



## **2018 1120S Income Tax Return Annual Engagement Letter & Privacy Notification**

Date: \_\_\_\_\_ Business Name: \_\_\_\_\_

We are pleased to confirm our understanding of the arrangements for your income tax return(s). This letter confirms the services you have asked our firm to perform and the terms under which we have agreed to do that work. Please read this letter carefully because it is important to both our firm and you that you understand what you can and cannot expect from our work. In other words, we want you to know the limitations of the services you have asked us to perform. If you are confused at all by this letter or believe we have misunderstood what you need, please call to discuss this letter before you sign it.

The Internal Revenue Service imposes penalties on taxpayers, and on us as return preparers, for failure to observe due care in reporting for income tax returns. In order to ensure an understanding of our mutual responsibilities, we ask all clients for whom we prepare tax returns to confirm the following arrangements.

### **SCOPE OF ENGAGEMENT**

We will prepare your 2018 Federal and Maryland Corporation Income Tax Form 1120S and related Federal and Maryland Corporation income tax return schedules from information you furnish us. We will not audit, review, compile or otherwise verify the data you submit (unless separate agreements exist for these services) although we may ask you to clarify some of the information. We are responsible for preparing only the returns listed specifically in this letter. It is your responsibility to provide all the information required for the preparation of complete and accurate returns. If you have taxable activity in a state other than that specifically listed you are responsible for providing our firm with all information necessary to prepare any additional applicable state(s) or local income tax returns as well as informing us of the applicable states. List any additional state income tax returns here: \_\_\_\_\_ . If you have income tax filing requirements in a given state but do not file that return there could be possible adverse ramifications such as an unlimited statute of limitations, penalties, etc. If you would like us to investigate to determine each state where you have an income tax filing requirement please inform us.

If you have derived income from a foreign country, we will use the foreign country income information which you provide to calculate any applicable federal or state foreign tax credit or other affected federal state income tax items. However, you are responsible for meeting any foreign country income tax or other foreign country reporting requirements.

The scope of this engagement is to prepare only the returns or work noted above. Any other return, or other work not covered by this or other engagement agreements, is to be done by you or by others. Any accounting and/or bookkeeping services will be considered "out of scope" of this engagement letter, but may be covered under another engagement agreement we have with you. You may request that we perform additional services not contemplated by this engagement letter. If this occurs we will communicate with you regarding the scope and estimated cost of these additional services. Engagements for additional services may necessitate that we amend this letter or issue a separate engagement letter to reflect the obligations of both parties. In the absence of written communications from us documenting such services, our services will be limited to and governed by the terms of this engagement letter.

If, during our work, we discover information that affects your prior-year tax returns, we will make you aware of the facts. However, we cannot be responsible for identifying all items that may affect prior-year returns. If you become aware of such information during the year, please contact us to discuss the best resolution of the issue.

### **TIMELINESS**

The timeliness of your cooperation is essential to our ability to complete this engagement. Specifically, we must receive sufficient information from which to prepare your returns within a reasonable period of time prior to the applicable filing deadline. Accordingly, if we do not receive information from you as noted above by **February 15, 2019**, it may be necessary for us to pursue an extension of the due date of your returns, and we reserve the right to suspend our services or withdraw from this engagement. Various penalties and interest are imposed when taxpayers fail to pay the full amount of taxes owed by the original filing due date of March 15th. Furthermore, additional penalties and interest are imposed when taxpayers fail to remit the proper amount of subsequent year tax estimates. Based on information you have provided to us, we can assist you in determining the correct amount of taxes owed for the current year and subsequent year tax estimates. You acknowledge that any such penalties and interest that arise due to the underestimation of current year taxes owed or subsequent year tax estimates remitted are your responsibility, and that we have no responsibility in that regard. If you would like information on the amounts or the circumstances of these penalties and interest, please contact us.

#### **NO INDEPENDENT VERIFICATION**

Returns will be prepared on the basis of information and documents supplied by you and by others designated by you, and it is understood that no independent verification will be made of such records. You represent that the information you supply us is accurate and complete to the best of your knowledge and that your expenses for meals, entertainment, travel, business gifts, charitable contributions, dues and memberships, and vehicle use are supported by records as required by law. If you have any questions as to the type of records required, please ask us for advice in that regard. We will not audit, review, compile or otherwise verify the data you submit although we may ask you to clarify some of the information. We may furnish you with tax organizers, questionnaires and/or worksheets to help you gather and organize the necessary information for us, in order to keep our fee to a minimum.

The Corporation's officers and Management are responsible for adopting sound accounting policies, for maintaining an adequate and efficient accounting system, for safeguarding assets, for authorizing transactions, for retaining supporting documentation for those transactions, and for devising a system of internal controls that will, among other things, help assure the preparation of proper income tax returns. Furthermore, you are responsible for management decisions and functions, for designating a competent employee to oversee any of the services we provide, and for evaluating the adequacy and results of those services. You have the final responsibility for the income tax returns and, therefore, should review them carefully before you sign and file them.

