

# Smith Sullivan & Brown PC

CERTIFIED PUBLIC ACCOUNTANTS

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## TAX ENGAGEMENT LETTER

Dear Tax Client,

We appreciate the opportunity to work with you. To avoid any misunderstandings, it is important that the terms of our mutual understanding be clarified.

This letter is to confirm and specify the terms of our engagement with you and to clarify the nature and extent of the services we will provide. To ensure an understanding of our mutual responsibilities, we require all clients for whom returns are prepared to confirm the following arrangements.

We will prepare your 2023 Federal and State(s) individual income tax returns from information you furnish to us. To assist you in gathering and organizing the necessary information required for the preparation of your individual income tax returns, we will furnish you with a tax organizer. Providing us with the completed tax organizer will help to ensure that you are not overlooking important information that may be necessary for complete and accurate returns, as well as may help to minimize our fees.

We will not audit or otherwise verify the data you submit. Accordingly, our engagement cannot be relied upon to disclose errors, fraud, or other illegal acts that may exist. However, it may be necessary to ask you for clarification of some of the information you provide, and we will inform you of any material errors, fraud, or other illegal acts that come to our attention.

If you have taxable activity in additional states or local municipalities, you are responsible for providing our Firm with all of the information necessary to prepare additional applicable state and local income tax returns, as well as informing us of the applicable state and local municipalities.

### **Tax Preparation Fees and Due Dates**

Unless we have agreed otherwise, our minimum tax preparation fee for your Federal and Home state tax returns is \$975; however, more complex tax returns, dependent tax returns, additional state returns, and extension calculations require additional time which will result in a tax preparation fee that exceeds \$975. The additional time is billed based upon our hourly rates of \$75 - \$400. Payment is due at the time we complete our tax preparation services. Our minimum tax preparation fee includes the following:

- Federal and Home State income tax preparation with electronic filing and related emails, telephone calls, SMS text messaging (tax season reminders) and correspondence
- Telephone call or zoom meeting upon completion of draft tax returns to review, **if requested**

We are requesting that you send your tax information ahead of time (**15 days in advance of your meeting**) and using your meeting time for draft tax return review and discussion. Multiple meetings and telephone conferences will increase the cost of your tax preparation.

This Firm is responsible for preparing only the return(s) listed above. All other returns and forms to be prepared will be under a separate written engagement letter.

We will render such accounting and bookkeeping assistance as determined to be necessary for the preparation of the income tax returns based upon our hourly rates. The preparation and filing of the FBAR report and any other forms required for foreign reporting will be billed based upon our hourly rates.

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, we must receive all information to prepare your tax returns by **March 22, 2024**.

**If we have not received sufficient information by March 22, 2024 to prepare your tax returns, extensions will be required, and you will need to provide sufficient information for our Firm to prepare your 2023 extension requests.**

Any tax estimated to be due would need to be paid with the extension request. If your returns are not completed or extended by the required due date, you may be subject to late filing and/or late payment penalties. We assume no liability for late filing or late payment penalties. We do not prepare and file tax extensions for clients unless specifically requested to do so and we require all of your tax information available in order to prepare the extensions.

**The preparation and filing of your extensions, if needed, will require additional time and in most cases will increase the \$975 minimum tax preparation fee based upon our hourly rates.**

This engagement does not include any services not specifically stated in this letter. However, we would be pleased to consult with you regarding other tax matters, such as 2024 income tax projections, proposed or completed transactions, and for research in connection with such matters. Engagements for additional services may necessitate that we issue a separate engagement letter. We will render additional invoices for such services at our standard billing rates.

**Tax Notices from any government agency may result in additional fees based upon our hourly rates.**

Taxing authorities require us to electronically file (e-file) all tax returns. While we are required to e-file all returns, you do have the right to "opt out" by choosing the applicable option at the end of this letter. Please note that unless you notify us of your desire not to e-file your return, we will prepare your returns to be electronically filed.

Although e-filing requires both you and our Firm to complete additional steps, the same filing deadlines will apply. You must therefore ensure that you complete the additional requirements well before the due dates in order for our Firm to be able to timely transmit your returns. We will provide you with an electronic copy of the income tax returns for your review prior to electronic transmission. You have the final responsibility for the tax returns and should review them carefully before you authorize us to e-file them on your behalf. We are not responsible for the disallowance of doubtful deductions or inadequately supported documentation, nor for resulting taxes, penalties and/or interest. We cannot transmit your returns to the taxing authorities until we have the fully signed authorization forms. **Therefore, if you have not provided our Firm with your signed authorization forms by April 12, 2024, we will place your returns on extension, even though they might already have been completed.** You should keep in mind that this would be an extension of time to file the returns; however, any tax estimated to be due would need to be paid with the extension request. We assume no liability for late filing or late payment penalties. You will also be responsible for any additional costs our Firm incurs arising from the extension preparation.

