



**Engagement Letter - PLEASE READ CAREFULLY!!**

Name of Client \_\_\_\_\_

Signature of Client \_\_\_\_\_ Date Signed \_\_\_\_\_

We will complete these tasks listed below. The length of the engagement to be provided is an annual term with services provided Annually and shall renew automatically every year ON THE TERMS AND CONDITIONS SET FORTH BELOW unless termination is given in writing with 30 days notice by either party. The annual period begins on the signing date of this Engagement Letter. PLEASE READ.

**2015 Federal Tax Return - Form 1040 AND Maryland Tax Return - Form 502**

**Other Services-**

**FEE AMOUNT FOR 2014 IS:** \_\_\_\_\_

**WHAT THIS IS:** This Engagement Letter represents our **entire agreement**. You have **the final responsibility** for your tax returns being complete and accurate. Our policy is to put all advice in writing, and that you will not rely upon any unwritten advice because it may be tentative, incomplete, or not fully reviewed. Chrest CPA has the right to withdraw from this engagement at any time. **Our engagement cannot be relied upon to disclose errors**, fraud or illegal acts that may exist. We have no responsibility to identify and communicate significant deficiencies or material weaknesses in your internal control as part of this engagement. 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.

**FEES:** If **billings are not paid** we may stop all work at our discretion or we may **withdraw** from this engagement. 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. **Any unpaid fee** shall constitute a lien against your tax return, tax records, and your file. Furthermore, if any portion of our fee is not paid by you, the Client, you waive your rights to make any claims for damages associated with the services provided under this engagement.

**LIABILITY:** **Our liability**, if any, for the performance of the services listed shall not, in any event, exceed the amount that you have paid us for fees for our services under this agreement for the time period in question. No action, regardless of form, arising out of the services provided under this agreement, may be brought by either party more than **one year after date** of last services provided under this agreement. This reduces the period in which a claim may be brought. Furthermore, Chrest CPA Tax & Financial PC will not be liable for any lost profits, or for any claim or **demand against you by any other party**. Chrest CPA Tax & Financial PC will not be liable for incidental or consequential damages even if we have been advised of the possibility of such damages. Furthermore, you agree to bring any claim resulting from prior services to our attention within 1 year of signing this engagement letter. In the case of work product **covering more than one party**, the undersigned enters into agreement on behalf of all affected parties. (i.e. husband signing for both spouses.) **If any provision herein is inoperative**, the remainder of this agreement shall remain in force and effect. This agreement is intended as the complete agreement and can only be modified in writing signed by both of us. You understand that, in the event of **preparer error**, you are responsible for additional tax and interest that may be due, but our responsibility is to pay for any penalty that the tax authority may assess. This agreement **supersedes** any prior agreements.

**ARBITRATION:** In the **event of a dispute related**, in any way, to our services, our firm and you (The Client) agree to submit for resolution through an arbitrator ("Arbitrator") any such dispute. We will meet and negotiate in good faith to select a judge who has retired from the position of sitting judge on a Maryland Circuit Court to serve as the Arbitrator. If we cannot agree on a judge, each of us will submit a list of not more than three (3) acceptable judges, listed in the order of preference. The Arbitrator will be selected from the combined highest order of preference of a judge appearing on both lists or, if there is no judge appearing on both lists, the judge will be selected by a random drawing of a name from the names of all judges listed. The Arbitrator shall have the authority to set rules for the conduct of arbitration and all such procedures shall be deemed binding on the both of us. We will share equally in the cost of arbitration, other than attorney's fees and expenses incurred by each of us in the prosecution or defense of our respective claims. The Arbitrator may award any remedy of the nature of a legal or equitable remedy, other than exemplary or punitive damages, that could be awarded by a court having general jurisdiction over the matters at issue. In addition, the parties agree that the award may include, and the parties agree to pay, an amount equal to the reasonable attorney's fees and expenses incurred by the prevailing party in the prosecution or defense of the arbitration proceedings and, if applicable, court proceedings initiated to enforce an arbitration award. The arbitration shall be confidential in all respects, as allowed or required by law.

