall be collectively referred to as "Services").

**Tax Return Services.** TEC may prepare Client's federal and requested state income tax returns from information that Client furnishes to TEC. In addition to the preparation of Client's federal and state income tax returns, TEC may prepare the extension requests for the federal and state income tax returns. TEC may also assist in computing the quarterly estimated tax payments as needed. TEC will prepare these quarterly federal and state estimated income tax payment vouchers based on financial information provided by Client. The firm's standard hourly rate is \$275. For any and all tax filings; TEC charges by the form (1040, 1120, 1065, 1099/W2 etc.) by the schedule (Schedule C, Schedule 1 etc.) and by the worksheet (EIC Worksheet etc.). TEC DOES NOT charge by the hour when charging by the form. For example, a client that provides all necessary substantiation and records including questionnaires and checklist requests from TEC, signed Engagement letter, signed Authorization and consent forms; submitted via the client portal within the required timeline will be charged by the form and for exact expenses incurred by TEC (filing fees, postage, copies, etc.). Clients that need TEC to obtain transcripts, research prior year filings, look up property tax records, upload or download transactions from bank accounts into QuickBooks or otherwise to create financials etc. will be billed by the form in addition to the hourly rate for work performed outside of simple preparation.

By signing this engagement letter and relevant disclosures, it is understood that you, your firm, your affiliates, your associates, any and all individuals representing the same, fully agree with its entire contents, acknowledge the conditions and that you have been made aware of your rights and responsibilities. Furthermore, you agree that you are of sound body and mind, you are not under the influence of any substance nor bribery nor threat nor have any special promises been made in lieu of your signature so help you God. INITIAL \_\_\_\_\_

A complete and updated list of itemized charges is attached and requires signature. TEC reserves the right to make changes to its fee structure, policies and procedures as determined by TEC. You, the Client, will be notified in writing.

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Updated January 1, 2022, for Tax Return Clients Only: You authorize TEC with phone and online account access with the IRS and state taxing authorities, to verify and confirm payments. You understand TEC will have view-only access to all the tax year information on the government's website that is associated with you. This authorization remains in effect until you revoke it in writing.

**Consulting Services.** TEC may provide consulting Services to Client. TEC will be available to Clients to provide advisory Services on federal, state, local, and foreign tax matters on an as-requested basis. The firm's standard hourly rate is \$275.

**Accounting Services.** TEC may provide accounting and bookkeeping Services to Clients (collectively, the "Accounting Services") at the Firm's standard hourly rate of \$275 per hour.

**2. Responsibilities of TEC.** As determined by the nature of the Services to be provided, TEC will adhere to the following applicable responsibilities:

(a) **Tax Return Services.** TEC will not audit or otherwise verify the data submitted by Client, although it may be necessary to request clarification of some of the information. TEC will furnish Client with questionnaires and worksheets to guide Client in gathering the necessary information. Client's use of such forms will assist in keeping pertinent information from being overlooked.

TEC's work in connection with the preparation of Client's income tax returns does not include any procedures designed to discover defalcations or other irregularities, should any exist. TEC will render such accounting and bookkeeping assistance as determined to be necessary for preparation of the income tax returns at additional Accounting Services rates when authorized by the Client. Unless specifically provided for in this engagement term or the subject of a separate engagement term, TEC's return preparation Services do not include any obligation by TEC to identify any reportable or prohibited transactions that have not been the subject of a prior consultation between TEC and Client. TEC does not provide any legal services and any determination of independent contractor versus employee status is to be made by the Client and Client's legal counsel.

(i) **Tax Positions and Potential Penalties.** TEC will discuss with Client tax positions that TEC is aware of and for which Client or TEC could be subject to potential penalties. With respect to those tax positions, TEC will discuss any opportunity to avoid such penalties through adequate disclosure, and if relevant, the requirements for adequate disclosure. Client should be aware that in certain instances, the standards to avoid a potential penalty applicable to TEC, as a tax return preparer, may exceed the accuracy-related penalty standards applicable to Client. With respect to positions known to TEC, TEC will include in the tax return disclosures required in order for Client to avoid accuracy-related penalties under Internal Revenue Code ("IRC") section 6662, and disclosures to avoid tax return preparation penalties under IRC section 6694.

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(b) Consulting Services. TEC will perform Consulting Services in accordance with the *Statement on Standards for Consulting Services* established by the American Institute of Certified Public Accountants. The specific tasks comprising the Consulting Services will be established by mutual agreement of the parties and can be changed or modified in the same manner. TEC will promptly inform Client of any circumstances that warrant a change in the scope of the Consulting Services to be provided. Similarly, Client agrees to notify TEC promptly if modifications to the Consulting Services are requested.

TEC will be responsible only to provide tax advice with respect to the specific matter, transaction, or question actually presented by Client, including the type of tax and the taxing authority specifically identified by Client. Any tax advice provided by TEC will be based upon the law, regulations, cases, rulings, and other tax authority in effect at the time specific tax advice is provided. If there are subsequent changes in or to the foregoing tax authorities (for which TEC shall have no specific responsibility to advise Client), Client acknowledges that such changes may result in that tax advice being rendered invalid or necessitate (upon Client's request) a reconsideration of that tax advice.

TEC, as a result of providing tax advice, is under no obligation to represent Client with respect to challenges by a third party, such as the IRS. TEC would generally be available to represent Client before the appropriate tax authorities, if permissible, for an additional fee that is mutually agreed upon unless otherwise specified in the engagement letter.

(c) Accounting Services. None of the Accounting Services can be relied on to detect errors, fraud, or illegal acts that may exist. However, TEC will inform Client of any material errors and of any evidence or information that comes to one's attention during the performance of bookkeeping services should it be evident that fraud may have occurred. In addition, TEC will report to Client any evidence or information that comes to TEC's attention during the performance of the Accounting Services regarding illegal acts that may have occurred, unless they are clearly inconsequential. TEC has no responsibility to identify and communicate significant deficiencies or material weaknesses in Client's internal control as part of this engagement.

During the course of the Accounting Service engagement, standard, adjusting, or correcting journal entries may be required. TEC will discuss these entries with Client. Client is responsible for the review and final approval of the aforementioned entries. These Accounting Services are not a compilation, review, or audit. Accordingly, TEC does not express any opinion on these financials.

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3. **Responsibilities of Client.** As determined by the nature of the Services to be provided, Client will adhere to the following applicable responsibilities:

(a) **Tax Return Services.** It is Client's responsibility to provide all information required for the preparation of complete and accurate returns. Client should retain all documents, canceled checks, and other data that form the basis of income and deductions, as these may be necessary to prove the accuracy and completeness of the returns to a taxing authority. Client has the final responsibility for the income tax returns and, therefore, should carefully review them before signing them.

If TEC furnishes Client with questionnaires and worksheets to guide Client in gathering the necessary information, Client acknowledges that Client's use of such forms will assist in keeping pertinent information from being overlooked and that Client should complete and return such forms to TEC as soon as is practicable.

TEC will prepare relevant returns from information provided by the Client. TEC will rely on the information supplied to be accurate and complete and will not audit or otherwise verify the data, although one may need to ask the Client for clarification of some of the information.

The Client is responsible for the adequacy of all such documents. Client represents that the Client has such documentation and can produce if needed to respond to any audit or inquiry by taxing authorities. Client agrees to hold TEC harmless with respect to any additional taxes, penalties, or interest imposed on the Client, Taxpayer and or Company by taxing authorities resulting from the disallowance of tax deductions due to inadequate documentation.

#### Personal Expenses

Unless TEC is advised otherwise in writing, Client is responsible for clearly segregating personal expenses, if any, from business expenses as well as expenses such as meals, travel, entertainment, vehicle use, gifts, and related expenses. Client is also responsible for maintaining supporting documentation for all expenses required by the IRS and other taxing authorities. At Client's request, TEC representatives are available to answer Client's questions and advise the Client, Taxpayer and or Company on types of supporting records required.

