

Steven L. Jager, C.P.A.

An Accountancy Corporation • Admitted to Practice in the United States Tax Court

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CLIENT REPRESENTATIONS & ENGAGEMENT LETTER 2018 PERSONAL INCOME TAX RETURNS

Dear Client:

The purpose of this letter is to confirm the nature and extent of services to be provided by this Firm, in connection with the preparation of your individual income tax returns.

Such returns will be prepared from information you furnish, and processed by computer. Tax returns may be filed electronically, unless I determine that "opting out" would be in your best interest, or if your tax returns do not otherwise qualify for e-filing, or if **you** "opt out" of electronic filing. I will not "audit" or otherwise verify the data you submit, although I may ask you for clarification or corroboration of certain data. I will use my judgment in resolving questions where tax law is unclear, and in determining the reasonable support necessary for any tax position which may conflict with taxing authorities' interpretations. I may furnish you with tax organizers and questionnaires to help you gather and organize the necessary information for us, in order to keep our fee to a minimum.

For a period of four years after filing, your returns are subject to examination by taxing authorities. In the event of such tax audit, I agree to represent you at my standard billing rates then in effect. You represent that you have adequate records and documentation to substantiate all items of **income reported and expense deductions** you furnish, and that you will retain such records for at least FOUR years after the filing date; this particularly includes data to support (a) entertainment, travel and transportation expenses (including business auto mileage records); (b) rental property income and expenses; (c) interest expenses; and (d) charitable contributions. ***You acknowledge receiving a copy of the memorandum which discusses the maintenance of adequate tax records.***

I will correlate all data presented to me in the form and manner required by taxing agencies. Partnership tax information will be reported as shown on forms K-1. Tax data relating to investments which are managed on your behalf by outside entities will be similarly reported -- i.e., based on information provided by those entities. I do not accept responsibility for the accuracy of partnership information or other data with which I am not associated as tax preparer. Furthermore, it is important to understand that the law imposes penalties for an understatement of tax liability. You have the ultimate responsibility for the information contained (or not contained) in your returns, and you should carefully review them before signing and filing them; any subsequent tax assessments, penalties and/or interest are solely your responsibility. However, if I have made a mistake in preparing the returns, I will accept responsibility for the penalty portion only.

Please be aware that any person or entity subject to the jurisdiction of the United States (which 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 having an aggregate value exceeding \$10,000 in a foreign country, shall disclose 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. Such disclosure includes filing Form 8938 with the subject Form 1040. ***If you do not provide my Firm with information regarding any interest you may have in a foreign account, we will not be able to prepare any of the required Income Tax related forms, and penalties may be assessed, for which I will have no responsibility. In the absence of such information being provided, I will presume you do not have any foreign***

assets or financial interests and will not file any applicable disclosure forms without separate written authorization.

If you and/or your entity have a financial interest in any foreign accounts, you are also responsible for filing Form FinCen 114 required by the U.S. Department of the Treasury on or before April 15th of each tax year. **U.S. citizens are required to report worldwide income on their U.S. income tax return.** Penalties for failing to file the FinCen 114 or adequately disclose the foreign income START at \$10,000 and can escalate exponentially.

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). Therefore, if you fall into one of the above 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. You agree that you will disclose to us all of your 2018 income you received including barter, crypto-currency, consumer-to-consumer activity, cash-based revenues and all other income whether received in-person, in-kind, or electronically.

With respect to professional fees, you agree to pay all fees timely in accordance with my standard billing policies. ***You acknowledge receiving a copy of the memorandum that discusses these policies, and further affirm your responsibility for compliance with them. This memorandum may also be found at: www.cre8ivcpa.com. Also attached herewith and incorporated by reference is "Our Work Agreement". Note a significant warning regarding the Tax Cuts and Jobs Act, which was passed by the Congress and signed into law on December 22, 2017 is discussed which explains the tremendous uncertainty of the law for which there is not yet sufficient guidance and there will likely not be sufficient guidance for several year as Regulations and other administrative guidance are issued and Court cases are litigated and reported. It is highly likely, therefore, that positions taken on your 2018 tax return may later turn out to be incorrect despite my reasonable attempt to use due care and diligence now in preparing the 2018 tax return without the benefit of such hindsight. Accordingly, subsequent amended tax returns may be advised, and this is a risk that you must accept.***

Your signature below, which acknowledges your understanding of these matters, is required prior to my completion of the returns. I appreciate this opportunity to be of service to you.

STEVEN L. JAGER, CPA
AN ACCOUNTANCY CORPORATION

By: *Steven L. Jager, CPA, MST, USTCP*

APPROVED BY: _____ DATE: _____
PRINT NAME: _____

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OUR WORK AGREEMENT – INCOME TAX RETURN PREPARATION

This is the fine-print!

