



2020 Individual Income Tax Preparation Engagement Letter

(Date)

(Client Name, including spouse)

Re: Engagement Terms between “Client” referenced above and John Lebbs CPA, PLLC

John Lebbs CPA, PLLC is pleased to provide you with the professional services described below. This letter states the terms and conditions by which you, the “Client” referenced above (“you,” “client,” or “your”), have engaged John Lebbs CPA, PLLC (collectively “firm,” “we,” “us,” or “our”), its successors, and/or assigns to provide certain tax return preparation services. This letter and any other attachments incorporated herein (collectively “Agreement”), confirm our understanding of the terms and objectives of our engagement and the nature and limitations of the services we will provide. The engagement between you and our firm will be governed by the terms of this Agreement.

Services. Under this engagement, we will prepare your 2020 federal and applicable state and local tax returns based solely upon the information and representations provided to us. Our services are not intended to determine whether you have filing requirements in taxing jurisdictions other than those you have informed us of. 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.

We will prepare the tax returns solely for filing with the Internal Revenue Service (“IRS”) and applicable state and local tax authorities. Our work is not intended to benefit or influence any third party. Under no circumstance will we respond to any request for verification of any information reported on these tax returns or for information given to us to prepare the returns.

You agree to indemnify and hold our firm and its partners, principals, shareholders, officers, directors, members, employees, agents, and/or assigns harmless with respect to any and all claims arising from the use of the tax returns for any purpose other than filing with the IRS and state and local tax authorities regardless of the nature of the claim, including the negligence of any party.

We will prepare your federal and requested state and local income tax returns based solely on information provided via tax documents and financial statements you submit. You represent that the information you are supplying to us is accurate and complete to the best of your knowledge and that you have disclosed to us all relevant facts affecting the returns.

Our engagement does not include any procedures designed to detect errors, fraud, or theft. Therefore, our engagement cannot be relied upon to disclose such matters. This engagement is limited to the professional services outlined above.

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.

We will prepare your tax returns based upon your filing status as reflected in your prior year income tax return. 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.

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 individuals 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. If you inform us of a pending divorce, prior year tax returns documents will still be shared with both spouses, but we will require a *Divorce Addendum* for the current tax year and will not advise either of you until the divorce is complete.

Bookkeeping Assistance. We may deem it necessary to provide you with accounting and bookkeeping assistance solely for the purpose of preparing the income tax returns. These services will be performed solely in accordance with the AICPA Code of Professional Conduct. We will request your approval in writing before rendering these services. Additional charges will apply for such services.

Estimated Tax Payments. You may be required to make quarterly estimated tax payments. We will calculate estimated payments for the 2021 tax year based upon the information you provide to prepare your 2020 tax returns. We have no obligation to update estimated tax payments after the engagement is complete. If you ask us to update your estimated tax payments, additional fees may apply.

Tax Planning Services. This engagement does **not** include tax planning services. While 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, we will confirm this representation in a separate engagement letter. Additional charges may apply.

Errors, Misrepresentations, Fraud, Illegal Acts, Theft. We will not attempt to discover errors, misrepresentations, fraud, illegal acts, or theft. We have not included any procedures designed or intended to discover such acts and we have no responsibility to do so. We will only render accounting and bookkeeping assistance as necessary for the preparation of the income tax returns. This may require additional fees.

Professional Judgment. We will use our professional 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 accordance with IRS Circular 230 guidelines.

Standards. The Internal Revenue Code and regulations impose preparation and disclosure standards with noncompliance penalties on both the preparer of a tax return and on the taxpayer. If we have a reasonable belief any tax position in your return will be sustained on its merits due to having substantial authority, a preparer penalty will be imposed on us unless that position has a reasonable basis and is adequately disclosed in the return. While we might be able to avoid a preparer penalty by adequately disclosing the return position, you might not have to disclose the position to avoid applicable taxpayer penalties. If we determine that we would be subject to a preparer penalty by delivering your return to you, you agree to either adequately disclose the position on your return or change the position to one which would not subject us to penalty. If you do not choose to change your position or adequately disclose to eliminate our exposure to the preparer penalty, we, in our sole discretion and at any time, may withdraw from the engagement without completing or delivering tax returns to you. Such withdrawal will complete our engagement and you will be obligated to compensate us for all time expended and to reimburse us for all out-of-pocket expenses through the date of our withdrawal.