**WHAT THIS IS NOT:** We will not audit or verify the data you submit. We will not prepare Third Party **personal or business financial statements**. Preparation or obligation to prepare gift tax return. Bookkeeping service are not included, and are billed separately. **Additional Tax Planning and Year End Tax Planning** is beyond the scope of this engagement. Chrest CPA will not take liability for extra taxes the client may have paid for lack of tax planning, lack of employing tax strategies the client engaged Chrest CPA to advise, and lack of employing tax strategies the client did not engaged Chrest CPA to advise. **Our standard fee for tax preparation does not include** responding to inquiries or **examination** by taxing authorities, representation before the IRS or State taxing authorities, tax **planning** meetings and preparation of **1099 Forms** or **Payroll Forms**. You are responsible for establishing and maintaining **internal controls**, including monitoring ongoing activities. If you have income in any **other state** than listed above, you are responsible for providing our firm with all necessary information of all applicable states. It is your responsibility (The Client) to make certain that the correct intended **third party receives the requested** financial data and that it was the correct and expected financial data. This engagement doesn't include filing and reporting foreign accounts on Form FinCen114. We will not automatically file **tax extensions**.

**FOREIGN ACCOUNTS:** Please note that any person or entity subject to the jurisdiction of the United States having a financial interest in, or signature or authority over bank accounts, securities, or other financial **accounts having a value exceeding \$10,000 in a foreign country** shall report such a relationship. Failure to disclose the required information to the U.S. Department of the Treasury may result in substantial civil and/or criminal penalty. If you and/or your entity have a financial interest in any foreign accounts, you are responsible for providing our firm with all necessary information to prepare Form **FinCen114** required by June 30<sup>th</sup> of each tax year. We do not File form FinCen114, it is beyond the scope of this engagement. In the absence of such information being provided we will presume you do not have any foreign assets or financial interests and will not file any applicable disclosures without separate written authorization. We assume no liability for penalties associated with the failure or untimely filing of any of these forms.

**LENDER REQUESTS:** From time to time various lenders may request that we sign, for you, some **verification of income**, employment or tax filing status. Because we are only engaged to prepare your income tax return, without examination, review, audit or verification our insurance carriers and state boards of accountancy prohibit signing of such documents. Instead we have our own in-house approved document, which will be the only document that we will sign and provide to a lender. We are not responsible for any inconvenience or snag this may cause with the lender. We will not be liable if action is ever taken by lender against tax payer for non-payment of the clients' debts. From time to time various third parties may request that we sign, for you, some verification of income, employment or tax filing status. Because we were engaged only to prepare your income tax return, without examination, review, audit or verification our insurance carriers as well as the state board of accountancy may prohibit us from signing any such document and we suggest that you have them send IRS Form 4506 to the IRS to obtain such verification.

**RETENTION POLICY:** In accordance with our Firm's current document retention policy, we will retain our work papers and your tax returns for your engagement for 7 years. We will provide you a copy of the tax returns. All of your original records will be returned to you. After 7 years, our work papers and files will no longer be available. The work papers and files of our firm are not a substitute for your original records. It is agreed that the work papers prepared by us shall remain the property of Chrest CPA Tax & Financial, PC.

**PRIVACY AND SECURITY** laws were established by the IRS effective January 1, 2009 and we are now prohibited from providing confidential information or copies to anyone other than you without your specific, written authorization. To comply with these new regulations we provide all copies of all returns to you in a secure web portal. Your use of this portal is limited to lawful income tax related documents in compliance with our written portal usage policy and will be maintained and accessible solely in accordance with our policy for no more than 30 days after any notification of termination of services by either party, after which point it will be electronically deleted. In the interest of maintaining service quality and timeliness, we may use a 3rd party service provider to assist us in the use of technology to facilitate compliance with disclosure and storage of your tax information. The provider has established procedures and controls designed to protect client confidentiality and maintain data security.

**THE AFFORDABLE CARE ACT** has added various new health mandates, penalties and credits beginning in 2014. You acknowledge and agree that we rely solely on information provided by you to us for the specific returns discussed above for the purpose of preparing this year's tax return and estimated tax payments for 2014. We have been retained only for tax preparation and have provided no advice regarding your eligibility for any credits, estimates of any payments or estimates of any penalties, all of which require a separate written engagement letter. Affordable Care Act Policies In late 2013 the IRS released Revenue Procedure 2013-54 which, among other things has ended the ability for an employer to provide a tax free reimbursement of individual health insurance costs, co-pays, deductibles and most other health care related costs. Failure to comply with these new limitations that went in to effect January 1, 2014 can subject the employer to penalties of \$100 per employee, per day (\$36,500 annually per employee) under IRS Notice 2011-1 and ERISA rules. Effective January 1, 2014 we state that we have not provided tax-free reimbursement or payment of individual health insurance premiums, medical costs, Medicare supplemental policies or Parts B/D premiums or any other medical items, except for those specifically allowed by law as non-discriminatory employer-sponsored group health care plans.

