



January 2025

Dear Client,

We are writing to confirm the arrangements for our services. Please read this letter carefully, since it is important that there is a mutual understanding for both you and our firm of what you can expect from our work. **Before we can begin working on your 2024 tax returns or prepare your 2024 extension request, we need you to sign page 6 of this letter and return all pages to us.**

We will prepare your:

- 2024 individual federal and state income tax returns,
- 2025 estimated tax vouchers (if applicable),
- 2024 federal extension request (if applicable).

These will be prepared from the information you furnish using our in-house tax preparation software. We will not audit or otherwise verify the data you submit, although we may ask you to clarify some of it. To minimize your preparation fee, we will provide you with an organizer and questionnaire to help you gather the necessary information. When possible, we will resolve questions involving application of tax rules in your favor if there is reasonable justification for it.

Taxing authorities require us to transmit all federal and state tax returns by electronic filing, so we will prepare these returns in the e-file format unless you specifically request otherwise and complete the necessary forms to opt out of this requirement. For either method, you will receive a complete copy of all tax returns prepared by us as an electronic upload and/or, if requested, as a paper copy. It is your responsibility to carefully examine and approve your completed tax returns before signing the e-file authorization forms. Any changes necessitating revised or amended tax returns will be billed to you accordingly. 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 responsible for electronic transmission rejections or other errors that arise after your tax returns have been submitted by our office. E-file authorization forms can be signed on paper or electronically. For either method, they must be returned to us by April 14, 2025 or we will automatically prepare an extension of time for filing your 2024 tax returns, even though they might already have been completed. In that event, you will be responsible for ensuring that any payment due with the extension is timely sent to the appropriate taxing authorities. You will also be responsible for any additional preparation time and software costs arising from the extension. If you are an extension client, we need your e-file authorization forms by October 14, 2025. **We are unable to transmit your returns to the taxing authorities until we have your signed e-file authorization.** Repeat requests for the return of signed e-file authorization forms are billed at our standard billing rates.

For us to complete your tax returns for filing by April 15, 2025, **we must receive your complete preparation information by March 10, 2025** (or March 1, 2025 for select clients who will be notified separately). Please note that receipt by March 10, 2025 does not guarantee completed tax returns by April 15, 2025 as unexpected complications may occur. In addition, Friedman & Perry, CPA's reserves the right to extend your returns at our discretion any time before April 15, 2025 if it is determined that your tax returns require additional preparation time. If we do not have all information by this deadline, **we will automatically e-file an extension request on your behalf.** Note that a signed engagement letter is required for us to e-file your extension request regardless of when you provide us your tax information. If you are an extension client, the final filing deadline is October 15, 2025. If we have not

received your tax organizer by September 1, 2025, **we are unable to guarantee that your tax returns will be completed by the final filing deadline of October 15, 2025.** You will be responsible for any late filing and/or late payment penalties and interest due to the taxing authorities. In addition, if your tax organizer is received after September 1, 2025, a 10% late fee will be added to your final tax preparation invoice.

Any necessary extension requests will be submitted to the IRS directly from our computer via e-file and do not extend the time for you to pay any tax liabilities. If it is necessary to request an extension of time to file your tax returns and/or to prepare a projection of your taxable income and tax liabilities, we will use estimates for these calculations. To calculate any extension payments, we will need to receive your extension information no later than **April 1, 2025.** If we do not receive your extension information by this date, we will e-file your extension request, but we will not be able to determine whether you have a tax liability that should be paid by April 15, 2025. If the amounts paid with your extension requests are less than the actual amounts due, you will have additional tax liabilities and may be subject to interest and penalties. We are not responsible for any additional tax, interest or penalties billed to you separately by the federal and/or state governments. Our time to file the extension request will be billed to you regardless of whether Friedman & Perry, CPA's ultimately completes your 2024 tax returns.