Finally, please note that although our Firm will use our best efforts to ensure that your returns are successfully transmitted to the appropriate taxing authorities, we will not be financially responsible for electronic submission or other errors arising after your return has been successfully submitted from our office.

We will use our professional judgment in preparing your returns. Given the magnitude of recent tax law changes including, but not limited to, modifications to certain economic tax relief provisions that were part of recent U.S. stimulus packages, as well as some new tax concepts introduced in the law, additional stated guidance from the taxing authorities and possibly from Congress in the form of technical corrections or revisions to certain income tax provisions may be forthcoming. We will use our professional judgment and expertise to assist you given the guidance as currently promulgated at the time our services are rendered. Subsequent developments issued by the applicable tax authorities may affect the information we have previously provided, and these effects may be material. 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 a taxing authority should later contest the position taken, there may be an assessment of additional tax, interest, and penalties. We assume no liability for any such assessment of additional tax, penalties, or interest. Under no circumstances may we sign a tax return with a tax position that has no reasonable basis.

In the event you ask us to take a tax position that in our professional judgment will not meet the applicable laws and standards as promulgated, 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. In addition, you will be liable for payment of any fees incurred to the date on which service has ceased.

### Your Responsibilities

You are confirming that you will furnish us with all the information required for preparing the returns. This includes, but is not limited to, providing us with the information necessary to identify (1) all states and foreign countries in which you “reside” (even on a temporary basis), “do business” or derive income (directly or indirectly) and (2) the extent of business operations in each relevant state and/or country. It is your responsibility to provide all the information required for the preparation of complete and accurate returns, as well as retaining all documents necessary to support the data used in preparation of your tax returns. These may be necessary to prove the accuracy and completeness of the returns to a taxing authority. You should retain all documents, canceled checks and other data that form the basis of your income and deductions. You are responsible for substantiating any amount upon which a deduction is taken on the return. The type of deduction taken will determine the specific substantiation needed. If you have any questions as to the type of records required, please ask us for advice in that regard.

### Virtual Currency

**Please note that the Internal Revenue Service (“IRS”) considers virtual currency (e.g., Bitcoin) and other digital assets (e.g., NFTs) as property for U.S. federal tax purposes.** As such, any transactions involving cryptoassets or transactions that use or exchange virtual currencies are subject to the same general tax principles that apply to other property transactions. **If you had any cryptoasset or virtual currency activity during the 2023 tax year, you may be subject to tax consequences associated with such transactions and may have additional foreign reporting obligations. You are now required to answer YES or NO on Page One of the Form 1040 whether you received (as a reward, award, or payment for property or services), sold, exchanged, or otherwise disposed of a digital asset (or financial interest in a digital asset). We must have your response to this question.** You agree to provide us with complete and accurate information regarding any transactions in cryptoassets, or transactions using any virtual currencies during the applicable tax year. Please ask us for advice if you have any questions regarding the type of records required for virtual currency transactions. If you require additional consulting services to evaluate the specific treatment of digital assets or virtual currency and we agree to perform such services, such services will be covered under a separate engagement letter.

### Foreign Accounts

Please note that any person or entity subject to the jurisdiction of the United States (includes individuals, corporations, partnerships, trusts, and estates) having a financial interest in, or signature or other authority over, bank accounts, securities, or other financial accounts in a foreign country having an aggregate value exceeding \$10,000 at any time during the calendar year, shall report such a relationship.

Although there are some limited exceptions, filing requirements also apply to taxpayers that have direct or indirect control over a foreign or domestic entity with foreign financial accounts, even if the taxpayer does not have foreign account(s). For example, a corporate-owned foreign account would require filings by the corporation *and* by the individual corporate officers with signature authority. Failure to disclose the required information to the U.S. Department of the Treasury may result in substantial civil and/or criminal penalties.

If you and/or your entity have a financial interest in, or signature authority over, any foreign accounts, you may be subject to certain filing requirements with the U.S. Department of the Treasury, in addition to the IRS. Filing requirements may also apply to taxpayers that have direct or indirect control over a foreign or domestic entity with foreign financial accounts, even if the taxpayer does not have foreign accounts. If you would like our Firm to prepare the required filings, you are responsible for providing our Firm with all the information necessary to prepare the Report of Foreign Bank and Financial Accounts (“FBAR”) required by the U.S. Department of the Treasury in order for the FBAR to be received by the Department on or before the due date of each tax year. **If you have an FBAR filing requirement, the FBAR filing deadline is April 15<sup>th</sup> and follows the federal income tax due date guidance, which notes that if the tax due date falls on a weekend or legal holiday, the form is considered timely filed if filed on the next business day. An automatic six-month extension is available.**

It is mandatory to electronically file the FBAR reports using the Bank Secrecy Act (“BSA”) e-filing system for the Financial Crimes Enforcement Network (“FinCEN”). If you would like our Firm to submit your electronic FBAR report (FinCEN Form 114) on your behalf, we must receive a signed consent form (FinCEN Form 114a) from you prior to submitting the foreign reporting form. If you do not provide our Firm with information regarding any interest you may have in a foreign account, or if we do not receive your signed authorization to file your foreign reporting form, we will not be able to prepare and file any of the required disclosure statements on your behalf.