#### Internal Controls

Client is responsible for the design and implementation of programs and controls to prevent and detect fraud, and for informing TEC about all known or suspected fraud affecting the Client, Taxpayer and or Company involving a) management, b) employees who have significant roles in internal control, and c) others where the fraud could have a material effect on the financial information. Client is also responsible for informing TEC of any knowledge of any allegations of fraud or suspected fraud affecting the Client, Taxpayer and or Company received in communications from employees, former employees, regulators, or others.

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## Employee vs. Independent Contractor

TEC is not responsible for advising you with respect to independent contractor status as part of our Services. If you have any questions regarding the classification of employees vs. independent contractors, the Client is strongly encouraged to consult with legal counsel experienced in employment practice matters.

## Reasonable Compensation

IRS rules state that C Corporations and S Corporations are required to pay a reasonable salary to any officer/shareholder providing Services to the Company through regular payroll checks throughout the year and issue a W2 to each person at the close of the year. This can be an audit risk if not done properly or not done at all. The Bureau of Labor Statistics ([www.bls.gov](http://www.bls.gov)) can be used to determine "reasonable salary" for your industry and position.

## Shareholder Health Insurance Premiums for S Corporations

If shareholder health insurance premiums are paid by S Corporations, then in order to be able to deduct these expenses, these health insurance premiums are required to be reported in Box 1 and Box 14 of the shareholder's Form W2 each year. If this is not reported properly and the Company or the shareholder are audited, the IRS could deny the deduction for these expenses paid.

## Shareholder Distributions from S Corporations

Annual distributions made by S Corporations to their shareholders are required to be made to each shareholder in proportion to their respective ownership percentages. For example, if a shareholder owns 30% of the Company, then that shareholder should receive 30% of the total distributions made by the Company during the year. If this is not done properly and the return is selected for audit, the IRS may change the tax classification of the Company from an S Corporation to a C Corporation.

## Foreign Bank Account/Asset Filings

Client is made aware that U.S. taxpayers are required to report their worldwide income, that is, income from both U.S. and foreign sources. In addition, taxpayers who own, have an interest in, or have signature or other authority over assets in a foreign country may be required to report the existence of the asset.

Client is responsible for disclosing/reporting to TEC any and all foreign assets in which the client has either ownership or signature authority. This includes, but is not limited to, funds in foreign financial institutions, real estate, rights to foreign pension plans, rights to distributions

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from foreign estates or trusts, life insurance with cash surrender values, or any other foreign assets. It does not include stocks in foreign countries held by U.S. brokerage companies.

**Client has the ultimate responsibility for the accuracy of the income tax returns; therefore, they should be reviewed carefully before signing and filing.**

The scope of work does not include auditing client's financials and that client represents and affirms that the financial information provided by the client is true and correct.

The IRS and some states have rules that require taxpayers to disclose their participation in reportable or prohibited transactions by attaching a disclosure form to their federal and/or state income tax returns and, when necessary, by filing a copy of that disclosure form with the IRS and/or applicable state agency. These rules impose significant requirements to disclose certain transactions and such disclosures may encompass transactions entered into in the normal course of business. Client is responsible for ensuring that it has properly disclosed all reportable transactions; failure to make required disclosures will result in substantial penalties. TEC will not be liable for any penalties resulting from Client's failure to accurately and timely file any required reportable or prohibited transaction disclosure.

The law provides various penalties that may be imposed when taxpayers understate their tax liability. If the Client would like information on the amount or the circumstances of these penalties, Client should contact TEC.

Client's tax return may be selected for review by a taxing authority. Any proposed adjustments by the examining agent are subject to certain rights of appeal. In the event of such governmental tax examination, TEC may be available, upon request, to represent the Client and will render additional invoices for the time and expenses incurred.

(i) Partnership/LLP/LLC or Corporate Tax Returns. In addition to the responsibilities set forth above in this Paragraph 3(a), if Client is a partnership, LLP, LLC, or corporation, TEC is relying on Client's representation that the designated person is the tax matters partner of the partnership, LLP, or LLC or the authorized agent of the corporation. If Client is not the tax matters partner or person responsible for the tax matters of the entity, Client is obligated to inform TEC of the identity of the authorized agent.

(ii) *(If applicable)* Modernized e-File System. The Internal Revenue Service ("IRS") requires certain large corporations and tax-exempt organizations to electronically file their federal income tax return using the Modernized e-File System ("MeF System"). As a result, Client may be required to file its federal income tax return electronically using the MeF System. Under separate state mandates, Client may also be required to electronically file in another state(s). TEC's responsibilities in connection with providing electronic filing assistance will be limited to communicating to Client the specific procedures and responsibilities regarding the MeF

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System that will enable Client to comply with the MeF System and the transmission of the electronic file to the IRS in the form and content as authorized by Client. For TEC to electronically transmit Client's files, Client must provide a signed Form 8453-C, "U.S. Corporation Income Tax Return Declaration for an IRS e-file Return", or other required declaration to TEC at least seven (7) business days before transmission to the IRS. Upon receipt of a signed Form 8453-C or required declaration, TEC will transmit the electronic file to the IRS without modification other than as necessary to resolve diagnostic or other errors generated as a result of the transmission. The receipt of a signed Form 8453-C or other required declaration will be deemed by TEC as authorization by Client to transmit Client's electronic files.

(b) Consulting Services. The specific tasks comprising the Consulting Services will be established by mutual agreement of the parties in writing and can be changed or modified in the same manner. TEC will promptly inform Client of any circumstances that warrant a change to the scope of the Consulting Services to be provided. Similarly, Client agrees to notify TEC promptly if modifications to the Consulting Services are requested.

Client acknowledges that the Consulting Services will be based solely on the representations, information, documents, and other facts provided to TEC by Client. The results of TEC's tax advice may be audited and challenged by the IRS and other tax agencies who may not agree with TEC's positions. In this regard, Client understands that the result of any tax advice is not binding on the IRS, other tax agencies, or the courts and should never be considered a representation, warranty, or guarantee that the IRS, other tax agencies, or the courts will concur with TEC's advice or opinion.

(c) Accounting Services. Client is responsible for management decisions and functions, and for designating an individual with suitable skill, knowledge, or experience to oversee any accounting Services, bookkeeping Services, tax Services, or other Services TEC may provide. Client is responsible for evaluating the adequacy and results of the Accounting Services performed and accepting responsibility for such Services. Client is responsible for establishing and maintaining internal controls, including monitoring ongoing activities.

(d) Referrals to Other Professionals. Client is responsible for due diligence and decisions when engaging with outside professionals. TEC may provide referrals to other professional service providers at the request of Client. TEC provides no assurance or responsibilities with respect to work not performed by TEC. Client is responsible for evaluating the adequacy and results of those service providers for such Services.

**4. Fees and Expenses; Retainers.** The fees for TEC's provision of the Services are as set forth in **Client's Engagement Letter**. If TEC discovers issues that will result in fees due outside this service agreement, TEC will promptly communicate such issues to Client for approval before proceeding. Delays in delivery by Client to TEC of necessary information or

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documentation may impede TEC's ability to perform the Services and may result in additional billing at TEC's standard hourly rate. Please note that retainers and fixed fee amounts are nonrefundable in nature unless otherwise indicated in the Client Engagement Letter.

Client will reimburse TEC for all costs and expenses as are reasonably required in connection with the Services to be rendered by Client under this Agreement. The following are some typical examples: messenger, mail and overnight express delivery charges, parking, tolls and other local travel expenses, long distance telephone charges, photocopying charges, and off site facsimile charges.

**Payments are fully due and collectible at the inception of the service terms unless otherwise indicated in Client Engagement Letter.**

**5. Statements; Overdue Amounts; Disputed Amounts.** Upon completion of the Services, TEC will send to Client a statement indicating fees and expenses incurred and the manner by which they were arrived. If the duration of TEC's engagement in providing the Services spans more than two calendar months, TEC will send monthly statements. The amounts payable reflected in any given statement are due when the statement is rendered. Any extensions to this period must be agreed to in advance and in writing by TEC.

(a) Overdue Amounts. If payment for any given statement is not timely received, Client agrees that TEC shall have the right to enforce one or more of the following remedies:

(i) All amounts past due 30 days or more shall bear interest from the date of the statement at the rate of one- and one-half percent (1.50%) per month (eighteen percent (18%) per year) until paid.

(ii) Where balances remain unpaid for over 45 days following the date of the statement, TEC may immediately suspend further Services until the account is paid in full.

(iii) TEC may require Client to deposit an additional sum in such amount to be determined by TEC before TEC is obligated to provide further Services to Client.

(iv) For accounts having unpaid balances for over 60 days following the date of the statement, TEC may completely withdraw from its engagement with Client.

(b) Disputed Amounts. In the event of a dispute over any of TEC's billings, Client's obligation is to timely pay all undisputed amounts. The disputed amount and the attendant finance charge will be suspended for a period not to exceed an additional 15 days. During this suspension period, TEC and Client agree to utilize their best efforts to resolve the disputed amount by conferring within said 15-day period after the disputed billing is received. If no resolution is reached, all unpaid obligations will be revived and immediately due and payable, at which point TEC will have the right to pursue collection. In the event that TEC chooses to

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institute legal proceedings to collect billings owed by Client, the prevailing party shall be entitled to recover its reasonable attorney's fees and other associated costs.

**6. Privileged Information; Indemnification.** Federal law provides a limited confidentiality privilege for certain communications between CPAs and their clients. The privilege does not cover items other than tax advice such as your tax records, tax return preparation, state tax proceedings, criminal proceedings, or private civil proceedings. A disclosure of confidential information to a government agent or other third party may result in a waiver of the privilege. To protect your right to assert this privilege, Client should contact TEC before sharing with third parties any communications that takes place between Client and TEC.

In the event that TEC receives a request from a third party (including a subpoena, summons, or discovery demand in litigation) seeking the production of privileged information, TEC will promptly notify Client. If Client instructs TEC in writing to assert the privilege on Client's behalf, TEC will do so to the extent allowed by law. Client agrees to indemnify and hold harmless TEC from any expenses (including attorney's fees, court costs, and any other costs imposed whether by way of penalty or otherwise) incurred by TEC as a result of Client's assertion of the privilege or Client's direction to TEC to assert the privilege on Client's behalf.

**7. Termination.** Both TEC and Client may terminate the engagement by giving written notice to the other party. Client may terminate at any time and for any reason. However, Client agrees that upon such termination, Client will promptly pay to TEC all fees and expenses earned or incurred up to the date of termination. TEC may terminate for cause, for ethical considerations, or with Client's consent. Cause includes, but is not limited to, Client's breach of any provision of this engagement term, including a failure to timely pay for the Services. Termination shall take effect fifteen (15) calendar days after receipt of a notice of termination.

**8. Non-assignability; Governing Law; Severability.** This engagement term may not be assigned by either party. It will be binding on any successors, heirs, administrators, and executors of the parties. This engagement term shall be governed and interpreted in accordance with the laws of the State of Colorado. If any portion of this engagement term is held to be illegal, unenforceable, or otherwise without effect, the remainder will continue in full force and effect.

**9. Entire Agreement.** The conditions set forth in this engagement term, including all exhibits and attachments, constitute the entire agreement between TEC and Client with respect to this engagement; supersede all other oral or written representations, understandings, or agreements with respect to this engagement; and may not be amended except by a writing signed by TEC and Client.

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**CONSENT TO USE**

Federal law requires this consent form be provided to you. Unless authorized by law, we cannot use, without your consent, your tax return information for purposes other than the preparation and filing of your tax return. If you consent to the use of your tax return information, Federal law may not protect your tax return information from further use or distribution.

You are not required to complete this form. If we obtain your signature on this form by conditioning our services on your consent, your consent will not be valid. If you agree to the disclosure of your tax return information, your consent is valid for the amount of time that you specify. If you do not specify the duration of your consent, your consent is valid for one year.

Duration of consent: Calendar year 2023

Pursuant to Reg §301.7216-3, I (we), authorize TAX EXPERTS OF COLORADO (TEC) and/or EMMA L BURNS to use any and all tax return information, forms, schedules, documents, and attachments for the purpose of offering tax preparation, tax liability resolution, tax audit assistance, support, and representation services with both the Federal Tax Authorities as well as relevant State Tax Authorities.

If you believe your tax return information has been disclosed or used improperly in a manner unauthorized by law or without your permission, you may contact the Treasury Inspector General for Tax Administration (TIGTA) by telephone at 1-800-366-4484, or by email at [complaints@tigta.treas.gov](mailto:complaints@tigta.treas.gov).

Taxpayer Signature: \_\_\_\_\_

Date: \_\_\_\_\_

Spouse Signature: \_\_\_\_\_

Date: \_\_\_\_\_

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## TAX EXPERTS OF COLORADO (TEC)

## 2023 Schedule of Services

Stage 1 - Initial Fact Finding Interview. Authorization and Identity Verification. Transcript Retrieval**			From	To
<b>Transcript Investigation &gt; Case Evaluation and Analysis of Resolution Options</b>				
Power of Attorney Authorization Form (2848)				
Tax Information Authorization Form (8821)		\$1,000	\$1,400	*
Freedom of Information Act Request (FOIA)- Account Transcripts (up to 5 years)				
Freedom of Information Act Request (FOIA)- Wage & Income Records (up to 5 years)				
Transcripts and Records Years 6 thru 10	add	\$100	\$500	*
<b>Step 2- Compliance Alignment/Tax Prep/Filing (paid upon completion/filing)</b>				
Individual Income Tax Return (Per Year State & Federal)		\$250	\$750	*
			*As Determined	
Corporate Income Tax Return (Per Year)*			During Fact Finding Appointment.	
<b>Step 3- Representation and Tax Liability Resolution**</b>			<b>From</b>	<b>To</b>
Installment Agreement SL- ACS (Under \$25k liability)		\$1,400	\$2,400	*
Installment Agreement SL- ACS (\$25k to \$50k Liability)		\$2,400	\$3,400	*
Installment Agreement ACS (\$50k to \$200k Liability)		\$3,600	\$5,000	*
Installment Agreement- Revenue Officer Assigned (additional charge added to IA / OIC rate)		\$1,000	\$2,000	*
Offer in Compromise (Under \$50k Liability)		\$3,600	\$4,800	*
Offer in Compromise (\$50k to \$100k liability)		\$4,800	\$6,800	*
Offer in Compromise (Over \$100k Liability)		\$6,800	\$10,000	*
Release of Bank or Wage levy		\$2,000	\$5,000	*
Penalty Abatement		\$3,000	\$5,000	*
Employment Tax Representation		\$2,000	\$5,000	*
Trust Fund Recovery Penalty		\$2,000	\$4,000	*
Audit Representation (per period/year)		\$3,000	\$10,000	*
<b>Step 4 - Apply Resolved Matters</b>			<b>From</b>	<b>To</b>
Loan Processing***		1%	1.50%	*
*This is an estimate of the minimum range of rates, and, in no way should be considered a representation of the maximum range of rates to be expected ; your case will be analyzed and a resolution will be determined that protects your cash flow. The best case scenario will be proposed. A clients individual situation may warrant different charges. Rates are subject to change Please refer to your contract for applicable terms and conditions. Your Contract is the executed version of your Engagement letter.				
** 50% RETAINER Required and Due to Secure Contract.				
*** Precent (%) of Loan Acquired. Paid at Closing				