TO THE CLIENT: PLEASE NOTE THAT BY SIGNING THE “CLIENT REPRESENTATIONS AND ENGAGEMENT LETTER” YOU ARE ALSO AGREEING TO THE TERMS BELOW:

1. As the professional CPA Firm, we will prepare the work product based only upon information that you, as client, give to us. You represent that you will provide us with information which is complete, true and correct, disclosing all relevant facts.
2. When engaged to prepare tax returns, we restrict our services only to those which are needed to prepare the tax returns with no continuing obligation to update or provide other services. The Firm does NOT file extension requests unless requested to do so.
3. You as client have reviewed the Tax Organizer provided to you and have completed it as best you can. We will review the Tax Organizer, and in some cases, may assist in completing or documenting things that you tell us. This is to be construed as if you prepared it in your own handwriting. The Federal and State Taxing Agencies remind us that it is the Client’s responsibility that all items of income and expense are properly included and presented on your tax return. Therefore, you promise and aver that you will have carefully reviewed the tax returns before signing and filing them.
4. It is certainly possible that you may receive a Notice for additional tax, or for clarification of items. Receiving any such Notice does NOT necessarily mean that a mistake was made on the Tax Returns. **YOU PROMISE that you will contact this Office as soon as practicable after receiving any communication from any taxing authority. PLEASE BE AWARE THAT MOST NOTICES AND LETTERS ARE TIME-SENSITIVE, AND TIME IS OF THE ESSENCE** in making an appropriate response. Granting a Power of Attorney for tax matters is highly advisable, although the IRS does NOT guarantee that all Notices will be sent to us as the Power of Attorney. Any additional work required, including responding to any such Notices or Inquiries, tax planning, amended tax returns or tax controversy representation will be billed at our regular hourly rates.
5. Preparing a high-quality tax return takes time. AT LEAST THIRTY DAYS is usually a reasonable amount of time. This is especially true during the height of tax season in the months of April and October. For individual income tax returns to be filed in April, we must have your complete source documents prior to March 15th; for extended individual tax returns which are to be filed by October 15th, we must have your complete source documents prior to September 15th. **WE ARE NEVER RESPONSIBLE FOR ANY LATE FILINGS IF WE HAVE NOT HAD AT LEAST 30 DAYS TO PREPARE THE TAX RETURN.**
6. There may be elections and decisions in your tax returns which can always be challenged by the Tax Authorities. If we believe we see a gray area, we will discuss it with you so that you may make an informed decision. We are required by the Law to (prominently) disclose any position on a return for which there is a reasonable probability of challenge. The income tax law is dynamic and ever-changing. It is certainly possible, therefore, that you will be assessed additional tax, interest or penalties, despite our very best judgment. We try hard and always work in your very best interest, but it is an imperfect world.
7. Penalties on underpayment, late filing or failure to file on time and interest on unpaid tax are YOUR responsibility as the Client. However, should you receive a penalty which is assessed based upon the result of OUR error, we will reimburse you for the penalty or credit your account at our option.
8. As the Client, you acknowledge your informed consent to the preparation of your tax returns.
9. We will return all the original source documents that were entrusted to our temporary custody. We routinely scan or photocopy the source documents upon which we rely, but we are NOT the custodian of your records, and you may not rely upon us to maintain back-up support – that is YOUR responsibility. When you sign and file your tax returns you will be affirming that all of your relevant source documents were disclosed or provided to us, and that the originals have been returned to you.
10. Advice, suggestions and opinions which are given informally, orally or via email, do not have the same force and effect of a formal written opinion and should not be relied upon to the same degree. Internal Revenue

Regulations and Treasury Department Circular 230 indicates that any advice which you receive from us, either in writing or orally, cannot be used as a defense against the assessment of a penalty.

11. In the case of work product covering more than one party, you as client enter into this agreement on behalf of all affected parties (e.g., husband signing the Engagement Letter for both spouses). In the case of JOINTLY filed tax returns with a husband and wife, we do NOT keep secrets as between husband and wife. ***Information learned from either spouse may be freely discussed with either spouse.***
12. If you ask us to forward a copy of your tax returns to any bank, financial institution, real estate broker or agent, loan broker or agent or any other individual or institution, you warrant and affirm that we have done so only at your authorization and your consent, which you agree to provide to us in writing via facsimile, email or U.S. Mail. We will never knowingly or willfully violate the privacy of your income tax return and any other financial information that we have in our files, without your express consent.
13. The Tax Cuts and Jobs Act, which was legislated by the United States Congress and signed by the President on December 22, 2017, made significant changes to the law, for which there has been precious little guidance published by the Internal Revenue Service. This means that there are many uncertainties for which there is not yet any clear answer. 2018 tax returns will be the initial year where the new law is in effect, and it is highly probable that positions may be taken on your tax returns which later prove to be incorrect once either the Internal Revenue Service issues Regulations and other guidance OR issues are litigated and decided by the Courts (United States Tax Court, District Courts, the Circuit Courts of Appeal, the Court of Federal Claims and the United States Supreme Court). Any position taken on your 2018 tax return will be based upon my very best analysis of the currently available guidance, and I may well recommend that full disclosure on the tax return of the facts and of the reasonableness of the position taken for which there is troubling uncertainty is the most prudent course to mitigating any penalties that could be assessed by the Taxing Authorities. A prime example of one of the most significant areas for which there is precious little guidance is in the area of new Internal Revenue Code Section §199A, for which business entities may receive a 20% deduction based upon the business' "Qualified Business Income" when the business is not a "Specified Service Trade or Business." These new terms of art are not always easy to apply, particularly when real estate activity is also involved. It is highly likely, therefore, that once guidance is published or decisions are rendered by the Courts, I may recommend that an amended tax return be filed. Prior case law does inform us, however, that the very **best defense against expensive penalties** is disclosure. The United States Tax Court, in their published decision of Chamales v. Commissioner, T.C. Memo 2000-33, declined to uphold the accuracy penalty against Mr. and Mrs. Chamales because the Taxpayers "chose to make a full disclosure rather than obscure the reasons for claiming their tax position."