EMPOWER CLIENTS & COMMUNITY TOWARD FINANCIAL PEACE

1511 YORK ROAD LUTHERVILLE, MD 21093 410-825-5120 FAX 410-321-7483  
Randy@ChrestCPA.com www.ChrestCPA.com



Brian@ChrestCPA.com



**Things you should know about business and charitable deductions:**

**CLIENT REPRESENTATIONS ON SCHEDULE C and Business Deductions**

Regarding **certain business expenses**, the law requires that any deduction for business meals and entertainment and vehicle use must be substantiated by records indicating the amount, time, place and business purpose of the expenses. Contemporaneous substantiation of business use of "listed" property, which includes vehicles, personal computers and cellular phones, is required. If you claim a deduction for those types of expenses, you represent, by submitting those expense items to us, that you have the required records and receipts. Regarding the decision of **classing an individual as an employee or an independent contractor**, the IRS has guidance in the form of code section and revenue rulings in making this decision. The IRS also imposes penalties against taxpayers if this decision is not made correctly. If you made a classing decision for those types of individuals, you represent, by submitting those expense items to us, that you have the required backup to support your decision.

Regarding **Issuing 1099 Forms** to Independent Contractors, The IRS imposes rules and regulations on which individuals and businesses must receive a 1099 from you as the Payer stating the amount that was paid during the calander year. The IRS also imposes penalties against taxpayers if 1099's are not properly submitted. Either You represent to us that you have fulfilled your obligation to issue 1099's to independent contractors or that the data provided to us for us to prepare the 1099 forms is complete and accurate.

**New Repair Regulations** also require that business owners' separately capitalize repairs and supplies over \$500 and \$200 annually, respectively. You hereby acknowledge that you have made such capitalization analysis and decisions. We hereby state that we have applied these tests to all repairs, maintenance and equipment and have appropriately determined whether the expenses are properly classified as expendable items or as capitalized items. We also adopt the de Minimis policy below for the tax year beginning January 1, 2014, which is our first adoption of a repairs, capitalization and de Minimis policy.

If your return reports **non-cash contributions**, then those donations of clothing and household items must be in good used condition or better to allow a charitable contribution deduction. This rule does not apply for donated single items appraised at more than \$500 if a qualified appraisal and Form 8283 are filed with your return. If you donated property during the year, you should keep a receipt or written record from the organization to which the donation was made, or a similar written statement that shows the organization's name and address, the date and location of the gift, and a description of the donated property. If your return reports **cash contributions**, then all charitable contributions claimed as a deduction on your tax return must be substantiated by keeping a written record of each contribution. Written substantiation from the charitable organization must be obtained by the earlier of the date you file your return or the due date of the tax return. Acceptable written records used to substantiate each contribution include a cancelled check or bank record that supports the donation, or a written receipt or similar statement that includes (1) the name of the donee organization, (2) the date and amount of the contribution and (3) if any goods or services were received in exchange for the contribution. Contributions of \$250 or more require a statement from the charitable organization. If the resulting returns are examined by the IRS, requests may be made for the written record of the contribution.

**Affordable Care Act Policies**

In late 2013 the IRS released Revenue Procedure 2013-54 which, among other things has ended the ability for an employer to provide a tax free reimbursement of individual health insurance costs, co-pays, deductibles and most other health care related costs. Failure to comply with these new limitations that went in to effect January 1, 2014 can subject the employer to penalties of \$100 per employee, per day (\$36,500 annually per employee) under IRS Notice 2011-1 and ERISA rules. Effective January 1, 2014 we state that we have not provided tax-free reimbursement or payment of individual health insurance premiums, medical costs, Medicare supplemental policies or Parts B/D premiums or any other medical items, except for those specifically allowed by law as non-discriminatory employer-sponsored group health care plans.

**Client Signature Box**

**Client Signature** \_\_\_\_\_ **Client Date** \_\_\_\_\_

**Tax Year** \_\_\_\_\_ **Tax Form** \_\_\_\_\_