

DATE	
TAXPAYER NAME	
SPOUSE NAME	
STREET ADDRESS	
CITY, STATE & ZIP CODE	
MAIN TAXPAYER: EMAIL & PHONE NUMBER	
SPOUSE: EMAIL & PHONE NUMBER	
CELL NUMBER FOR TEXT COMMUNICATION	

Dear Sir/Madam:

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 you (hereafter includes individual or joint taxpayers).

We will prepare your 2023 individual or joint federal income tax return, and only the income tax returns for the states of your residence (Massachusetts) or others you request in writing.

This engagement pertains only to the 2023 tax year, and our responsibilities do not include preparation of any other tax returns that may be due to any taxing authority. Our engagement will be complete upon the delivery of the completed tax returns to you and the return of the e-file authorizations to us.

We are available under the terms of a separately stated engagement letter to provide a nexus study to determine if you have filing requirements in other states or jurisdictions.

Your returns may be selected for review by one or more taxing authorities. Any proposed adjustments by the examining agent are subject to certain rights of appeal. In the event of such a government tax examination, we will be available upon your written request to represent you during the examination and/or during any appeal. Any such representation will be the subject of, and governed by, a separate engagement letter.

We will prepare the returns from the information which you will provide us with. It is your responsibility to provide all the information required to prepare complete and accurate returns. We will furnish you with questionnaires and/or worksheets as needed to guide you in gathering the necessary information. Your use of such forms will assist us in keeping our fee to a minimum. To the extent we render any accounting and/or bookkeeping assistance, it will be limited to those tasks we deem necessary for preparation of the returns.

We will provide you with questionnaires and work sheets to guide you in organizing the information we need to prepare your tax returns. You state that the information you are supplying to us is accurate and complete to the best of your knowledge. We will not verify the information you give us. Unless you specifically indicate the portion of any business expenses as personal, we will treat all such expenses as business deductions. If any expenses are disallowed by the taxing authorities, you will hold us harmless from any damages assessed by the taxing authorities. However, we may ask for clarification of some of the information. Any information we receive from you will be treated as confidential and is subject to disclosure by us only at your request or as compelled by law or for regulatory matters. However, we may be required to disclose your confidential information to an outside service bureau that assists us in providing tax preparation services.

I.R.S Code section 199A may apply to your tax filings for (Current tax year). We will provide guidance as best as we can based on our interpretation of this code section. Many unanswered questions have arisen in the tax profession and the I.R. S. in many cases has yet to provide authoritative guidance. Further, the planning possibilities embedded in this code section may provide unintended results in other facets of tax planning such as a pension, F.I.C.A tax, reasonable and unreasonable compensation, entity selection, etc.... By executing this engagement letter, you are asserting that you are aware of the difficulties in tax planning created by this newly formed code

section and waive any liability against our firm for either failing to contact us prior to December 31st and or subsequent authoritative guidance by the tax courts, I.R.S, and other agencies that may affect tax planning and preparation for current tax year.

We may from time to time, and depending on the circumstances, use certain third-party service providers and transmit information to them in serving your account. For example, such transmissions might include, but not be limited to tax software providers for electronic filing, technical assistance, automated processing of tax forms, data processing, online backup services, and file sharing services. We may share confidential information about you with these service providers but remain committed to maintaining the confidentiality and security of your information.

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 prior to the applicable filing deadline. Accordingly, if we do not receive information from you, as noted above, by 15 days prior to the due date of the tax return(s), it may be necessary for us to pursue an extension of the due date of your returns, and we reserve the right to suspend our services or withdraw from this engagement.

In preparing your tax return(s) we may rely on information provided to you by other tax preparers such as but not limited to the following: K-1s, Schedule A summaries, Schedule C summaries, Schedule E summaries. We will not undertake any responsibility to determine the accuracy of such information. However, we may ask for clarity and/or additional questions regarding such information. Such information may be challenged or questioned by the taxing authorities. We assume no responsibility for any changes made by the taxing authorities. In addition, you will hold us harmless from any additional tax, penalty, and interest that results from taxing authority changes.

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.

Did you mine, buy, sell, or exchange a virtual currency, use a virtual currency to pay for goods and services, or receive a virtual currency as payment for goods and services? Be sure to let us know.

From information you provide to us, our firm will prepare 2023 federal and state individual income tax return(s) for the state(s) of: your residency (Massachusetts) an any other you request in writing. This firm is responsible for preparing only the returns listed in the preceding sentence. Please note that if your income tax filing requirement in a given state but does not file the required income tax return, it is possible that the non-filing could have adverse ramifications including (i) an unlimited assessment statute of limitations and (ii) inability to claim net operating losses or other tax attributes on any future years' income tax returns.