You are responsible for the design and implementation of programs and controls to prevent and detect fraud, and for informing us about all known or suspected fraud affecting the Company involving (a) management (b) employees who have significant roles in internal control, and (c) others where the fraud could have a material effect on the financial statements. You are also responsible for informing us of your knowledge of any allegations of fraud or suspected fraud affecting the Company received in communications from employees, former employees, regulators, or others. In addition, you are responsible for identifying and ensuring that the entity complies with applicable laws and regulations.

Our engagement cannot be relied upon to disclose errors, fraud, or other illegal acts that may exist. However, we will inform you of any material errors that come to our attention and any fraud that comes to our attention. We will also inform you of any other illegal acts that come to our attention, unless clearly inconsequential.

Our services are not designed to provide assurance on internal controls or to identify reportable conditions, that is, significant deficiencies or material weaknesses in the design or operation of internal control. Accordingly, we have no responsibility to identify and communicate significant deficiencies or material weaknesses in your internal controls as part of this engagement. However, during the procedures, if we become aware of such reportable conditions, we will communicate them to you.

#### **SUBSEQUENT TAX ADVICE EXCLUDED**

This engagement does not include advice as to the conduct of affairs in the future. You may request that we perform additional services not contemplated by this engagement letter. If this occurs we will communicate with you regarding the scope and estimated cost of these additional services. Engagements for additional services may necessitate that we amend this letter or issue a separate engagement letter to reflect the obligations of both parties. In

the absence of written communications from us documenting such services, our services will be limited to and governed by the terms of this engagement letter.

Although we provide tax planning advice, you have not requested this service at this time. We will communicate with you an estimated cost of providing tax planning services at the time you request such services. We strongly recommended that you do engage us to provide you with interim and year-end tax planning services, certainly before finalizing any important financial decisions that may have tax implications. Our ability to provide you with appropriate guidance on such issues will be entirely dependent on the timeliness, accuracy, and completeness of the relevant information bearing on the issue which we will rely on you to provide to us. Although we may orally discuss tax planning issues with you from time to time, such discussions will not constitute advice upon which we intend for you to rely for any purpose. Rather, any advice upon which we intend for you to rely, and upon which you will rely, will be embodied in a written report or correspondence from us to you, and any such writing will supersede any prior oral representations between the parties on the issue.

From time to time during our relationship, you may seek our advice with regard to potential investments. We are not investment advisors. Accordingly, we suggest that you seek the advice of qualified investment advisors appropriate to each investment being considered. Unless otherwise specifically agreed to in a separate engagement letter or in a written addendum or amendment to this engagement letter signed by the parties, we will not advise you regarding the economic viability or consequences of an investment or whether you should or should not make a particular investment.

#### **DOES NOT COVER INVESTIGATIONS BY TAX AUTHORITIES**

It is understood that all tax returns are subject to review by taxing authorities. Any proposed adjustments are subject to appeal. The agreed fee for this engagement does not provide for assistance you might need in connection with inquiries, examinations, or assessments by authorities. However, we are available to represent you and our fees for such services are at our standard rates and would be covered under a separate engagement letter.

#### **PENALTIES**

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 and the required documents to support charitable contributions. All taxpayers are advised to maintain records of anything affecting tax returns for the last seven (7) years. It is also your responsibility to carefully examine and approve your completed tax returns before signing an E-file submission form or tax return and before the returns are E-filed or mailed 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 will rely, without further verification, upon information you provide to us from 3rd parties including, but not limited to, K1's, 1099's, 1098's, receipts, and similar items.

The law provides various penalties and interest that may be imposed when taxpayers underestimate their tax liability. You acknowledge that any such understated tax, and any imposed interest and penalties, are your responsibility, and that we have no responsibility in that regard. If you would like information on the amount or circumstances of these penalties, please contact me.

Penalties of as much as \$200,000 or more can be imposed on the corporation for failing to disclose participation in "reportable transactions," that is, certain arrangement the IRS has identified as potentially abusive. We will insist that all such transactions be properly disclosed.

We will use our professional judgment in preparing your returns. 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. We will adopt whatever position you request on your return so long as it is consistent with the codes, regulations, and interpretations that have been promulgated. If the Internal Revenue Service 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.

Without disclosure in the return itself of the specific position taken on a given issue, we must have a reasonable belief that it is more likely than not that the position will be held to be the correct position upon examination by taxing authorities. If we do not have that reasonable belief, we must be satisfied that there is at least a reasonable basis for the position, and in such a case the position must be formally disclosed on Form 8275 or 8275-R, which form would be filed as part of the return. If we do not believe there is a reasonable basis for the position, either the position cannot be taken or we cannot sign the return. In order for us to make these determinations, we must rely on the accuracy and completeness of the relevant information you provide to us, and, in the event we and/or you are assessed penalties due to our reliance on inaccurate, incomplete, or misleading information you supplied to us (with or without your knowledge or intent), you will indemnify us, defend us and hold us harmless as to those penalties.

