

## Individual Engagement Letter 2023 Tax Returns

This letter is to confirm and specify the terms of our engagement with you and to clarify the nature and extent of the services we will provide. In order to ensure an understanding of our mutual responsibilities, we ask all clients for whom returns are prepared to confirm the following arrangements.

1. We will prepare your 2023 federal and state and local income tax returns from information which you will furnish to us. We will not audit or otherwise verify the data you submit, although it may be necessary to ask you for clarification of some of the information. We will furnish you with questionnaires and worksheets to guide you in gathering the necessary information. Your use of such forms will assist in keeping the fee to a minimum.
2. We will not prepare any tax returns other than those identified above, without your written request, and our written consent to do so. We will rely upon the completeness and accuracy of the information and representations you provide to us to prepare your tax returns. We have not been engaged to and will not prepare financial statements. We will not audit or otherwise verify the data you submit to us, although we may ask you to clarify certain information.
3. It is your responsibility to provide all the information required for the preparation of complete and accurate returns. You should retain all the documents, cancelled 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.
4. This engagement is limited to the professional services outlined above.
5. **CPA Firm Responsibilities**

Unless otherwise noted, we will perform our services in accordance with the Statements on Standards for Tax Services (“SSTs”) issued by the American Institute of Certified Public Accountants (“AICPA”) and U.S. Treasury Department Circular 230 (“Circular 230”). It is our duty to perform services with the same standard of care that a reasonable tax return preparer would exercise in this type of engagement. It is your responsibility to safeguard your assets and maintain accurate records pertaining to transactions. We will not hold your property in trust for you, or otherwise accept fiduciary duties in the performance of the engagement.

We will prepare your tax returns based upon your filing status (single, married filing jointly, married filing separately, head of household or qualifying widow[er] with dependent child) as reflected in your income tax returns for last year. If your filing status has changed, you wish to change your filing status, or you have questions about your filing status, please contact us immediately.

Our work in connection with the preparation of your income tax returns does not include any procedures designed to discover defalcations and/or irregularities, should any exist. We will render such accounting and bookkeeping assistance as determined to be necessary for preparation of the income tax returns.

6. The law provides various penalties that may be imposed when taxpayers understate their tax liability. If you would like information on the amount or the circumstances of these penalties, please contact us.
7. Your returns may be selected for review by the taxing authorities. Any proposed adjustments by the examining agent are subject to certain rights of appeal. In the event of such government tax examination, we will be available upon request to represent you and will render additional invoices for the time and expenses incurred.

8. **Arguable positions**

We will use our professional judgment to resolve questions in your favor where a tax law is unclear, provided that we have a reasonable belief that there is substantial authority for doing so. If there are conflicting interpretations of the law, we will explain the possible positions that may be taken on your return. We will follow the position you request, provided it is consistent with our understanding of tax reference materials. Tax reference materials include, but are not limited to, the Internal Revenue Code (“IRC”), tax regulations, Revenue Rulings, Revenue Procedures, Private Letter Rulings, court cases, and similar state and local guidance. If the IRS, state or local tax authorities later contest the position you select, additional tax, penalties, and interest may be assessed. We assume no liability, and you hereby release us from any liability, including but not limited to, additional tax, penalties, interest, and related professional fees you may incur.

9. **Confidentiality**

If the tax returns prepared in connection with this engagement are filed using the married filing jointly filing status, both spouses are deemed to be clients of the firm under the terms of this Agreement. Both spouses acknowledge that there is no expectation of privacy from the other concerning our services in connection with this Agreement. We are at liberty to share with either of you, without prior consent of the other, documents and other information concerning the preparation of your tax returns.

10. **Bookkeeping assistance**

We may deem it necessary to provide you with accounting and bookkeeping assistance solely for the purpose of preparing the tax returns. These services will be performed solely in accordance with the AICPA Code of Professional Conduct. In the event we conclude that such services are necessary to prepare your tax returns, we will advise you in writing before services are performed and bill you for the required services. You agree to pay for those required services.

11. **Estimated tax payments**

You may be required to make quarterly estimated tax payments. We will calculate these payments for the 2024 tax year based upon the information you provide to prepare your 2023 tax returns (the “safe harbor” rule). Updating recommended payments to more closely reflect your actual current year’s income is not within the scope of this engagement. If you would like us to provide this service, and we agree to do so, we will confirm this update in a separate agreement.