Electronic Filing. Due to the number of returns we prepare, IRS regulations require us to file all individual and trust income tax returns electronically. To comply with this requirement, your returns will be electronically filed.

Disclosure of Personal and Tax Information. We make all reasonable efforts to maintain the privacy of client personal and tax information. Should we receive any request for the disclosure of privileged information from any third party, including a subpoena or IRS summons, we will notify you. In the event you direct us not to make the disclosure, you agree to hold us harmless from any expenses incurred in defending the privilege, including, by way of illustration only, our attorney's fees, court costs, outside adviser's costs, or penalties or fines imposed because of your asserting the privilege or your direction to us to assert the privilege.

Electronic Communications. In connection with this engagement, we may communicate with you or others via email transmission. 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, anticipated profits, disclosure or communication of confidential or proprietary information.

Examination of Returns. Your returns may be selected for examination or review by taxing authorities. Any proposed adjustments by the examining agent are subject to certain rights of appeal. In the event of such government tax examination or inquiries, we will be available upon request to assist you. If an examination occurs, we will represent you if you so desire; however, these additional services are not included in our fee for preparation of your returns and we will render additional invoices for the time and expenses incurred.

Client Responsibilities

Please note that it is your responsibility to ensure that all information necessary to prepare your tax return is included in your tax package. Since the returns will be prepared based on the information you provide, you should complete the income tax organizer we provide in assembling the required information. Income from all sources, including those outside the U.S., is required. You should retain all original 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. As the taxpayer, you have the final responsibility for the income tax return(s) and, therefore, you should review them carefully before you have us file them on your behalf.

Online Access to Information. To the extent you provide our firm with access to electronic data via a local or online database from which we will download your tax or other information, you agree that the data is accurate as of the date and time you authorize it to be downloaded.

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, and deductions on your returns as required under applicable tax laws and regulations. You are responsible for the adequacy of all information provided in such documents. You represent that you have such documentation and can produce it, if needed, to respond to any audit or inquiry by tax authorities. You agree to hold harmless our firm and its partners, principals, shareholders, officers, directors, members, employees, agents or assigns with respect to any additional tax, penalties, or interest imposed on you by tax authorities resulting from the disallowance of tax deductions due to inadequate documentation.

Gift Tax Returns. The IRS considers a gift to be any transfer to an individual, either directly or indirectly, where full consideration (measured in money or money's worth) is not received in return. Under federal tax law, certain gifts are taxable and subject to an annual gift tax exclusion amount, which is \$15,000 per taxpayer for 2020. You are responsible for informing us if gift tax returns are required to be filed. If you ask us to prepare these returns, we will confirm this in a separate engagement letter and additional fees will apply.

Personal expenses. You are responsible for ensuring any personal expenses are segregated from business expenses. For example, meals, travel, vehicle use, client gifts, and related expenses are required by the IRS and other tax authorities to be supported by records. At your written request, we are available to provide you with written answers to your questions on the types of supporting records required for these expenses.

Bartering Transactions, Charitable Contributions, Travel and Phone Expenses, and Business Usage of Autos. IRS audit procedures will almost always include questions on bartering transactions and on deductions that require strict documentation such as charitable contributions, travel, and expenses for business usage of autos, computers, and cell phones. In preparing your returns, we rely on your representations that we have been informed of all bartering transactions and that you understand and have complied with the documentation requirements for your expenses and deductions. If you have questions about these issues, please contact us.

Virtual Currency. The IRS considers virtual currency, such as Bitcoin, as property for US federal income tax purposes. As such, any transactions in or that use virtual currency are subject to the same general tax principles that apply to other property transactions. If you had virtual currency 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 that used virtual currency during the 2020 tax year.