In addition, the Internal Revenue Service also requires information reporting on foreign interests or activities under applicable Internal Revenue Code sections and related regulations, **and the respective IRS tax forms are due when your income tax return is due**, including extensions. The IRS reporting requirements are in addition to the U.S. Department of the Treasury reporting requirements stated above. Therefore, if you have any direct or indirect foreign interests that require disclosures to the IRS, you must provide us with the information necessary to prepare the applicable IRS forms.

- Form 8938 - You are an individual or entity with ownership of foreign financial assets and meet the specified criteria;
- Form 5471 - You are an officer, director or shareholder with respect to certain foreign corporations;
- Form 5472 - You are a foreign-owned U.S. corporation or foreign corporation engaged in a U.S. trade or business;
- Form 926 - You are a U.S. transferor of property to a foreign corporation;
- Forms 3520 or 3520-A - U.S. person with an interest in a foreign trust (Forms 3520 and 3520-A); or
- Form 8865 - U.S. person with interests in a foreign partnership.

Failure to timely file the appropriate forms with the U.S. Department of the Treasury and the Internal Revenue Service may result in substantial civil and/or criminal penalties. By your signature below, you agree to provide us with complete and accurate information regarding any foreign accounts you and/or your entity may have had a direct or indirect interest in, or signature authority over, during the tax year. The foreign reporting requirements are very complex, so if you have any questions regarding the application of the U.S. Department of the Treasury and/or the IRS reporting requirements to your foreign interests or activities, please ask us for advice in that regard. We assume no liability for penalties associated with the failure to file, or untimely filing, of any of these forms.

### **Corporate Transparency Act**

Starting in 2024, the Corporate Transparency Act (“CTA”) mandates certain entities (primarily small and medium-size businesses) created in or registered to do business in the United States report information about their beneficial owners—the individuals who ultimately own or control a company—to the Financial Crimes Enforcement Network (“FinCEN”). If your individual return includes a business, you are responsible for compliance with CTA, if applicable, and for ensuring that any required reporting of beneficial ownership information is timely filed with FinCEN as required by the CTA. As Smith, Sullivan Brown P.C. is not rendering any legal services as part of our engagement, we will not be responsible for advising you regarding the legal or regulatory aspects of your compliance with CTA, nor are we responsible for the preparation or submission of beneficial ownership information reports to FinCEN. If you have any questions regarding compliance with CTA, including but not limited to whether an exemption may apply to your business or to ascertain whether relationships constitute beneficial ownership under CTA rules, we strongly encourage you to consult with qualified legal counsel experienced in this area.

### **Other Matters**

The law provides for a penalty to be imposed where a taxpayer makes a substantial understatement of their tax liability. Taxpayers may seek to avoid all or part of the penalty by showing (1) that they acted in good faith and there was reasonable cause for the understatement, (2) that the understatement was based on substantial authority, or (3) there was a reasonable basis for the position taken on the return and the relevant facts affecting the item’s tax treatment were adequately disclosed on the return. You agree to advise us if you wish disclosure to be made in your returns or if you desire us to identify or perform further research with respect to any material tax issues for the purpose of ascertaining whether, in our opinion, there is “substantial authority” for the position proposed to be taken on such issue in your returns.

Your returns may be selected for review by the taxing authorities or you may receive a notice requesting a response to certain issues on your tax return. Any proposed adjustments by the examining agent are subject to certain rights of appeal. In the event of such government tax examination or inquiry, we will be available upon request to represent you or respond to such inquiry at an additional fee. Federal law has extended the attorney-client privilege to some, but not all communications between a client and a client’s CPA. The privilege applies only to non-criminal tax matters that are before the IRS or brought by or against the U.S. Government in federal court. Such communications must be made in connection with tax advice. Communications solely concerning the preparation of a tax return will not be 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 any privileged information to a third party.