The law provides various penalties and interests that may be imposed when taxpayers underestimate their tax liability. You acknowledge that any such understated tax, and any imposed interest and penalties, are your responsibility, and that we have no responsibility in that regard. If you would like information on the amount or circumstances of these penalties, please contact us.

We may encounter instances where the tax law is unclear, or where there may be conflicts between the taxing authorities' interpretations of the law and other supportable positions. In those instances, we will outline for you each of the reasonable alternative courses of action, including the risks and consequences of each such alternative. In the end, we will adopt, on your behalf, the alternative which you select after having considered the information provided by us, provided the position(s) satisfy the substantial authority standard.

Without disclosure in the return itself of the specific position taken on a given issue, we must have a reasonable belief that it is more likely than not that the position will be held to be the correct position upon examination by taxing authorities. If we do not have that reasonable belief, we must be satisfied that there is at least a reasonable basis for the position, and in such a case, the position must be formally disclosed on Form 8275 or 8275-R, which form would be filed as part of the return. If we do not believe there is a reasonable basis for the position, either the position cannot be taken, or we cannot sign the return. In order for us to make these determinations, we must rely on the accuracy and completeness of the relevant information you provide to us, and, in the event we and/or you are assessed penalties due to our reliance on inaccurate, incomplete, or misleading information you supplied to us (with or without your knowledge or intent), you will indemnify us, defend us and hold us harmless as to those penalties.

**U.S. filing obligations related to foreign financial assets.**

As part of your filing obligations, you are required to report the maximum value of specified foreign financial assets, which include financial accounts with foreign institutions and certain other foreign non-account investment assets that exceed

certain thresholds. You are responsible for informing us of all foreign assets, so we may properly advise you regarding your filing obligations.

These assets include any ownership interests you directly or indirectly hold in businesses located in a foreign country, and any assets or financial accounts located in a foreign country over which you have signature authority. Based upon the information you provide; this information will be used to calculate any applicable foreign tax credits. We will also use this data to inform you of any additional filing requirements, which may include *Form 8938, Statement of Specified Foreign Assets*, and *FinCEN Form 114, Report of Foreign Bank and Financial Accounts* ("FBAR"). Failure to file required forms can result in the imposition of both civil and criminal penalties, which may be significant. The FBAR is not a tax return, and its preparation is not within the scope of this engagement. If you ask us to prepare the FBAR, we will confirm this representation in a separate engagement letter.

#### **Foreign filing obligations**

You are responsible for complying with the tax filing requirements of any other country. You acknowledge and agree that we have no responsibility to raise these issues with you and that foreign filing obligations are not within the scope of this engagement.

We will also provide you with interim and year-end tax planning services on issues that you specifically bring to our attention in writing. Our ability to provide you with appropriate guidance on such issues will depend entirely on the timeliness, accuracy, and completeness of the relevant information bearing on the issue which we will rely on you to provide. Although we may orally discuss tax planning issues with you from time to time, such discussions will not constitute advice upon which we intend for you to rely for any purpose. Rather, any advice upon which we intend for you to rely, and upon which you will rely, will be embodied in a written report or correspondence from us to you, and any such writing will supersede any prior oral representations between the parties on the issue.

Our fees for this engagement are not contingent on the results of our services. Rather, our fees for this engagement, including tax planning, preparation of your returns, and any representation of your interests during an examination by a taxing authority and/or any subsequent appeal, will be based on our standard hourly rates, as set forth on the attached rate sheet. In addition, you agree to reimburse us for any of our out-of-pocket costs incurred in connection with the performance of our services. We estimate that our fee for these services will start at \$400. You acknowledge that this minimum is not a limit to the total fees we may charge for our



services and that our fees may exceed that. However, if we encounter unusual circumstances that would require us to expand the scope of the engagement, and/or if we anticipate our fees exceeding the afore mentioned fee, we will inform you before continuing with the engagement.

Prior to commencing our services, we require that you provide us with a retainer in the amount of Zero dollars. The retainer will be applied against our final invoice, and any unused portion will be returned to you upon our collection of all outstanding fees and costs related to this engagement. Our fees and costs will be billed monthly and are payable upon receipt. Invoices unpaid 30 days past the billing date may be deemed delinquent and are subject to a late fee of 1.5% per month. We reserve the right to suspend our services or to withdraw from this engagement if any of our invoices are deemed delinquent. If any collection action is required to collect unpaid balances due us, you agree to reimburse us for our costs of collection, including attorneys' fees.

If we elect to terminate our services for nonpayment, or for any other reason provided for in this letter, our engagement will be deemed to have been completed upon written notification of termination, even if we have not completed your return. You will be obligated to compensate us for all time expended and to reimburse us for all of our out-of-pocket costs, through the date of termination.

You should retain all the documents, canceled checks and other data that form the basis of income and deductions. 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 them.

It is our policy to retain engagement documentation for a period of three 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, and you will provide us with a receipt for the return of such records if we request.

The balance of our engagement file, other than a copy of your income tax return, which we will provide to you at the conclusion of the engagement, is our property, and we will provide copies of such documents at our discretion and if compensated for any time and costs associated with the effort.

Because the income tax returns, we are to prepare in connection with this engagement are individual or joint returns, and because you will (each) sign those returns, you are each our client. You each acknowledge that there is no expectation of privacy from the other concerning our services in connection with this engagement, and we are at liberty to share with either of you, without the prior consent of the other, all documents and other information concerning preparation of your returns. We will require, however, that any request for documents or other information be communicated to us in written form. You also acknowledge that unless we are notified otherwise in advance and in writing, we may construe an instruction from either of you to be an instruction on your joint behalf. Absent a contrary written instruction in the future, from either or both of you, we will communicate with either or both of you at the mailing address listed in this engagement letter.

In the event we are required to respond to a subpoena, court order or other legal process for the production of documents and/or testimony relative to information we obtained and/or prepared during the course of this engagement, you agree to compensate us at our hourly rates, as set forth above, for the time we expend in connection with such response, and to reimburse us for all of our out-of-pocket costs incurred in that regard.

In the event that we are or may be obligated to pay any cost, settlement, judgment, fine, penalty, or similar award or sanction as a result of a claim, investigation, or other proceeding instituted by any third party, and if such obligation is or may be a direct or indirect result of any inaccurate, incomplete, or misleading information that you provide to us during the course of this engagement (with or without your knowledge or intent), you agree to indemnify us, defend us, and hold us harmless as against such obligation.

Our liability relating to the performance of the services rendered under this letter is limited solely to direct damage sustained by you. In no event shall we be liable for the consequential, special, incidental, or punitive loss, damage or expense caused to you or to any third party (including without limitation, lost profits, opportunity costs, etc.). Notwithstanding the foregoing, our maximum liability relating to services rendered under this letter (regardless of form of action, whether in contract, negligence or otherwise) shall be limited to fees received by Terranova & Associates, LLC for this engagement. The provisions set forth in this paragraph shall survive the completion of the engagement.

Notwithstanding anything contained herein both accountant and client agree that regardless of where the client is domiciled and regardless of where this Agreement

is physically signed this Agreement shall have been deemed to have been entered into at Accountant's office located in Essex County, Massachusetts, USA and Essex County, Massachusetts, USA shall be the exclusive jurisdiction for resolving disputes related to this Agreement. This Agreement shall be interpreted and governed in accordance with the Laws of Massachusetts.

You have supplied our firm with several K-1s which are necessary to complete your tax filings. We will use these K-1s to complete the filings but assume no responsibility for their accuracy as we're not the preparers for the flow-thru entities. In addition, we will make you aware of your responsibility for any additional state filings besides your resident state.

While the amounts may appear di minimis as income, expenses, credits, and withholding, we will nonetheless advise you if state filings are required and or in your best interest to file. (i.e.: establishing net operating losses and triggering the start date for the statute of limitations.) Our fees will also be presented to you for the various state filings.

If you fail to retain us to prepare the state filings you assume all responsibility for any tax, penalties and or interest that may be assessed.

In connection with this engagement, we may communicate with you or others via email transmission. 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 and read only by the addressee. Therefore, we specifically disclaim and waive any liability or responsibility whatsoever for the interception or unintentional disclosure 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 revenues or anticipated profits, or disclosure or communication of confidential or proprietary information.

You agree that any dispute (other than our efforts to collect an outstanding invoice) that may arise regarding the meaning, performance or enforcement of this engagement or any prior engagement that we have performed for you, will, prior to resorting to litigation, be submitted to mediation, and that the parties will engage in the mediation process in good faith once a written request to mediate has been given by any party to the engagement. Any mediation initiated as a result of this



engagement shall be administered within the county of Essex and Massachusetts, by American Arbitration Association under the Dispute Resolution Rules for Professional Accounting and Related Services, according to its mediation rules, and any ensuing litigation shall be conducted within said county, according to Massachusetts law. The results of any such mediation shall be binding only upon the agreement of each party to be bound. The costs of any mediation proceeding shall be borne by the client.

Any litigation arising out of this engagement, except actions by us to enforce payment of our professional invoices, must be filed within one year from the completion of the engagement, notwithstanding any statutory provision to the contrary. In the event of litigation brought against us, any judgment you obtain shall be limited in amount, and shall not exceed the amount of the fee charged by us, and paid by you, for the services set forth in this engagement letter.

This engagement letter is contractual in nature and includes all of the relevant terms that will govern the engagement for which it has been prepared. The terms of this letter supersede any prior oral or written representations or commitments by or between the parties. Any material changes or additions to the terms set forth in this letter will only become effective if evidenced by a written amendment to this letter, signed by all of the parties.

Please be advised that once we have completed the client's tax return or project, it is the client's responsibility to physically retrieve all supporting documents provided to Terranova & Associates LLC. We will advise the client that the tax return has been completed, and the client must then retrieve the documentation within two (2) weeks from the date of notice. If the client fails to retrieve the documentation within these two (2) weeks, Terranova & Associates LLC will assess a \$50.00 monthly storage fee for up to a maximum of four (4) months. If after four (4) months the client has not retrieved the documentation, Terranova & Associates LLC will arrange for the secure disposal/shredding of the documentation and Terranova & Associates, LLC will be held harmless by the client.

If, after full consideration and consultation with counsel, if so desired, you agree to authorize us to prepare your personal income tax returns pursuant to the terms set forth above, please execute this letter on the line below designated for your signature and return the original of this executed letter to this office along with a completed copy of the enclosed tax organizer and the supporting documentation

requested therein. You should keep a copy of this fully executed letter for your records. If this firm does not receive from you the original of this letter, in fully executed form, but receives from you a completed copy of the enclosed tax organizer and/or supporting documentation requested therein, then such receipt by this office shall be deemed to evidence your acceptance of all the terms set forth above. If, however, this office receives from you no response to this letter, then this office will not proceed to provide you with any professional services and will not prepare your income tax returns.

Thank you for your attention to this matter, and please contact Terranova & Associates, LLC with any questions you may have.

Very truly yours,



Thomas D. Terranova, Jr., CPA Manager

**ACCEPTED AND AGREED:**

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

\_\_\_\_\_  
Date

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

\_\_\_\_\_  
Date



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Internal Revenue Service/ Department of Revenue  
 Random Notice Coverage

*The IRS and DOR randomly select thousands of taxpayers each year,  
 are you comfortable responding on your own?*

The number of Americans who file their tax return electronically is growing exponentially, last Tax Season, over 125.8 million people filed their tax returns electronically. Due to this high number of electronic returns, government agencies can no longer rely on manual processing of tax returns.

To process the increasing number of electronically filed tax returns, the Internal Revenue Service and Department of Revenue have increased their dependence on automated systems, evidenced by the implementation of new laws (IRS Sec 6694). These systems are necessary to filter through the enormous amount of electronic data efficiently. The system's filters are designed to catch identify theft, fraud, as well as to find inconsistencies within specific forms. Many of these forms may be a part of your tax return. *They include, but may not be limited to:* W2, 1099-INT, 1099-DIV, 1099-B, 1099-G, 1099-R, 1098 Mortgage Interest, Real Estate Taxes, Excise Taxes, Charitable Contributions and 1099-Health Care filed by third parties. **IF ANY OF THESE FORMS ARE PART OF YOUR TAX RETURN, YOU ARE MORE LIKELY TO RECEIVE A NOTICE FROM I.R.S. or D.O.R.**

For some individuals filing their tax returns, no actual mistakes exist in any of these forms. However, the system's filters may still determine that a "red flag" is present within one of these forms. When the system determines that a "red flag" is present, the system automatically generates and sends a notice to the taxpayer. From the perspective of the government, the taxpayer now has the responsibility of responding to the notice even though no mistakes exist in the tax return. If no action is taken by the taxpayer, the system will assume it is correct even though the notice is incorrect. At that point, a taxpayer's refund and or deductions may be reduced or disallowed completely.

You can save yourself time and money by selecting the Research & Response coverage we now offer. This covers any additional research and correspondence needed to respond to the aforementioned notices **WITHOUT CHARGING YOU THE NORMAL RATE of \$300 PER HOUR.**

Instead of being charged on an hourly rate of \$300 to respond to these notices, this Research & Response Coverage will provide complete protection at a charge of the greater of \$85.00 or 15% of the price you pay to have your tax return prepared by Terranova & Associates.

**FOR EXAMPLE:** if your invoice totaled \$400 for Terranova & Associates to prepare your tax return, the cost of coverage would be an additional \$85.00. Therefore, if a notice required four hours to resolve, the cost to you would be \$85.00 instead of \$1,200.00. (\$300 hourly rate x 4 hours = \$1,200).

Yes	<input type="checkbox"/>
No	<input type="checkbox"/>

Please indicate whether you wish to purchase this additional coverage which is valid for the current Tax Year you are filing:

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

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