ACA Compliance. The 2010 Affordable Care Act mandates additional reporting requirements for your Federal Individual Income Tax Form 1040. If you have received tax forms (e.g. Form 1095) regarding health coverage or health insurance obtained from the Marketplace, we may require them to prepare your tax return. We will rely on, without independent verification, the information you have provided on the questionnaire to determine your eligibility for credits, application of penalties, and reconciliation of any advanced credit payments where applicable. Some states require verification of health insurance. If this is required for your return, this information must be provided.

State and Local Filing Obligations. 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. You agree that we have no responsibility to research these obligations or to inform you of them. If we believe you have additional filing obligations upon review of the information you have provided to us or information comes to our attention, we will notify you of this responsibility in writing and ask you to contact us. If you ask us to prepare these returns, we will confirm this representation upon your written request.

U.S. Filing Obligations Related to Foreign Financial Assets. As part of your filing obligations, you are required to report the maximum value of specified foreign financial assets, which include financial accounts with foreign institutions and certain other foreign non-account investment assets that exceed certain thresholds. You are also required to make certain information disclosures related to your foreign investments. You are responsible for informing us of all foreign assets owned directly or indirectly regardless of amount, so we may properly advise you regarding your filing obligations.

These assets include any ownership interests you directly or indirectly hold in businesses located in a foreign country and any assets or financial accounts located in a foreign country over which you have signatory authority. Based upon the information you provide, this information will be used to calculate any applicable foreign tax credits. We will also 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"). Failure to file required forms can result in significant civil and criminal penalties. The FBAR is not a tax return and we will not prepare one except on client request and after receipt of a signed *FBAR Addendum*. An additional fee will be required.

Failure to timely file 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 that, during the 2020 tax year, you had a direct or indirect interest in or over which you have signature authority. We assume no liability for penalties associated with the failure to file or untimely filing of any of these forms that we were not made aware of.

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.

Receipt of Notices from Tax Authorities. **Immediately** provide any tax notices or letters received to our offices. In preparing your returns, we are not responsible for a taxing authority's assessment of underpayment penalties or interest where this action results from erroneous, incomplete, inaccurate, or misrepresented information provided by you to us since we have no ability to audit your information or search for correct data.

Termination of Services and Refunds. If we begin or complete your return and you then terminate the engagement, you will be invoiced and charged for work completed. This applies to tax returns that have been worked on but not yet provided to the client. We will not provide tax preparation refunds in situations where returns have been prepared regardless of whether the return has or has not been filed. Termination prior to filing will result in original tax documents being returned to the client and a copy being retained by us. We will not provide a copy of the tax return whether in a complete or incomplete status if the engagement is terminated.

Tax Liability. The client is responsible for the payment of all taxes, penalties, and interest due.

Filing Deadline. The filing deadline for federal tax returns is April 15, 2021. To meet the filing deadline, the information needed to complete the return should be received by us no later than March 12, 2021. When **all** documents are received, we will make good faith efforts to file complete tax returns prior to the filing deadline. Because individual circumstances may require filing for an extension, we cannot guarantee the completion and filing of tax returns before the filing deadline even if all information is provided prior to March 12, 2021.

Extensions. We work to complete returns as quickly as possible. If you are required to file an extension and we have all required documentation, we will complete your return as soon as possible. If an extension is required, you are required to pay estimated tax liability even though the return is not complete. If all documents are received prior to March 12, 2021, we may assist with the estimated tax payment. After March 12, 2021, we assume no responsibility to help calculate the estimated payment. We may also ask you to sign an *Extension Addendum* if we have no documents and you want us to file your extension.

If an extension of time to file is required or requested, any tax that may be due must be paid to the Internal Revenue Service with the extension. Any amounts not paid by the filing deadline are subject to interest and late payment penalties in addition to the taxes. **You are responsible for making all required payments and notifying us of amounts paid in.**

Revisions. Should a tax return require revision after completion through no fault of ours, revision fees will apply. Any tax return requiring revision due to a legitimate preparation error will be revised at no charge.

