



## Tax Preparation Engagement Letter – Annual Trust/Estate Filing

Dear Client,

Proactive Accounting & Tax Services, Inc. is pleased to provide you with the professional services described below. In accordance with the standards established by the American Institute of Certified Public Accountants, this engagement letter is necessary to set forth our understanding of the terms and objectives of our relationship, and the nature and limitations of the tax services to be provided.

The underlying purpose of this document is to establish the understanding that we are committed to preparing your returns with the utmost professionalism and your involvement and timely replies are crucial to this process.

We will prepare the following federal and state tax returns for the year ended December 31, 2020:

1. Form 1041, US Income Tax Return for Trusts and Estates

We will not prepare any tax returns except those identified above, without your written request, and our written consent to do so.

This engagement cannot be relied upon to disclose errors, irregularities, or illegal acts, including fraud or defalcations that may exist. However, Proactive Accounting & Tax Services, Inc. will inform the client of any such matters that may come to our attention.

This engagement is limited to the professional services outlined above and does not include the following services:

1. Estimated Tax Evaluations or Mock Tax Returns
2. Any other tax preparation and accounting services not identified within this contract.

### ***Firm Responsibilities***

We will prepare the above-referenced tax returns solely for filing with the Internal Revenue Service and state and local tax authorities as identified above. We will prepare your tax returns based upon information and representations that you provide to us. We will inquire about missing documents when a two-year comparison is completed by our office. We will not audit or otherwise verify the data you submit to us, although we may ask you to clarify certain information. We prepare your return with the assumption that prior year information such as filing status, names, dates of birth, dependents, occupations, and social security numbers are the same unless otherwise communicated by you.

**Confidentiality** – All returns and supporting tax documents and conversations are held with the utmost confidentiality. We will not share your information with any third party unless otherwise approved and/or requested by you directly. 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.

Bookkeeping assistance - We may deem it necessary to provide you with accounting and bookkeeping assistance solely for the purpose of preparing the tax returns. We will request your approval in writing before rendering these services as additional charges will apply for such services.

Estimated tax payments - You may be required to make quarterly estimated tax payments. We will calculate these payments for the 2021 tax year based upon the information you provide to prepare your 2020 tax returns (the "safe harbor" basis). There is no obligation to update recommended estimated tax payments after this engagement is completed, however, if you feel that this service may be warranted later in the 2021 filing year, we are happy to assist in this process and additional fees will apply.

Tax planning services - Our engagement does not include tax planning services, however, 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. The responsibility for the execution of these strategies remains with you and may require the consultation of other professionals/advisors outside of our office. Additional fees will apply to our involvement of implementation and are outside the scope of this engagement.

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.

### ***Client Responsibilities***

We will provide you with an income tax organizer to help you compile and document the information necessary to prepare your income tax returns. You must complete the income tax organizer with accurate and complete information. Income from all sources, including those outside the U.S., are required. We rely upon the accuracy and completeness of both the information you provide in the income tax organizer and other supporting data you provide in rendering professional services to you.

Tax Liabilities and Filing - You are responsible to remit payment for any tax liabilities that result from the filing of the tax returns prepared. Payment vouchers will be provided to you upon completion of the tax returns. Local tax returns prepared by our office cannot be e-filed. We will provide you with the local tax return and all attachments to be mailed to each locality for filing. You are responsible to sign, date, mail, and remit payment, if applicable, all local returns prepared and provided to you by our office.

Documentation - You are responsible for maintaining and retaining 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. 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 or missing documentation.

Personal expenses - You are responsible for ensuring that personal expenses are segregated from business expenses, if applicable.

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 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 of this responsibility in writing and ask you to contact us.

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. 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 signature authority. Based upon the information you provide; this information will be used to calculate any applicable foreign tax credits. You are responsible for your filing obligations as it pertains to certain foreign income and assets and may be required to file or report foreign assets or income, which may include *Form 8938, Statement of Specified Foreign Assets*, and *FinCEN Form 114, Report of Foreign Bank and Financial Accounts* ("FBAR"). Failure to file required forms can result in the imposition of both civil and criminal penalties, which may be significant. The *Form 8938, Statement of Specified Foreign Assets* and FBAR preparation is not within the scope of this engagement and is not a service provided by this firm.

Other income, losses and expenses and Cryptocurrency - If you realized income, loss, or expense from a business or supplemental income or loss, the reporting requirements of federal and state income tax authorities apply to such income, loss, or expense. You are responsible for complying with all applicable laws and regulations pertaining to such operations, including the classification of workers as employees or independent contractors and related payroll tax, and withholding requirements.

Ultimate responsibility - You have final responsibility for 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 and 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-F, IRS e-file Signature Authorization for Form 1041, and any similar state authorization forms before your returns can be filed electronically.

### *Timing of the Engagement*

We expect to begin our services outlined above upon receipt of this executed Agreement and receipt of all information required for the preparation of complete and accurate returns.

### *Extensions of Time to File Tax Returns*

The original filing due dates for your tax returns are April 15, 2021 for Federal, State and Local Returns, if applicable. **Due to the high volume of tax returns prepared by our firm, the information needed to complete the tax returns must be received no later than March 31, 2021 so that the returns may be completed by the original filing due dates.**

Our office files extensions within the month of February. We automatically file extensions to accommodate the filers that have not yet submitted their information and to accommodate our internal workflow so that we can continue to focus on returns closer to the actual filing due date. **By signing this document, you approve of this automatic extension for 2020 and 2021 tax years.** While we file the extension automatically for 2021, a separate engagement letter will still be required to communicate and approve of the tax return engagement for that tax year.

***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, late filing of payment and underpayment of taxes. You, as the taxpayer, remain responsible for the payment of all tax, penalties, and interest charges imposed by tax authorities. Failure to disclose or inadequate disclosure of income or tax positions may result in the imposition of penalties and interest charges.

***Tax Return Pick up***

Upon completion of the tax returns listed above, our office will prepare a digital packet with copies of all filed returns which are placed for your records on the firm’s secure portal. Payment Vouchers for Federal and State tax liabilities and quarterly estimated tax vouchers, when applicable, will be located on the portal. Our office will provide a summary coversheet with instructions for you via e-mail. You are responsible to check your e-mail for our correspondence and contact our office should you not receive any correspondence from our firm.

***Professional Fees***

The invoice for the tax services outlined above will be provided when the preliminary tax return has been completed and is ready for your review. This fee is based upon the complexity of the work to be performed, time, and out-of-pocket expenses. This fee is dependent upon the timely delivery, availability, quality, and completeness of the information you provide to us. Invoices are expected to be paid upon receipt. You agree to pay all fees and expenses incurred whether or not we prepare the tax returns.

Services will not be initiated until we receive the executed Agreement even if documents have been received to process your return(s).

We appreciate the opportunity to be of service. Please date and execute the enclosed copy of this Agreement and return it to us to acknowledge your acceptance.

Very truly yours,



Sara M. Lotts, CPA  
Chief Executive Officer  
Proactive Accounting & Tax Services, Inc

ACCEPTED:

\_\_\_\_\_  
(Client Signature)

\_\_\_\_\_  
(Client Name)

\_\_\_\_\_  
(Date)