

Zaffore Ruane CPAs PC

Certified Public Accountants

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***\*Our engagement letter has changed. Please read carefully before signing and returning to our office.***

January 2021

Dear Client:

This letter is to confirm our mutual understanding of the terms and objectives of our tax services engagement and to clarify the nature and extent of the services provided. Please be sure that this letter does in fact reflect your expectations before returning a signed copy to us.

We will prepare the 2020 federal and requested state income tax returns from information furnished by you. We will provide you with questionnaires and/or worksheets to guide you in gathering the necessary information. Your use of such forms will assist us in keeping pertinent information from being overlooked.

You represent that the information you are supplying to us includes disclosure of any foreign accounts and assets, is accurate and complete to the best of your knowledge and that your expenses for meals, travel, business gifts, charitable contributions, dues and membership, cell phone and vehicle use and all other applicable expenses are supported by records as required by law. Entertainment expenses are no longer deductible. 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 render such accounting and bookkeeping assistance as determined to be appropriate for preparation of the income tax returns.

Our work in connection with the preparation of your income tax returns does not include any procedures designed to discover fraud or other illegalities, should any exist.

It is your responsibility to timely provide all the information required for the preparation of complete and accurate returns. You are also responsible for maintaining and keeping on hand all the financial backup materials used to support your tax return. You should retain all tax return data for no less than four years. Your records may be necessary to prove the accuracy and completeness of the returns to a taxing authority.

In the interest of facilitating our services to you, we utilize a secure web portal. Your use of this portal must comply with our standards of use. We retain the right to limit and deny use of the portal for inappropriate purposes. Your access to files maintained on the portal will be terminated no later than 90 days after the earlier of your or our termination of services. While we use our best efforts to maintain a secure system in accordance with our obligations under applicable laws and professional standards, you recognize and accept that we have no control over unauthorized access, and you consent to use of this system during your relationship with our firm.

We cannot start your tax return until you have completed the questionnaire that will be supplied to you. Completion of the tax organizer is optional, but helpful.

*Member:*

*American Institute of Certified Public Accountants  
Private Companies Practice Section and Tax Division  
Colorado Society of Certified Public Accountants*

Data needed to begin your tax return preparation include the items listed below. The data may be provided to us in hard copy or electronic upload to your secure portal folder (if you are new to our practice, a portal folder will be established for your use):

1. A complete copy of your most recent personal tax return (if you are a new client).
2. A copy of your most recent business tax return if applicable (if you are a new client).
3. Detailed financial information for any foreign account such as a foreign trust, mutual fund, bank account, life insurance, retirement accounts, annuities, partnership or corporation holdings (this does NOT apply to foreign stock held through a US brokerage—which is not considered a foreign account).
4. A copy of all W-2s, 1099s, 1095s, 1098s, K-1s or any other year-end tax documents issued to you.
5. A client organizer (optional)
6. A signed engagement letter (required)
7. A completed questionnaire (required)

Additionally, please also note that we need your permission in writing to extend your tax return if necessary and to speak with you about financial instruments designed to reduce your current tax – including IRAs. We know it is an inconvenience – it is a matter of complying with current law. You will find permission forms in your questionnaire. Your permission will be required for completion of your returns. **Without your affirmative written permission, we cannot prepare your tax returns.**

We will use 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. It is important for you to know that the law imposes a penalty if a taxpayer reports a substantial understatement of tax liability. The penalty may be 20% of the tax underpayment. It may be necessary to make certain disclosures in the return to avoid exposure to penalties. We will discuss tax positions that may increase the risk of exposure to penalties and any recommended tax return disclosures with you before completing the preparation of the returns.

Because of the size and complexity and frequent changes of the tax law, it may be necessary for us to devote some time to search through various reference sources to find answers to questions about tax issues that are pertinent to the preparation of your return. Before undertaking more than one billable hour of such research, we will contact you and give you the option to (1) authorize us to continue the research, or (2) to seek help from a specialist in that segment of the tax law.

The engagement does not include any services not specifically stated in this letter. However, we would be pleased to consult with you regarding income tax matters such as income tax projections and research. We will render additional invoices for such services at our standard billing rates.

