

## Engagement Letter Individual Income Tax Preparation

In order to minimize the possibility of a misunderstanding between us, we are setting forth pertinent information about the services we will perform for you.

We will prepare your 2016 federal and state individual income tax returns from information you furnish us. We will not audit or otherwise verify the data you submit, although we may ask you to clarify or provide additional information.

We prepare returns in the order completed information packets are received. Due to unexpected additional time required for returns in line before your own, preparer sickness, appointment schedule fluctuations, and emergency projects we are unable to specifically identify the date your project will be completed. In order to increase the likelihood of filing by the initial deadline we strongly encourage you to submit all necessary information prior to Friday, March 10<sup>th</sup>. We will file automatic extension requests with the IRS and state governments if your return has not been filed or picked up for mailing by April 18<sup>th</sup>. An accepted extension request will exempt you from late filing penalties. However, additional late payment penalties and interest will be charged if your taxes are not paid in full by the April 18<sup>th</sup> filing deadline. If you prefer to file an estimated payment with your extension request please alert a staff member on or before April 12<sup>th</sup>.

It is your responsibility to maintain, in your records, the documentation necessary to support the data used in preparing your tax returns, including but not limited to the auto, travel, entertainment, and related expenses, as well as, the required documents to support charitable contributions over \$250. If you have any questions as to the type of records required, please ask us for advice in that regard. It is also your responsibility to carefully examine and approve your completed tax returns before they are submitted to the tax authorities. We are not responsible for the disallowance of doubtful deductions or inadequately supported documentation, nor for resulting taxes, penalties and interest.

We are responsible for preparing only the returns listed above. Our fee does not include responding to inquiries or examination by taxing authorities. However, we are available to assist with all correspondence and/or audit representation for an additional fee. These services would be covered under a separate engagement letter.

We will use our judgment to resolve questions in your favor where a tax law is unclear if there is a reasonable justification for doing so. Whenever we are aware that a possibly applicable tax law is unclear or that there are conflicting interpretations of the law by authorities (e.g., tax agencies and courts), we will explain the possible positions that may be taken on your return. In accordance with our professional standards, we will follow whatever position you request, as long as it is consistent with the codes, regulations, and interpretations that have been promulgated. If the IRS should later contest the position taken, there may be an assessment of additional tax plus interest and penalties. We assume no liability for any such additional penalties or assessments. In the event, however, that you ask us to take a tax position that in our professional judgment will not meet the applicable laws and standards, we reserve the right to stop work and shall not be liable to you for any damages that occur as a result of ceasing to render services.

Unless other arrangements have been made, all tax preparation fees must be paid prior to picking-up and/or e-filing your returns. Fees for our services will be at our standard rates plus computer charges and out-of-pocket expenses. Payment for service is due when rendered and interim billings may be

submitted as work progresses and expenses are incurred. We reserve the right to stop work on any account that is 30 days past due, in accordance with our firm's stated collection policy. It is our policy to keep records related to this engagement and copies of your tax returns for four years, after which we reserve the right to shred our copies. We suggest that you retain copies of your tax returns for a minimum of seven years. We do not keep any original client tax documents, but will keep client provided notes and lists made for the preparer. When records are returned to you, it is your responsibility to retain and protect your records for possible future use, including potential examination by any government or regulatory agencies.

At the completion of preparation services for returns to be e-filed we will provide you with a paper copy of the income tax returns for your review prior to electronic transmission. After you have reviewed the returns, you must provide us with a signed authorization indicating that you have reviewed the return and that, to the best of your knowledge, you feel it is correct. We cannot transmit the returns to the taxing authorities until we have the signed authorization. Therefore, if you have not provided our firm with your signed authorization by the April 18<sup>th</sup> deadline we will place your return on extension, even though it might already have been completed. In that event, you will be responsible for ensuring that any payment due with the extension is made on a timely basis to the appropriate taxing authorities.

By signing below, you acknowledge and agree that upon the expiration of the four year period O'Neil & Steiner, PLLC shall be free to destroy our records related to this engagement.

