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## **1040 Income Tax Return Engagement Letter & Privacy Notification**

This engagement letter is to confirm your understanding of the nature and extent of the services we will provide in preparing your \_\_\_\_\_ Federal and/or \_\_\_\_\_ State Income Tax Return(s) and those of your minor children. Because the IRS imposes penalties on taxpayers **and** tax return preparers for failure to observe due diligence while preparing Federal Income Tax returns, it is imperative to ensure that all parties understand their respective responsibilities. Please read this letter carefully and in its entirety.

### **Service Fee**

To calculate your IRS refund or liability, your tax preparer must manually enter all your information into our tax software and conduct a full interview to determine the optimal method for handling your tax return. This process requires the preparer to complete all the work necessary to file your return. If you are not satisfied with the results and choose not to have our office file your return, you will be charged a \$50 service fee or 25% of the invoice, whichever is greater, for the work performed.

### **Taxpayer Responsibilities**

It is your responsibility to maintain all necessary documentation to support the data used in preparing your tax return(s). This includes, but is not limited to, auto mileage, travel, entertainment, moving and related expenses, and the required documents to support charitable contributions. If you have any questions as to the type of records required, please ask. It is also your responsibility to provide us with all 3<sup>rd</sup> party information required to prepare your tax return(s). This includes, but is not limited to, K-1's, 1099's, 1098's, receipts and similar items. You understand that the tax preparer will rely, without further verification, upon this information. Lastly, you agree and understand that it is ultimately your responsibility to carefully examine and approve your completed tax return(s) before they are submitted to the IRS.

### **Self-Employment and Social Security**

When a self-employed taxpayer reduces taxable income through expenses there is also a reduction in earned income reported to the Social Security Administration, which could reduce current and future benefits for the taxpayer and his or her dependents. You acknowledge and agree to the current tax reduction and the potential negative effects on future social security benefits for you, your spouse, and any dependents.

### **Foreign Income, Assets, and Interests (can include Off-Shore Time-Shares)**

Please read this carefully, as the IRS is levying extremely heavy penalties for failure to disclose foreign income, assets, and interests. Taxpayers are required to report on all world-wide income including, but not limited to, wages, self-employment earnings, interest, dividends, annuities, rental income, pensions, scholarships, and sales of assets. Taxpayers and entities to which they belong (including corporations, partnerships, trusts, and estates) that have a financial interest in, or signature or other authority over, bank accounts, securities, or other financial accounts in a foreign country whose value exceeds \$10,000 must report the relationship. This includes taxpayers that have direct or indirect control over a foreign or domestic entity with foreign financial accounts, even if they are not in the taxpayer's name. Failure to disclose these accounts to the IRS may result in substantial civil and/or criminal penalties. The form required to report this relationship, TD-F-90-22, is due on June 30<sup>th</sup> of each tax year.

In addition, currently the Internal Revenue Service, under IRC §6038 and §6046, requires information reporting if you are an officer, director or shareholder with respect to certain foreign corporations (Form 5471); foreign-owned U.S. corporation or foreign corporation engaged in a U.S. trade or business (Form 5472); U.S. transferor of property to a foreign corporation (Form 926); and, for taxable years beginning after March 18, 2010, if you hold foreign financial assets with an aggregate value exceeding \$50,000 (Form 8938). If you fall into one of these categories, you may be required to file one of the above listed forms. Failure to timely file may result in substantial monetary penalties. By your signature below, you accept responsibility for informing us if you believe that you fall into one of the above categories and you

agree to provide us with the information necessary to prepare the appropriate form(s). We assume no liability for penalties associated with the failure to file or untimely filing of any of these forms.

### **Alaska Tax Service Responsibilities**

We will prepare your tax return(s) specified in this letter along with all of the appropriate forms and schedules based on the information you provide us. This will apply to auto, travel, entertainment, home-office and other related expense deductions taken on, but not limited to, Schedules A, C, D, and E. We are not responsible for the disallowance of doubtful deductions or inadequately supported documentation, nor for resulting taxes, penalties and interest.

### **Communications**

In the interest of facilitating our services, communication via facsimile transmission or electronic mail over the Internet may be necessary. These communications may include confidential information. By signing this document, you are authorizing the use of these devices during this engagement. You further acknowledge and agree that e-mail communication might not be completely confidential, and you assume all risks that the medium may present, including but not limited to, hacking, electronic interruption, or interception by persons known or unknown.

### **Release of Information**

New privacy laws were established by the IRS effective January 1, 2009. We are prohibited from providing confidential information or copies to anyone other than you without specific, written authorization. You will need to complete our 3<sup>rd</sup> party release form before we can process your request.

### **Records**

It is our policy to keep records related to this engagement for three years, after which they will be destroyed. All original documentation will be returned to you at the completion of the services rendered under this engagement. 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 is expected upon completion of your return(s). We accept Visa, Mastercard, debit cards, cash, and checks. Checks that are returned for insufficient funds will be assessed an additional fee of \$30.00. Unpaid accounts will be considered delinquent after 30 days. Delinquent accounts turned over to our collections agency will be assessed an additional 33% fee of the original bill. Additional copies of tax returns are \$10.00 per copy.

### **Additional Services**

You may request that we perform additional services not contemplated by this engagement letter, such as responding to inquiries or examination by taxing authorities. We will communicate with you regarding the scope and estimated cost of these services. Engagements for additional services will require an amendment to this letter or a separate letter to reflect the obligations of both parties.

Please date and sign below to acknowledge your acceptance of the responsibilities and terms of this engagement letter. This letter represents the entire agreement regarding the services described herein and supersedes any and all prior agreements, written or oral.

**We appreciate the opportunity to serve you.**

\_\_\_\_\_  
**Taxpayer**

\_\_\_\_\_  
**Date**

\_\_\_\_\_  
**Spouse (if married)**

\_\_\_\_\_  
**Date**