This year's individual 1040 deadline is **April 15, 2021**. The extended deadline is **October 15, 2021**. **THE PAYMENT OF YOUR TAX OBLIGATION IS DUE BY APRIL 15, 2021 EVEN IF YOU FILE AN EXTENSION. YOUR RESPONSIBILITY IS TO MAKE SURE YOU HAVE PAID 110% OF THE 2020 TAX LIABILITY BY APRIL 15, 2021. THIS IS A "SAFE HARBOR" SINCE IT IS DIFFICULT TO DETERMINE ACTUAL 2020 TAX LIABILITY BEFORE YOUR 2020 TAX RETURN IS COMPLETED. FURTHER, YOU WILL INCUR PENALTIES IF YOU HAVE NOT FUNDED YOUR OBLIGATION TIMELY THROUGHOUT 2020 THROUGH PAYROLL WITHHOLDINGS AND/OR ESTIMATED QUARTERLY PAYMENTS. WE CANNOT BE RESPONSIBLE FOR PENALTIES AND INTEREST RELATED TO YOUR FAILURE TO FULLY FUND YOUR TAX OBLIGATION IN A TIMELY MANNER THROUGHOUT THE PAST YEAR (2020) EVEN THOUGH YOUR RETURN IS ON EXTENSION. PENALTIES ARE ALMOST ALWAYS DIRECTLY RELATED TO NOT HAVING PAID YOUR TAXES WHEN THE TAXES WERE DUE.**

**You have the final responsibility for the income tax returns and, therefore, you should review them carefully before you sign them.** It is our pleasure to go over your returns with you in detail. You will be responsible for signing the return and/ or the applicable e-file forms, for the payment of any taxes and late

payment penalties, as well as for the delivery of the returns (with your signature) to the appropriate mailing address of the tax authority if mailing is required.

Our basic individual tax return fee starts at \$495 (which includes software and storage fees) and will be billed according to our fee structure. Our fee structure for our services are based upon the amount of time and expertise required at standard billing rates (\$100 to \$200 per hour) and/or the complexity and forms involved to complete the individual return. The fee depends upon the timely delivery, availability, quality and completeness of information you provide to us. Areas of additional complexity include, but are not limited to, business and rental activity, publicly traded partnerships, sales of employee stock options, real estate dispositions and foreign reporting. All invoices are due and payable upon presentation. Please note that we do charge by the hour for all services, including but not limited to phone consultations, meetings, reading documents provided to us by clients, research, interactions on your behalf with taxing authorities (including responses to notices), and correspondence/communications with you or others on your behalf (including email and phone calls). Brief phone calls and emails are not charged if they are reasonable in number throughout the year.

Any estimates provided as to the time required to complete your return and associated work requested is not a guarantee and is not binding.

Due to an increase in the IRS's ability to match documents to tax returns, there is a steady increase in notices from federal and state taxing authorities. The IRS notices can be incomprehensible and may not be anyone's fault. But the matters must still be resolved. If you engage us to do the work for you, it can take several hours and cost you hundreds of dollars. To cap your exposure, we may automatically enroll you in our Tax Notice Protection Plan. For \$69 added as an additional line on your tax return invoice, we will provide up to four hours of service time to resolve notices for your 2020 federal and state tax returns for up to four years. That is a \$600-\$800 value. Audits, examinations and "ninety-day letters" are not covered by this plan. You will find more information with your invoice. Of course, you may opt out of the Tax Notice Protection Plan by check-marking and signing the Client Disclosure Agreement Form that will be attached to your invoice.

Your returns may be selected for examination (audit) 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. Audits and examinations are not included in the Tax Notice Protection Plan.

**TAX RETURNS WILL NOT BE E-FILED UNTIL YOUR INVOICE IS PAID IN FULL UNLESS YOU HAVE MADE OTHER WRITTEN AND MUTUALLY AGREED UPON ARRANGEMENTS.**

**If the above fairly sets forth your understanding, please sign this letter in the space indicated and return it to our office. We will scan it into our records and return it to you.** If there are other tax returns you wish to have us prepare, such as gift and/or property returns, please inform us in writing (email is acceptable) **and** by noting so at the end of this letter.

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

With regards,

Zaffore Ruane CPAs PC

Accepted By: \_\_\_\_\_ Date: \_\_\_\_\_

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Additional comments/returns to be completed: