

January 7, 2020

Dear Client,

This letter is to confirm and specify the terms of our engagement with you for the 2019 tax year and to clarify the nature and extent of the tax services we will provide. A new signed income tax return engagement letter is required annually.

### **Engagement**

We will prepare your 2019 federal and resident state business, trust, and/or individual income tax returns as well as any other mutually agreed upon state income tax returns. If we become aware of additional filing requirements during the course of this engagement, we will prepare the additional returns at your request. Additional filing requirements may include, but are not limited to, additional states or the FinCEN 114, Report of Foreign Bank and Financial Accounts.

This engagement also includes the preparation of 2020 Estimated Income Tax Payment vouchers if we deem them necessary to avoid or minimize underpayment penalties (not applicable for S Corps, Partnerships and LLCs). Unless you provide us with information regarding expected changes in income and expenses for 2020, we will prepare the estimates using the safe harbor rules. It will remain your option whether or not you choose to make estimated tax payments. Please realize failure to pay taxes in a timely manner could incur substantial penalties and interest from the taxing authorities.

This engagement letter does not cover the preparation of any financial statements, which, if we are to provide, will be covered under a separate engagement letter. This engagement letter also does not include tax or financial planning services unless separately engaged. Additionally, this engagement letter does not cover other tax returns not specifically related to the income tax return (e.g., payroll reports, sales tax reports, estate returns).

Our work in connection with the preparation of your income tax returns does not include any procedures designed specifically to discover fraud, errors or other irregularities in the information you provide to us, should any exist. We may, however, provide such accounting assistance as we find necessary for preparation of the income tax returns.

The Internal Revenue Code and regulations impose preparation and disclosure standards with non-compliance penalties on both the preparer of a tax return and on the taxpayer. To avoid exposure to

these penalties, it may be necessary to make certain disclosures to you and/or in the tax return concerning positions taken on the return that do not meet these standards. Accordingly, we will discuss tax positions that may increase the risk of exposure to penalties and any recommended disclosures with you before completing the preparation of the return.

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. Unless instructed by you, we will resolve such questions in your favor whenever possible.

The IRS permits you to authorize us to discuss, on a limited basis, aspects of your return for one year after the return's due date. Your consent to such a discussion is evidenced by checking a box on the return. Unless you tell us otherwise, we will check that box authorizing the IRS to discuss your return with us.

Tax returns may be selected for review by the taxing authorities. In the event a review triggers an audit, notice, or other correspondence, you may be requested to produce documents, records, or other evidence to substantiate items of income and deduction shown on a tax return. Please note, you are eligible for certain rights of appeal regarding any proposed adjustments by an examining agent or notice. SKR+CO is available, upon your request, to provide assistance and representation for you related to an audit, notice or other correspondence. These additional services are not included in our fees for the preparation of the tax returns.

### **Client Responsibilities**

It is your responsibility to:

- Provide all the information required for the preparation of complete and accurate returns.
- Retain all the documents and other data that form the basis of income and deductions.
- Safeguard assets.
- Properly record transactions in the books of accounts for substantial accuracy of the financial records.
- Provide full and accurate disclosure to us of all relevant facts affecting the returns.
- Provide full disclosure of activities with nonresident states.
- Review returns for accuracy prior to signing e-file authorizations or paper returns.

These may be necessary to prove the accuracy and completeness of the returns to a taxing authority. You have the final responsibility for the income tax returns and, therefore, you should review them carefully before you sign and file them.

We may provide you with a questionnaire or other document(s) requesting specific information. Completing those forms will assist us in making sure you are well served. You represent herein 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. We will not verify the information you give us; however, we may ask for additional clarification of some information. We may utilize the use of a third party service provider in serving your account.

IRS audit procedures will almost always include questions on bartering transactions and on deductions that require strict documentation such as travel and entertainment expenses and expenses for business use of autos and computers. 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.

If, during our work, we discover information that affects 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. We will be happy to prepare appropriate amended returns as a separate engagement.

We have the right to withdraw from this engagement, in our discretion, if you do not provide us with any information we request in a timely manner, refuse to cooperate with our reasonable requests, misrepresent any facts, or refuse to permit a disclosure we conclude we are obligated to disclose. Our withdrawal will release us from any obligation to complete your returns and will constitute completion of our engagement. You agree to compensate us for our time and out-of-pocket expenses through the date of our withdrawal.