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 connection with this engagement, we may communicate with you or others via email transmission. We take reasonable measures to secure your confidential information in our email transmissions. However, as emails can be intercepted and read, disclosed, or otherwise used or communicated by an unintended third party, or may not be delivered to each of the parties to whom they are directed and only to such parties, we cannot guarantee or warrant that emails from us will be properly delivered to and read only by the addressee. Therefore, we specifically disclaim and waive any liability or responsibility whatsoever for interception or unintentional disclosure or communication of email transmissions, or for the unauthorized use or failed delivery 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 sales or anticipated profits, or disclosure or communication of confidential or proprietary information. Our Firm is in compliance with and will abide by Massachusetts Data Privacy Law 201 CMR 17.00.

It is our policy to retain engagement documentation for a period of seven years, after which time we will commence the process of destroying the contents of our engagement files. To the extent we accumulate any of your original records during the engagement, those documents will be returned to you promptly upon completion of the 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. We do not accept responsibility for hosting client information; therefore, you have the sole responsibility for ensuring you retain and maintain in your possession all your financial and non-financial information, data, and records.

We are pleased to have you as a client and look forward to many more years of a mutually satisfying relationship. We believe that this letter accurately summarizes the significant terms of our engagement. If you have any questions, please let us know.

If you agree with the terms of our engagement as described in this letter, please answer the questions on the following page, sign, date and provide your current email addresses and return it to us along with your 2023 tax information. **However, under no circumstances shall we sign a completed tax return or prepare an extension until we receive from you this signed engagement letter.**

*Smith, Sullivan & Brown, P.C.*

Smith, Sullivan & Brown, P.C.  
Westborough, Massachusetts

**Electronic Filing Preference:** (if no selection is made, your returns will be electronically filed)

\_\_\_\_\_ I choose to file my 2023 tax returns electronically.

\_\_\_\_\_ I choose NOT to file my 2023 tax returns electronically - Smith, Sullivan & Brown, P.C. has informed me(us) that my (our) 2023 individual income tax return may be required to be electronically filed if the Firm files the return on my (our) behalf. I (We) do not want to file my (our) return electronically and will personally file the paper return. My (Our) signature(s) below represent(s) my (our) agreement that I (we) was (were) not influenced by my (our) preparer or any other member of the Firm to sign this statement.

**Virtual Currency:**

At any time during 2023, did you: (a) receive (as a reward, award, or payment for property or services); or (b) sell, exchange, or otherwise dispose of a digital asset (or financial interest in a digital asset)? (If yes, please provide additional information)  
YES \_\_\_\_\_ NO \_\_\_\_\_

**Foreign Matters:** If you answer YES to any of the questions below, please provide us with additional information.

**At Any Time During 2023:**

Did you or your spouse have an interest in or signature authority over a financial account in a foreign country, such as a bank account, securities account, or other financial account? YES \_\_\_\_\_ NO \_\_\_\_\_

Did you or your spouse own any foreign assets or have activities with a foreign trust? YES \_\_\_\_\_ NO \_\_\_\_\_

**Additional Questions for Massachusetts Residents only, if applicable**

1. Do you want to contribute \$1.00 to the Massachusetts Election Campaign Fund? If you would like to contribute to any of the additional voluntary funds, please contact us.

Taxpayer Yes \_\_\_\_\_ No \_\_\_\_\_

Spouse Yes \_\_\_\_\_ No \_\_\_\_\_

2. Rental Deduction Information

Name of Landlord \_\_\_\_\_  
Rent Paid \_\_\_\_\_

3. Are you or your spouse a noncustodial parent?

Yes \_\_\_\_\_ No \_\_\_\_\_

4. Total annual amount paid for weekly/monthly commuter passes and FastLane tolls.

Taxpayer \$ \_\_\_\_\_

Spouse \$ \_\_\_\_\_

5. Contributions to a Prepaid Tuition and/or College Savings Plan (529) established by the Commonwealth of MA

\$ \_\_\_\_\_

6. Charitable contributions, if you have not provided because you are not itemizing on the federal return.

\$ \_\_\_\_\_

7. Schedule HC Government-Subsidized Health Insurance, please indicate coverage if applicable.

	Taxpayer	Spouse
Commonwealth Care	_____	_____
ConnectorCare	_____	_____
MassHealth	_____	_____
Medicare	_____	_____
Veterans-Administration Program	_____	_____
Tri-Care	_____	_____
Other	_____	_____

**This letter correctly sets forth our understanding:**

Taxpayer Signature \_\_\_\_\_ Date \_\_\_\_\_

Spouse Signature \_\_\_\_\_ Date \_\_\_\_\_

**If the email address(es) that this engagement letter was sent to is not your preferred email address for the 2023 tax preparation process, please provide your preferred email address(es). Please note, separate taxpayer and spouse email addresses are required:**

**Taxpayer Updated Email Address:** \_\_\_\_\_

**Spouse Updated Email Address:** \_\_\_\_\_