You are confirming that you will furnish us with all the information required for preparing the returns, including all income, deductions and other necessary data (including items that may be deemed non-taxable) and that the information you provide to us is correct and complete to the best of your knowledge. 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. You are responsible for **providing us with all forms 1099 and 1098** for any income or deductions reported to the IRS prior to the completion of your tax returns. You are responsible for keeping the necessary records of your personal and business deductions, and of personal and business use of any property during 2024. This includes maintaining accurate records relating to business meals, travel, entertainment, vehicle use, gifts and charitable donations. We are not responsible for the disallowance of doubtful deductions or inadequately supported documentation, nor for resulting taxes, penalties, and interest. Our time to respond to or investigate the proposed adjustment on any government notice(s) will be billed to you separately and in addition to your tax preparation fee.

The law provides for a penalty to be imposed where a taxpayer makes a substantial understatement of their tax liability. For individual taxpayers, a substantial understatement exists when the understatement for the year exceeds the greater of 10% of the tax required to be shown on the return or \$5,000. The penalty is 20% of the tax underpayment. 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 based on substantial authority or (2) that 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.

Effective 1/1/24, 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 the 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 Friedman & Perry, CPA's 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 the 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 the 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. Non-compliance can result in high penalties and possible imprisonment. The escalating fines range from \$500 to \$10,000 per violation and jail time up to two years.

It is our policy to keep records related to this engagement for 5 years for discontinued clients or indefinitely for ongoing clients. However, we do not keep any of your original records provided and will return these 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. If you are unsure as to how to best maintain your records, please let us know and we can review this with you.

As your CPA, we are required to keep all information about your tax preparation engagement confidential. We will not disclose any of your information unless we have your approval or we are required by law. We are committed to protecting your confidential information from outside sources by maintaining physical, electronic and procedural safeguards. Any documents that are requested by banks, lenders or other financial organizations need your written authorization for us to comply. Any documents that are sent electronically from our office that contain your social security number or other sensitive information will be sent via an encrypted software program. **We encourage you to submit documents to us electronically only if they have been properly secured by a password or other form of security.** We may at times use government agency websites to access your tax information. We will use all available safeguards in doing so and your signature below authorizes us to obtain necessary tax information in this manner. Under federal law, the attorney-client privilege has been extended to some but not all communications between a client and their CPA. However, communications solely concerning the preparation of a tax return will not be privileged as far as the IRS or federal government is concerned. Therefore, by law we are required to disclose what may be considered confidential information if requested by the IRS or federal government. 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.

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.

We will also be available to answer your inquiries on specific tax matters and to consult with you on income tax, financial, and estate planning. To make our services more constructive, we will offer

suggestions from time to time. If requested, we will provide a “lender verification” letter. However, we are only able to confirm that we prepared your tax returns and we included specific forms. Such services provided during the year are not included in your tax preparation fee. These services will be billed separately based on the amount of time required to complete the request.

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 share our knowledge and understanding of the possible positions that may be taken on your return. In accordance with our professional standards, we will follow whatever position you request, when it is consistent with the codes, regulations, and interpretations that have been promulgated.

If the federal or state governments should later contest the position taken, there may be an assessment of additional tax plus interest and penalties. Currently, the Internal Revenue Service (IRS) and state taxing agencies are aggressive in assessing penalties. We assume no liability for any such additional penalties, interest or assessments. In the event, however, that 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 for any damages that occur from ceasing to render services.

Your returns are, of course, subject to review by the taxing authorities. Any items resolved against you by the examining agent are subject to certain rights of appeal. In the event of an examination, we will be available to represent you or instruct you on how to represent yourself, and will render a bill to you for these additional services based on the amount of time required.

Foreign Reporting Requirements – due 4/15/25 – 6 month extension allowed

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 account(s).

The filing deadline for the Report of Foreign Bank and Financial Accounts (FBAR) required by the U.S. Department of the Treasury is April 15, 2025 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. Electronic filing of the FBAR is mandatory using the Bank Secrecy Act (BSA) e-filing system for the Financial Crimes Enforcement Network (FinCEN). We must receive a signed consent form from you prior to submitting the foreign reporting form. If we do not receive your signed authorization to file your foreign reporting form, we will not be able to file any of the required disclosure statements on your behalf.

Additionally, the IRS requires information reporting on foreign interests or activities under applicable IRC 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.