### **Timeline**

With the late issuance of Forms 1099 from brokers and K-1's from various partnerships, we have found that our tax filing season has become compressed into only seven weeks. Therefore, to better serve you, we request the following:

- If it is important to you to file your **individual returns** before April 15, 2020, please send your completed Organizer and the bulk of your tax information, by March 1, 2020. If you receive additional information later – for instance, a late-issued K-1 or a late or corrected 1099, we will make every attempt to file your tax returns by April 15, provided we have received the bulk of your data by March 1, 2020.
- If it is important to you to file your **business returns** with your individual return by April 15, 2020, please send your internal books and records by February 15, 2020.

### **Maintaining Records**

It is our policy to keep records related to this engagement for seven years. However, we do not keep any of your original records; therefore, we will return those to you upon the completion of the engagement. When records are returned to you, it is your responsibility to retain and protect the records for possible future use, including potential examination by governmental or regulatory agencies. You acknowledge and agree that upon the expiration of the 7-year period, we are free to destroy our records related to this engagement.

The security of your data is important to us. Therefore, we provide the SKR+CO Client Portal so you may access your data electronically via a secure method. It is our policy to keep tax returns for three years on the portal and retain only the current year for all other files on the portal (e.g., W-2s, QB files).

**Privileged Communications**

Certain communications involving tax advice are privileged and not subject to disclosure to the IRS. By disclosing the contents of those communications to anyone, or by turning over information about those communications to the government, you may be waiving this privilege. To protect this right to privileged communication, please consult with us or your attorney prior to disclosing any information about our tax advice. If you decide that it is appropriate for us to disclose any potentially privileged communication; you agree to provide us with written, advance authority to make that disclosure.

If 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 as a result of your asserting the privilege or your direction to us to assert the privilege.

**Billing Policies and Account Resolutions**

Fees for our tax return preparation service will be billed at the appropriate rate for the level and value of services rendered, plus out-of-pocket expenses. Fees are due and payable upon presentation of our invoice to you. Amounts not paid within 30 days from the invoice date will be subject to a late payment charge of 1.0% per month (12% per year). If we are called upon as fact witnesses on your behalf our regular hourly rates apply.

In the event of a dispute that is related in any way to our services, you agree and our firm agrees to discuss the dispute. If necessary, both parties agree to promptly engage in mediation in a good faith effort to resolve the dispute. If we cannot agree on a mediator, either of us may apply to a Colorado court having personal jurisdiction over the parties for the appointment of a mediator. We will share the mediator’s fees and expenses equally, but otherwise will bear our own attorneys’ fees. Participation in such mediation shall be a condition to either of us initiating litigation. In order to allow time for the mediation, any applicable statute of limitations shall be tolled for a period not to exceed 120 days from the date either of us first requests in writing to mediate the dispute. The mediation shall be confidential in all respects, as allowed or required by law, except our final settlement positions at mediation shall be admissible in litigation solely to determine the prevailing party’s identity for purposes of the award of attorneys’ fees.

If a settlement is not reached within 120 days after the written request for mediation, any unresolved controversy or claim shall be settled by binding arbitration. The place of the arbitration shall be Colorado Springs, CO and Colorado law shall apply. Judgment on the award rendered by the arbitrator may be entered in any court having jurisdiction thereof.

**Foreign Activities**

The IRS is taking a much stricter position regarding reporting of foreign activities and ownership in foreign assets and can assess penalties against you starting at \$10,000 if you fail to report these items. If you have any foreign activities (including but not limited to foreign bank accounts, ownership in foreign business, ownership in foreign real estate, etc.), please be sure to discuss these with us prior to filing your tax return. You may be required to file additional forms to comply with current reporting requirements.

\_\_\_\_\_ We do have foreign financial assets and will need to make appropriate tax filings

\_\_\_\_\_ We DO NOT have any foreign financial assets

\_\_\_\_\_ We are not sure what might meet the definition of foreign financial assets. Please follow up with us so that filings can be completed.

If the foregoing correctly sets forth your understanding of our tax engagement, please sign this letter in the space below and return it to our office. If you disagree or have any questions on any of these terms, please notify us immediately.

We appreciate this opportunity to work with you. It is our goal to provide you the best service possible within the terms of this engagement.

Very truly yours,

*Stockman Kast Ryan + Co. LLP*

Stockman Kast Ryan + Co, LLP

Approved:

Signed By: \_\_\_\_\_ Date: \_\_\_\_\_

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

Printed Name of Business: \_\_\_\_\_

To communicate with you in a more efficient and timely manner, please enter your contact information below.

Business phone #: \_\_\_\_\_ Home phone #: \_\_\_\_\_

Cell phone #: \_\_\_\_\_ Email: \_\_\_\_\_