### **PRIVACY POLICY AND PRIVILEGED INFORMATION**

All information you provide to us in connection with this engagement will be maintained by us on a strictly confidential basis. If we are asked to disclose any privileged communication, unless we are required to disclose the communication by law, we will not provide such disclosure until you have had an opportunity to argue that the communication is privileged. You agree to pay any and all reasonable expenses that we incur, including legal fees, that are a result of attempts to protect any communication as privileged. In addition, your confidentiality privilege can be inadvertently waived if you discuss the contents of any privileged communication with a third party, such as a lending institution, a friend, or a business associate. We recommend that you contact us before releasing information to a third party.

If you believe your tax return information has been disclosed or used improperly in a manner unauthorized by law or without your permission, you may contact the Treasury Inspector General for Tax Administration (TIGTA) by telephone at 1-800-366-4484, or by email at [complaints@tigta.treas.gov](mailto:complaints@tigta.treas.gov).

### **COMMUNICATION BY E-MAIL AND FAX**

In the interest of facilitating our services to you, we may communicate by facsimile transmission or send electronic mail over the internet. Such communications may include information that is confidential to you. While we will use our best efforts to keep such communications secure in accordance with our obligations under applicable laws and professional standards, you recognize and accept that we have no control over the unauthorized interception of these communications once they have been sent and consent to our use of these devices during this engagement. 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 or anticipated profits, or disclosure or communication of confidential or proprietary information.

We will E-file your tax returns unless you request, in writing, that we not do so.

It is our policy to keep records related to this engagement for four (4) years after which they are destroyed. However we do not keep any original client records, so we will return those to you at the completion of the services rendered under this engagement. 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.

### **PAYMENT**

Payment for this engagement will be payable upon pick-up/delivery of your return(s). **Returns will not be filed until all billings due for any and all other services performed by this firm are paid in full.** Returned checks, credit card payments, or ACH transactions will incur an additional handling fee of \$30.00. Any billings become delinquent if not paid within 15 days of the invoice date. Amounts unpaid after 30 days bear interest at 1.5% per month. If billings are not paid within 30 days of the invoice date, at our election, we may stop all work at our discretion until your account is brought current, or we will withdraw from this engagement. You acknowledge and agree that we are not required to continue work in the event of your failure to pay on a timely basis for services rendered as required by this engagement letter. You further acknowledge and agree that in the event we stop work or withdraw from this engagement as a result of your failure to pay on a timely basis for services rendered as required by this engagement letter, we shall not be liable to you for any damages that occur as a result of our ceasing to render services. In the

event that any collection action is required to collect unpaid balances due us, you agree to reimburse us for our costs of collection, including attorneys' fees. Our services will conclude upon delivery of the completed income tax returns discussed above or upon our suspension of services or resignation from the engagement. . IF ADDITIONAL COPIES OF YOUR TAX RETURN IS NEED THERE WILL BE A \$25 FEE.

In recognition of the relative risks and benefits of this agreement to both the client and the accounting firm, the client and the accounting firm have discussed and have agreed on the fair allocation of risk between them. As such, the client agrees, to the fullest extent permitted by law, to limit the liability of the accounting firm to the client for any and all claims losses, costs, and damages of any nature whatsoever, so that the total aggregate liability of the accounting firm to the client shall not exceed the accounting firm's total fee for services rendered under this agreement. The client and the accounting firm intend and agree that this limitation apply to any and all liability or cause of action against the accounting firm, however alleged or arising, unless otherwise prohibited by law. Both parties agree that there is a one-year limitation period to bring a claim against us for errors and omissions. The one-year period will begin upon the date of the tax professional's signature on the tax returns covered by this engagement letter.

This engagement letter represents the entire agreement regarding the services described herein and supersedes all prior negotiations, proposals, representations or agreements, written or oral, regarding these services. It shall be binding on the heirs, successors and assigns of you and us.

We appreciate the opportunity to serve you. Please date and sign the enclosed copy of this letter to acknowledge your agreement with and acceptance of your responsibilities and the terms of this engagement. It is our policy to initiate services after we receive the executed engagement letter. If any provision of this agreement is declared invalid or unenforceable, no other provision of this agreement is affected and all other provisions remain in full force and effect.

Sincerely,

Randy Friedman CPA

Friedman & Saiyed CPAs LLP

I have read the above terms of the engagement letter and agree with the terms of this engagement.

Signature \_\_\_\_\_ Title \_\_\_\_\_ Date \_\_\_\_\_