Failure to timely file the appropriate forms with the U.S. Department of the Treasury and the IRS 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 that you and/or your entity may have had a direct or indirect interest in, or signature authority over, during the above referenced 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.

Please note that the IRS considers virtual currency (e.g. Bitcoin) and other digital assets (e.g. NFT's) as property for U.S. federal tax purposes. As such, any transactions in, or transactions that use, virtual currency are subject to the same general tax principles that apply to other property transactions. If you had virtual currency activity during the 2024 tax year, you may be subject to tax consequences associated with such transactions and may have additional foreign reporting requirements. You agree to provide us with complete and accurate information regarding any transactions in, or transactions that may have used virtual currency during the 2024 tax year. Please ask us for advice if you have any questions regarding the type of records required for virtual currency transactions.

Our fee will be based on the amount of time required for tax services at our standard billing rate for services by a CPA of \$295 per hour, plus out-of-pocket expenses, and computer processing costs. We believe this rate approximates that of other high-quality CPA firms. We are responsible for preparing only the returns listed above. Our fee does not include responding to inquiries or examination by taxing authorities, income tax projections or any other email or telephone advice provided outside the normal course of your 2024 tax preparation. Our fees for any such services are billed at our standard rate in a separate invoice.

Our policy is to require a fee deposit prior to preparing your tax returns. Your fee deposit is not intended to be an estimate or a quote of the total cost of the engagement.

- For returning clients, the fee deposit is based on your prior year's fee and the timeliness of your prior payments. Any remaining balance will be due after the tax returns have been completed. If you have a history of delinquent payments, the full remaining balance for our fees will be due upon tax return completion and before we are able to e-file your completed tax returns with the IRS and state governments. Our invoices are due and payable on presentation. Billing becomes delinquent if not paid within four weeks of the invoice date. A late charge will be applied to the unpaid amount at the rate of 2% per month. We reserve the right to stop work on any account that is 90 days past due, in accordance with our firm's current collection policy. Any account that is not paid in full within 120 days of invoice date will be required to pay any remaining balance on delivery of completed tax returns ("COD") for all future services.
- If we did not prepare your prior year tax returns, we require an initial fee deposit of \$500, with the full remaining balance for our fees due upon tax return completion. We are unable to e-file your completed tax returns with the IRS and state governments until full payment has been received. We encourage you to call us if there are any questions on our bills. We want you to

understand the services we provide, and the benefits derived from using an experienced and qualified Certified Public Accounting firm.

Our standard turn-around time for the completion of your 2024 individual income tax returns is approximately four weeks from receipt of your tax package. However, we are unable to provide any guarantees regarding turn-around time for your 2024 tax returns. In the event of an unplanned or urgent need (i.e. mortgage refinance) for an expedited tax return between February 1 and April 15, we will charge an expedite fee of 25% of your total tax preparation fee and full payment of your 2024 tax returns to be paid upon your tax return completion.

Our procedures for preparing your returns include review by both partners and will include the following steps in order to provide you with work of the highest quality.

- *Interview (if needed and with options for in-person, video or phone)*
- *Document organization (including related communications and follow-up)*
- *Technical research (if necessary)*
- *Data entry & computer output check*
- *Overall accuracy check*
- *Upload of completed tax returns*
- *Assembly of paper copy of tax returns (only if requested)*
- *Final review and signature*

We feel the above steps are a minimum to ensure a quality product that is carefully considered and as free from errors as possible. It is still important, however, that you carefully examine and approve your completed tax returns before signing the e-file authorization forms or before signing and mailing the tax returns to the governments. Any changes or corrections that you subsequently discover could necessitate an amended tax return. Our fee for amended tax returns will be billed to you separately.

If the above fairly sets forth your understanding of our services, please sign this letter and return it to us with your tax package.

We are pleased to have you as a client and look forward to a long and mutually satisfying relationship.

Sincerely,
Friedman & Perry, CPA's



Rebecca Perry, CPA, Partner



Diane Perry, CPA, Partner

Your signature _____

Date _____

Duplicate copies of this engagement letter can be found at our website:
<https://www.friedmanperrycpas.com/fp-highlights>