If any dispute arises among the parties, they agree to try first in good faith to settle the dispute by mediation administered by the American Arbitration Association (AAA) under its Rules for Professional Accounting and Related Services Disputes. All unresolved disputes shall then be decided by final and binding arbitration in accordance with the Rules for Professional Accounting and Related Services Disputes of the AAA. Fees charged by any mediators, arbitrators, or the AAA shall be shared equally by all parties. IN AGREEING TO ARBITRATION, WE BOTH ACKNOWLEDGE THAT IN THE EVENT OF A DISPUTE EACH OF US IS GIVING UP THE RIGHT TO HAVE THE DISPUTE DECIDED IN A COURT OF LAW BEFORE A JUDGE OR JURY AND INSTEAD WE ARE ACCEPTING THE USE OF ARBITRATION FOR RESOLUTION.

If the above fairly sets forth your understanding, please sign this letter and return it to us.

We are pleased to have you as a client and look forward to working with you once again!

Sincerely,

Richard O'Neil  
O'Neil & Steiner, PLLC

Approved by:

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

Printed Name: \_\_\_\_\_ Printed Name: \_\_\_\_\_

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

## Elections Form – Tax Year 2016

### Arizona Non-Conformance Election

Arizona tax law uses your federal adjusted gross income as a starting point, and then adjusts that income for items that Arizona treats differently than the federal government (non-conformance items). Each time the federal government makes changes, Arizona must decide if it will accept those changes or if those changes will be considered “non-conformance” items that must be adjusted on your state return. Changes in federal law that occur late in the year may not be addressed until summer. You must choose between two alternatives. You can have us prepare your return with a “best guess” as to what the state legislature will do in regards to federal changes not addressed at the time your returns are completed, or have us request an extension of time for you to file your return.

If we prepare your return now, we will do so based on our tax software manufacturer’s assumptions as to what the Arizona law will be. Our tax software is Pro-Series by Intuit. If those assumptions prove later to be incorrect, you may need to file an amended return. If we prepare this amended return, it will be at an additional fee. In addition, if the amended return results in additional taxes you will be responsible for additional penalties and interest. If we request an extension of time for you to file your return, you may submit an estimated payment with the request for extension. If it is discovered that you owe Arizona tax, you will be charged additional penalties and interest for late payment.

While you should make the best decision based on individual circumstance the vast majority of our clients choose to file based on the best guess of what the state will do with these items.

- ☐ I choose to have my Arizona return prepared now, based on your tax software’s best guess as to what Arizona tax law will be.
- ☐ I choose to file a request for an extension of time to file my Arizona return.

Initials: \_\_\_\_\_

### Healthcare Coverage

Minimum essential coverage is required for each taxpayer and potential dependent for 2016. Please select the category below that fits your circumstances. We strongly suggest you submit all Forms 1095s (A,B,C).

- ☐ I/We and all individuals that I/we might be eligible to claim as dependents had minimum essential coverage (M.E.C.) for all twelve months of the year. All insurance was free of marketplace subsidy (employer coverage, Medicare, and marketplace policy without subsidy). I have provided all Forms 1095.
- ☐ Everyone was covered with M.E.C. for all 12 months without marketplace subsidy. While we have not received all forms 1095 please file my returns without them.
- ☐ Everyone on the return had no coverage in 2016 and did not qualify for exemption. Penalty will apply based on my income.
- ☐ I have questions. I need a call from my CPA

Initials: \_\_\_\_\_

**Third Party Representation**

Taxpayers can authorize the IRS to discuss their tax return with the professional who signed the taxpayer's return as the preparer. The authorization is granted by checking a box above your signature on the return. By checking the "yes" box, you are granting the IRS permission to contact your preparer with questions, additional information requests, etc. You would also be granting our firm the permission to (1) provide the IRS with any missing information required to process your return, (2) call the IRS to check return/refund status, and (3) respond to any IRS notices that you have provided to our firm relating to mathematical errors, offsets, and return preparation. Please note that our firm will not receive separate copies of IRS notices; therefore, you must provide our firm with copies of any notices you receive from the IRS. Once elected, the authorization cannot be revoked. The authorization is valid for one year after the due date for filing the tax return.

- ☐ I wish to authorize my preparer as discussed above.
- ☐ I choose to **not grant** third party designee status at this time.

