

PEARSON & CMEREK, PC
Certified Public Accountants
2500 W William Cannon Drive, Suite 202
Austin, TX 78745
512.288.3021
AustinTaxCPAs.com

January 18, 2021

Name: _____

Email: _____

Thank you for choosing our firm to assist you with your 2020 taxes. This letter confirms the terms of our engagement with you and outlines the nature and extent of the services we will provide.

We will prepare your 2020 federal and state income tax returns. We will depend on you to provide the information we need to prepare complete and accurate returns. We may ask you to clarify some items but will not audit or otherwise verify the data you submit. An Organizer is enclosed to help you collect the data required for your return. The Organizer will help you avoid overlooking important information. By using it, you will contribute to the efficient preparation of your returns and help minimize the cost of our services.

We will perform accounting services only as needed to prepare your tax returns. Our work will not include procedures to find defalcations or other irregularities. Accordingly, our engagement should not be relied upon to disclose errors, fraud, or other illegal acts, though it may be necessary for you to clarify some of the information you submit. We will inform you of any material errors, fraud, or other illegal acts we discover.

The law imposes penalties when taxpayers underestimate their tax liability. Call us if you have concerns about such penalties. Should we encounter instances of unclear tax law, or of potential conflicts in the interpretation of the law, we will outline the reasonable courses of action and the risks and consequences of each. We will ultimately adopt, on your behalf, the alternative you select.

We have also included the Client Responsibilities Letter which outlines some of your responsibilities as a taxpayer, please request clarification if you do not understand any of these responsibilities and obligations.

Our Fees

Our fee is based on the time required at our current billing rates plus expenses, our rates range from \$75 - \$200 per hour. We will require a retainer to be paid before we begin work on your return, the final invoice will be due upon receipt and we may require payment before we e-file. All accounts not paid within thirty (30) days are subject to interest charges of 1.5% per month overdue.

Recent tax legislation (SECURE ACT, CARES ACT, FFMLA, Consolidated Appropriations Act) provided many tax saving opportunities that may benefit you. However, the additional compliance requirements will require extra work, planning, and oversight to prepare your tax return.

Due to these additional complexities, we estimate an increase of 5%-20% in the time required to prepare your return.

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We will return your original records to you at the end of this engagement. Store these records, along with all supporting documents, in a secure location. We retain copies of your records and our work papers from your engagement for up to four years, after which these documents will be destroyed.

Review all tax-return documents carefully before signing them. Our engagement to prepare your 2020 tax returns will conclude with e-filing of your return(s).

Thank you for the opportunity to be of service. If you have any questions, contact our office at 512.288.3021

Sincerely,

Pearson & CmereK, PC

Signature: _____

Taxpayer Name: _____

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Client Responsibilities

Please read the following list of client responsibilities. If you do NOT fully understand your responsibilities and obligations, please contact our office for clarification.

- **Income** - Provide us with your tax documents and other supporting data needed to prepare your tax returns. It is your obligation to provide us with accurate and complete information, including worldwide income.
- **Documentation** - You are responsible for maintaining adequate documentation to substantiate the accuracy and completeness of your tax returns. You should retain all documents that provide evidence and support for reported income, credits, and deductions on your returns. You are responsible for adequacy of all such documents. **We recommend keeping all receipts AND corresponding bank and credit card statements.**
- **Personal expenses** - Unless we are otherwise advised, you are responsible for confirming that personal expenses, if any, are segregated from business expenses and expenses such as meals, travel, and entertainment, vehicle use, gifts, and related expenses, are supported by necessary records required by IRS.
- **Bookkeeping assistance** - We may deem it necessary to provide you with accounting and bookkeeping assistance solely for the purpose of preparing the income tax returns. Additional charges will apply for such services.
- **FOR BUSINESS SCHEDULES WITH EMPLOYEES AND/OR INDEPENDENT CONTRACTORS**
 - **Employment records** - You are responsible for obtaining Forms I-9, Employment Eligibility Verification Form from each new employee at the time of employment. In addition, Federal Form W-4, Employee's Withholding Allowance Certificate and new hire reporting.
 - **Worker classification** - You are responsible for determining the correctness of any employment relationship which you have deemed to be that of an independent contractor. Payroll tax withholding and related employer payroll tax implications result from this determination. We recommend obtaining a Form W-9 Request for Taxpayer Identification Number and Certification, signed by the independent contractor.
 - **Vehicle deduction substantiation** - IRS is using preparer penalties to strongly encourage tax preparers to educate taxpayers about proper documentation for vehicle expenses. **Estimating business mileage/vehicle expenses has never been a valid way to substantiate the deduction and the entire deduction could be disallowed by IRS.** The taxpayer must either:
 - Keep a contemporaneous log with details on location, distance, and business purpose or
 - Re-create a mileage log using corroborative evidence such as appointment book, calendar, odometer readings, etc. The recreated log must be done before our firm files the tax return. We will require a signed substantiation statement if you are claiming vehicle expenses on your tax return.
 - **1099-MISC issuance** - You are responsible to engage our firm to prepare the Form 1099-MISC for contractors if necessary. Form 1099-MISC need to be issued to non-incorporated vendors who receive more than \$600 in payments for services or rents. Please contact Lisa, lisa@atcpas.com, by December 15 to determine if necessary.
 - **Management responsibilities** - Pearson & Cmerck, PC, in its sole professional judgment, reserves the right to refuse to take any action that could be construed as making management decisions or performing management functions on your behalf. However, we may provide advice and recommendations to assist management in performing its functions and making decisions.
 - **Errors, fraud, or theft** - Our engagement does not include any procedures designed to discover errors, fraud, or theft. Therefore, our engagement cannot be relied upon to disclose such matters.
- **Extensions of Time to File Tax Returns** - **The original filing due dates for your tax return are April 15th, for federal. It may become necessary to apply for an extension of the filing deadline if there are unresolved tax issues or delays in processing, or if we do not receive all of the necessary information from you on a timely basis. Applying for an extension of time to file may extend the time available for a government agency to undertake an audit of your tax return or may**

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extend the statute of limitations. All taxes owed are due by the original filing due date. Additionally, extensions may affect your liability for penalties and interest or compliance with government or other deadlines.

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- **State and local filing obligations** - You are responsible for determining your state or local tax filing obligations with any state or local tax authorities, including, but not limited to franchise, sales, use, property or unclaimed property taxes. You agree that we have no responsibility to research these obligations or to inform you of them. If upon review of the information you have provided us and other information that comes to our attention, we believe you may have an obligation to file additional tax returns, we will notify you of this responsibility in writing and ask you to contact us. If you ask us to prepare these returns, we will confirm accordingly in a separate engagement letter and delineate the additional charges for this service.
- **Third party use of tax returns** -We will prepare the tax returns solely for filing with the Internal Revenue Services (“IRS”) and state and local tax authorities. They are not intended to benefit or influence any third party, either to obtain credit or for any other purpose. As such, we cannot make any assurance to banks, mortgage brokers, or other lenders about any information reported on these returns.
- **Brokerage or investment advisory statements** - If you provide our firm with copies of brokerage statements, we will use the information from these statements solely in connection with the preparation of your income tax returns. We will rely on the accuracy of the information provided in the statements and will not undertake any action to verify this information. We will not monitor investment activity, provide investment advice, or supervise the actions of the entity or individuals performing investment activities on your behalf. We recommend you review all brokerage statements promptly and carefully, and direct any questions regarding activities on your account to your broker or investment advisor.
- **Tax planning services** - Our engagement does not include tax planning services, which are available as a separate engagement. During the course of preparing the tax return identified in the signed engagement letter, we may bring to your attention certain available tax saving strategies for you to consider as possible means of reducing your income taxes in subsequent tax years. However, we have no responsibility to do so, and will take no action with respect to any such recommendations, as the responsibility for implementations remains with you, the taxpayer.
- **Foreign assets** - It is your responsibility to inform our firm if you directly or indirectly hold any interest or signatory authority in any assets located in a foreign country.
- **Advice** - You agree that you will not and are not entitled to rely on any advice unless your request and our response are provided in writing.
- **CPA firm responsibilities** - We will use our judgment to resolve questions in your favor where a tax law is unclear assuming there is reasonable justification for doing so.

Ultimate responsibility

You have final responsibility for your income tax returns. Check them carefully for accuracy and completeness before you sign them.

Please sign to indicate you have read and understand these responsibilities as a taxpayer.

Signature: _____

Taxpayer Name: _____