Fees & Legal Matters

Fees. Our fee for services will be based upon the extent of the tax forms required for us to properly file your tax return. If a federal, state, or qualified dependent return is requested, but actual preparation determines that there is no filing requirement, we will waive our fee for the no filing determination. We reserve the right to charge based on our standard charges if there is extensive research required to make the “no filing” determination. If additional services are provided which were not originally contemplated under this engagement but were imperative to the completion of the tax return(s) under this engagement, you are authorizing us to perform said services and bill appropriately for the time and/or schedules provided.

All invoices are due and payable upon completion of the tax returns under this engagement. Tax returns will not be filed with the IRS without payment in full for our services. If you are paper filing or require us to ship your return to you, we will not release or ship your return to you until payment for our services has been received. All shipping or courier costs will be the responsibility of the client. If we provide other services to you, we reserve the right not to begin processing your return until payment for all services rendered has been received.

Timing of the Engagement. We expect to begin our services upon receipt of your 2020 tax documents. If your return is electronically filed, our services will conclude upon the earlier of the filing and acceptance of your 2020 tax returns by the appropriate tax authorities; written notification by either party that the engagement is terminated; or one year from the execution date of this Agreement. If your return is filed by mail, our services will conclude upon the earlier of delivery to you of your 2020 tax returns for your review and filing with the appropriate tax authorities; written notification by either party that the engagement is terminated, or one year from the execution date of this Agreement.

Paragraph Titles. The paragraph titles used in this agreement are for convenience of reference only and will not be considered in the interpretation or construction of any of the provisions thereof.

Jurisdiction. Notwithstanding anything contained herein, both firm 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 the offices of John Lebbs CPA, PLLC located in Pima County, Arizona, USA. Pima County, Arizona, USA, shall be the exclusive jurisdiction for resolving disputes related to this engagement. This engagement shall be interpreted and governed in accordance with the laws of Arizona.

Dispute Resolution. If a dispute arises out of or relates to this contract, engagement letter, or the breach thereof and the dispute cannot be settled through negotiation, the parties agree first to try in good faith to settle the dispute by mediation administered by the American Arbitration Association under *Accounting and Related Services Arbitration Rules and Mediation Procedures* before resorting to arbitration, litigation, or some other dispute resolution procedure. The costs of any mediation proceeding shall be shared equally by all parties.

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

You are also required to verify and sign a completed Form 8879, *IRS e-file Signature Authorization*, and any similar state and local equivalent authorization forms **before** your return(s) are filed electronically. This is your authorization for us to file your return on your behalf. Under no circumstances will we submit any return without completed authorizations.

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

It is our policy to initiate service **after** we receive the fully executed engagement letter. If you are filing as a married couple, **both spouses are required to sign this document**. If the foregoing correctly states your understanding, please sign and date the enclosed copy of this letter in the space indicated. Return this letter with your client tax organizer and supporting documentation to our office. We sincerely appreciate the opportunity to work with you.

Very truly yours,

John Lebbs

John Lebbs, CPA
John Lebbs CPA, PLLC

The undersigned hereby authorizes John Lebbs CPA, PLLC and all its representatives, agents, and employees to furnish my/our full and complete personal financial information and documents as necessary to those personnel connected with preparing and reviewing my/our federal and/or state tax return(s), amendments or other tax services which are required/requested.

Agreed to and accepted by:

Signature

Print Name

Signature

Print Name

Date: _____

IRS Circular 230 Disclosure

In order for us to comply with certain U.S. Treasury regulations, unless expressly stated otherwise, any U.S. federal tax advice that may be contained in this written or electronic communication, including any attachments, is not intended or written to be used, and cannot be used, by any person for the purpose of (i) avoiding any tax penalties that may be imposed by the Internal Revenue Service or any other U.S. federal taxing authority or agency or (ii) promoting, marketing, or recommending to another party any transaction or matter addressed herein.