Initials: \_\_\_\_\_

**E-File Requirement Notice**

We are required to e-file all tax returns prepared after January 1, 2011 unless a taxpayer chooses to elect out of e-filing. We encourage e-filing and the vast majority of our clients participate.

- ☐ I choose to have my return e-filed. I have the same bank account on file from last year, or have provided a voided check from the bank account I wish to have on file for refunds.
- ☐ I wish to elect out of e-filing and choose to file my return on paper forms. (\$35 fee)
- ☐ **\*\*Rare\*\*** If, after completion of my return, it is determined that I owe taxes I elect to have the government direct draft the total amount due from my bank account rather than mailing in a payment. The payment will be scheduled for processing on the deadline or date of pick up if prepared on extension.

Initials: \_\_\_\_\_

**Foreign Bank, Securities, Trusts or other Financial Accounts**

Due to additional reporting and expertise requirements I/we have been informed that O'Neil & Steiner, PLLC is not accepting engagements to prepare returns for taxpayers with certain foreign activities. I have been asked if anyone represented on my return, at any time during the tax year in question, had an interest in, or signature, or other authority over a bank, securities, or other financial account in a foreign country. I/we was also asked if anyone was a grantor, transferor or beneficiary of a foreign trust. With a full understanding that I/we are responsible for the accuracy of my return I/we certify that the answer to all foreign activities listed above is no.

Initials: \_\_\_\_\_

**Conflict of Interest Notice**

A conflict of interest can occur when a CPA owes a duty of undivided loyalty, utmost good faith, full, fair, and frank disclosure, fair dealing, and reasonable care. A conflict may arise when meeting this level of care for one client results in failing to meet it for another. This may occur where there are multiple parties to one accounting engagement or when multiple engagements are in some way related. Common examples of this are joint returns filed for married taxpayers, representation of an employer and their employees, multiple owners of the same business, or major competitors engaging the same CPA firm to prepare tax returns and/or provide other services.

Due to the standards established by the AICPA we are informing all clients and potential clients that we cannot and will not violate conflict of interest standards in order to maintain confidential information. You may wish to obtain legal counsel to determine the potential impact of this waiver.

This firm requires that a conflict of interest waiver be signed prior to the start of all engagements that are mentioned above. We request that you help us to identify any relationships that need to be addressed in this regard.

1. Is your employer a known business client of this firm?
2. If you operate a business:
  - a. Does this firm prepare tax returns for any of your employees?
  - b. Are you aware of any major competitors that are served by this firm?
  - c. Are there other partners or shareholders served by this firm?

- ☐ The answer to all above is no. No conflicts of interest exist to my knowledge.
- ☐ I have documented the known conflicts with a staff member.

Initials: \_\_\_\_\_

## Extension Advisory

I have been informed that O'Neil & Steiner, PLLC can't guarantee that my returns will be prepared prior to the filing deadline, April 18<sup>th</sup>. If the returns are not prepared prior to the 18<sup>th</sup> a request for federal extension will be filed on my behalf. I understand that an extension is an extension to file and not an extension to pay. If, after completing the returns, it is determined that a balance is owed I will be subject to late payment penalties and interest charges on the balance due. In addition, I understand that if the request for extension is denied I will be subject to late filing fees as well.

I understand that my return will be prepared as soon as possible but that deadlines for business taxes often necessitate a temporary halt on tax preparation from the tax filing deadline until mid to late May. At that time I recognize that preparation activities will resume and that my return will be completed in the order it was received.

I have been informed of my right to submit an estimated payment with my extension to minimize potential penalties and interest. Due to the variety of items that can impact my tax liability, as well as the potential for these to change from one year to the next, I understand that O'Neil & Steiner, PLLC is unable to offer advice regarding the amount that may be owed with my returns. The estimated payment amount indicated below (if any) was of my choosing and was not determined for me by any staff member of O'Neil & Steiner, PLLC.

○ I wish to submit the following payments with my request for extension:

➤ Federal: \$ \_\_\_\_\_

➤ Arizona: \$ \_\_\_\_\_

Signature: \_\_\_\_\_  
(Taxpayer)

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

Signature: \_\_\_\_\_  
(Spouse)

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