12. **Tax planning services**

Tax planning services are not within the scope of this engagement. During the course of preparing the tax returns identified above, we may bring to your attention potential tax savings strategies for

you to consider as a possible means of reducing your taxes in subsequent tax years. However, we have no responsibility to do so, and will take no action with respect to such recommendations, as the responsibility for implementation remains with you, the taxpayer. If you ask us to provide tax planning services, and we agree to provide them to you, we will confirm this engagement in a separate agreement.

### **13. Government inquiries**

This engagement does not include responding to inquiries by any governmental agency or tax authority. If your tax return is selected for examination or audit, you may request our assistance in responding to such an inquiry. If you ask us to represent you, and we agree to represent you, we will confirm this engagement in a separate agreement.

### **14. Consent to foreign disclosure of tax return information**

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

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 from the date of signature.

This consent to disclose may result in your tax return information being disclosed to a tax return preparer located outside the United States, including your personally identifiable information such as your Social Security number (SSN). Both the tax return preparer in the United States that will disclose your SSN and the tax return preparer located outside the United States that will receive your SSN maintain an adequate data protection safeguard (as required by the regulations under 26 U.S.C. section 7216) to protect privacy and prevent unauthorized access of tax return information. If you consent to the disclosure of your tax return information, federal agencies may not be able to enforce United States laws that protect the privacy of your tax return information against a tax return preparer located outside of the United States to whom the information is disclosed.

### **15. Documentation**

You are responsible for maintaining adequate documentation to substantiate the accuracy and completeness of your tax returns. You should retain all documents that provide evidence and support for reported income, credits, deductions, and other information on your returns, as required under applicable tax laws and regulations. You represent that you have such documentation and can produce it, if necessary, to respond to any audit or inquiry by tax authorities. You agree to hold our firm harmless from any liability including but not limited to, additional tax, penalties, interest and professional fees resulting from the disallowance of tax deductions due to inadequate documentation.

### **16. State and local filing obligations**

On June 21, 2018, the U.S. Supreme Court reversed the long-standing physical presence nexus standard in *South Dakota v. Wayfair, Inc. et. al.* This decision significantly changed the landscape of sales and use tax compliance, especially for online sellers. If you wish to understand the impact of the decision on your business, please so advise and we will confirm this in a separate agreement.

You are responsible for determining your tax filing obligations with any state or local tax authorities, including, but not limited to income, franchise, sales, use, property or unclaimed property taxes. If upon review of the information you have provided to us, including information that comes to our attention, we believe that you may have additional filing obligations, we will notify you. You acknowledge that the scope of our services under this Agreement does not include any services related to your compliance with tax obligations other than those identified in the *Engagement Objective and Scope* section of this Agreement. If you ask us to prepare any other returns, and we agree to do so, we will confirm this engagement in a separate agreement.

#### **17. U.S. filing obligations related to foreign investments**

Based on the information you provide; you may have additional filing obligations including but not limited to:

- Ownership of or an officer relationship with respect to certain foreign corporations (Form 5471);
- Foreign-owned U.S. corporation or domestic disregarded entity (Form 5472);
- Foreign corporation engaged in a U.S. trade or business (Form 5472);
- U.S. transferor of property to a foreign corporation (Form 926);
- U.S. person with an interest in a foreign trust (Forms 3520 and 3520-A);
- U.S. person with interests in a foreign partnership (Form 8865);
- U.S. person with interests in a foreign disregarded entity (Form 8858); or
- Statement of specified foreign assets (Form 8938).

You are responsible for informing us of all foreign assets owned directly or indirectly, including but not limited to financial accounts with foreign institutions, other foreign non-account investments, and ownership of any foreign entities, regardless of amount. If upon review of the information you have provided to us, including information that comes to our attention, we believe that you may have additional filing obligations, we will notify you.

Based upon the information you provide, we will use this data to inform you of any additional filing requirements, which may include FinCEN Form 114, *Report of Foreign Bank and Financial Accounts* ("FBAR"). The FBAR is not a tax return and its preparation is not within the scope of this engagement. If you ask us to prepare the FBAR, and we agree to prepare the FBAR, we will confirm this engagement in a separate agreement.

Failure to timely file the required forms may result in substantial civil and/or criminal penalties. By your signature below, you agree to provide us with complete and accurate information regarding any foreign investments in which you have a direct or indirect interest, or over which you have signature authority, during the above referenced tax year.

The foreign reporting requirements are very complex. If you have any questions regarding the application of the reporting requirements for your foreign interests or activities, please ask us and we will respond in writing. Only advice that is in writing may be relied upon. We assume no liability for penalties associated with the failure to file or untimely filing of any of these forms.

#### **18. Foreign filing obligations**

You are responsible for complying with the tax filing requirements of any other country. You acknowledge and agree that we have no responsibility to raise these issues with you and that foreign filing obligations are not within the scope of this engagement.

## 19. Virtual currency

The IRS considers virtual currency (e.g., Bitcoin) as property for U.S. federal income tax purposes. As such, any transactions in, or transactions that use, virtual currency are subject to the same general tax principles that apply to other property transactions.

If you had virtual currency activity during the tax year, you may be subject to tax consequences associated with such transactions and may have additional reporting obligations. You agree to provide us with complete and accurate information regarding any transactions in, or transactions that have used, virtual currency during the applicable tax year.

Here are the 7 activities that require individual transaction reporting *in addition to just reporting the existence of the account*. You read that correctly--each individual transaction must be individually reported. For example, if you use cryptocurrency to buy a cup of coffee, we must report that transaction individually on your return!

1. Selling (converting) crypto to US Dollars
2. Trading 1 crypto for another
3. Spending crypto directly for goods or services
4. Mining crypto from your own computers
5. Staking or lending crypto and receiving payment in crypto or dollars
6. Receiving Airdrop crypto
7. Getting paid in crypto

Items 1, 2, and 3 require that we report each and every transaction separately on your return! Potentially hundreds or thousands of transactions must be reported if you are spending cryptocurrency, trading (even via a “Bot”), mining, etc.

## 20. 1099-K:

There is a requirement this year by payors to issue 1099-K for aggregate transactions over \$ 600. Common issuers to individuals will be payment providers such Stub Hub, Zelle, Venmo, etc. If you receive this form, and it may not come until February, it MUST be included in your tax return.

## 21. Ultimate responsibility

You have final responsibility for the accuracy of your tax returns. We will provide you with a copy of your electronic tax returns and accompanying schedules and statements for review prior to filing with the IRS, state and local tax authorities, as applicable. You agree to review and examine them carefully for accuracy and completeness.

You will be required to verify and sign a completed Form 8879, *IRS e-file Signature Authorization*, and any similar state and local equivalent authorization form before your returns can be filed electronically.

In the event that you do not wish to have your tax returns filed electronically, please contact our firm. Additional procedures will apply. You will be responsible for reviewing the paper returns for accuracy, signing them, and filing them timely with the tax authorities.

## 22. Timing of the Engagement

We expect to begin our services upon receipt of this executed Agreement, the completed 2023 income tax organizer and/or documents requested either in the organizer or by our office.

Our services will conclude upon the earlier of:

- the filing and acceptance of your 2023 tax returns by the appropriate tax authorities and mailing or delivery of non-electronically filed tax returns (if any) to you for your review and your filing with the appropriate tax authorities,
- written notification by either party that the engagement is terminated, or

- one (1) year from the execution date of this Agreement.
- **Penalties and Interest Charges**
  - Federal, state, and local tax authorities impose various penalties and interest charges for non-compliance with tax laws and regulations, including failure to file or late filing of returns, and underpayment of taxes. You, as the taxpayer, remain responsible for the payment of all tax, penalties, and interest charges imposed by tax authorities.

23. Our fees will be based on the time required by the individuals assigned to the engagement, plus out-of-pocket expenses such as report production, word processing, postage, travel, etc. Individual hourly rates vary according to the degree of responsibility involved and the experience and skill required and are adjusted periodically. The hourly rates of our professional staff, including bookkeepers, presently range from \$85 to \$495 per hour.

24. We offer two plans that may represent some cost savings and protections for you: **Personal Return Audit Assurance** and **Gold Package**.

You may opt into **Personal Return Audit Assurance**. Audit Assurance is representation in an income tax audit by our qualified staff, should it be needed. You may [click here](#) for more information. Please check one:

- Yes, I elect to opt into Personal Return Audit Assurance. I understand that I will incur a fee of \$500 per individual return.
- No, I do not want to opt into Personal Return Audit Assurance. I understand that I will be charged for any billable hours that accrue, at our standard rates, should there be an audit.

You also may opt into the **Gold Package**, which provides the handling of any tax notices you may receive upon completion of your federal, state and local returns. You may [click here](#) for more information. Please check one:

- Yes, I elect to opt into the Gold Package. I understand that I will incur a surcharge of 20% of my base tax preparation bill.
- No, I do not want to opt into the Gold Package. I understand that I will be charged for any billable hours that accrue, at standard rates, resolving any tax notices that I may receive.

25. Invoices are payable within fifteen days. Any outstanding payment longer than thirty days is subject to a monthly service charge of 1.5%. Any invoice outstanding for more than ninety days is subject to suspension of accounting services until the balance is paid, or the company enters an acceptable payment plan.

26. This fee excludes the monthly cost for QuickBooks Online, is contingent upon cooperation from key employees with whom we may collaborate and excludes the cost for any unplanned services resulting from unexpected circumstances. If significant additional time is necessary to perform services, we will discuss it with you and agree upon a revised estimate before you incur any additional costs.

27. If the foregoing fairly sets forth your understanding, please sign the enclosed copy of this letter in the space indicated and return it to our office. We will not initiate services until we receive the executed Agreement.

28. However, if there are other tax returns you expect us to prepare, please inform us by noting so at the end of the return copy of this letter.

We want to express our appreciation for this opportunity to work with you.

Very truly yours,

Zinman and Company, PC

ACCEPTED:

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First and Last Name

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Date

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Signature

## Gold Package

For the 2023 filing season, we are once again offering our clients the **Gold Package**, which provides a predetermined price for the handling of tax notices you may receive upon completion of your federal, state, and local income tax returns. The number, frequency, and type of nuisance notices coming from each taxing authority increases each year as authorities implement new ways to generate revenue. While we normally can resolve these on your behalf, the time and cost incurred to research and respond to them can rise to the cost of the original preparation. Please keep in mind that we are not referring to notices received due to an error made by our firm.

By opting into the **Gold Package**, the time and expertise our firm utilizes researching and responding to any such notices received from April 1, 2024 through March 31, 2025, regardless of the year they apply to, will be covered. The cost of the **Gold Package** is a surcharge of 20% of the base tax preparation bill.

Governmental examination or audit is not included in this package, but can be handled by our firm either through the purchase of **Audit Assurance** or on a time basis at standard rates.



## Personal Return Audit Assurance

**Q: What is Audit Assurance?**

**A:** Audit Assurance is representation in an income tax audit by our qualified staff, should it be needed.

**Q: What if I am audited well after filing my income tax return?**

**A:** Many income tax audits happen 1-3 years after the filing of the return. Our Audit Assurance coverage does not lapse with time once purchased, and will be in place should you need it.

**Q: When is Audit Assurance purchased?**

**A:** Audit Assurance is purchased at the time of executing the Engagement Letter.

**Q: When does Audit Assurance coverage start?**

**A:** Audit Assurance starts upon our receipt of your signed Engagement Letter and receipt of your payment for the service.

**Q: What period does Audit Assurance cover?**

**A:** Audit Assurance covers the tax year that is covered by the Engagement Letter.

**Q: Are amended tax returns covered by Audit Assurance?**

**A:** No, only originally filed income tax returns are covered.

**Q: Is there a hourly cap on Audit Assurance?**

**A:** Yes, Audit Assurance covers up to twenty (20) total hours per year for individuals, and up to forty (40) total hours for businesses. Based upon our experience, most audits can be resolved within this time.

**Q: Are state income tax audits included?**

**A:** Yes, subject to the overall total hour limit. However, state income tax audit representation will not be available in any state that Zinman & Company or its representatives are not fully licensed to represent a taxpayer before that specific jurisdiction due to state requirements.

**Q: Is Audit Assurance refundable if I am not audited?**

**A:** No, Audit Assurance is nonrefundable.

**Q: What is the cost of Audit Assurance?**

**A:** Audit Assurance is \$500 per individual, and \$1,500 per business.