

**Peggy G. McQuitty, CPA**  
**320 Old Zion Road**  
**North East, MD 21901**

January 28, 2017

**Purpose**

I am pleased to confirm our understanding of the arrangements for your Income tax return(s). This letter confirms the services you have asked me to perform and the terms under which we have agreed to do that work. Please read this letter carefully because it is important to both you and I that you understand what you can and cannot expect from my work. In other words, I want you to know the limitations of the services you have asked me to perform. If you are confused at all by this letter or believe I have misunderstood what you need, please call me before you sign it.

This engagement letter represents the entire agreement regarding the services described herein and supersedes all prior negotiations, proposals, representations or agreements, written or oral, regarding these services. It shall be binding on the heirs, successors and assigns of you to me. The Internal Revenue Service imposes penalties on taxpayers, and on me as a return preparer, for failure to observe due care in reporting for income tax returns. In order to ensure an understanding of our mutual responsibilities, I ask all clients for whom I prepare returns to confirm the following arrangements.

**Tax Preparer Responsibilities**

I will prepare your 2016 Federal and specified State(s), local or other specified tax returns as detailed on the last page of this engagement letter from information which you will provide to me. I will not audit, review, compile or otherwise verify the data you submit although I may ask you to clarify some of the information. I am not responsible for returns prepared by others. I may furnish you with tax organizers and questionnaires and/or worksheets to guide you in gathering the necessary information for me. Your use of such forms will assist me in keeping my fee to a minimum and keeping pertinent information from being overlooked. **If you have taxable activity in a state other than that specifically listed on Page 3, you are responsible for providing me with all information necessary to prepare any additional state(s) or local income tax returns as well as informing me of the applicable states. I will prepare only those state returns specifically listed on Page 4.**

**I am responsible for preparing only the specific income tax forms for the specified reporting agencies listed in this letter. Any other required services, forms or other actions on my part require a separate engagement letter. In the absence of written communication from me documenting such services, my services will be limited to and governed by the terms of this engagement letter. My services are not intended to determine whether you have filing requirements in taxing jurisdictions other than the one(s) of which you have requested on page 4. My firm is available under the terms of a separate engagement letter to provide a nexus study that will enable me to determine whether any other state tax filings are required.**

My work in connection with the preparation of your income tax returns does not include any procedures designed to discover defalcations or other irregularities, should any exist. I will render such accounting and bookkeeping assistance as I find necessary for preparation of the income tax returns.

**Taxpayer Responsibilities**

Any person or entity subject to the jurisdiction of the United States (including 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 report such 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 this Federal return. **If you do not provide me with information regarding any interest you may have in a foreign account, I will not be able to prepare any of the required Income Tax related forms and penalties may be due, for which I 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 15<sup>th</sup> of each tax year. US citizens are required to report worldwide income on their US tax return. 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 of 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 me if you believe that you fall into one of the above categories and you agree to provide me with the information necessary to prepare the appropriate forms(s). I assume no liability for penalties associated with the failure to file or untimely filing of any of these forms.

It is your responsibility to maintain, in your records, the documentation necessary to support the data used in preparing your tax returns, including but not limited to the auto, travel, entertainment, and related expenses and the required documents to support charitable contributions for three years from the filing date. If you have any questions as to the type of records required, please ask me for advice in that regard. It is also your responsibility to carefully examine and approve your completed tax returns before signing and either mailing them or authorizing me to e-file them to the tax authorities. I am not responsible for the disallowance of doubtful deductions or inadequately supported documentation, nor for resulting taxes, penalties and interest. I will rely, without further verification, upon information you provide to me from third parties including, but not limited to, K1s, 1099s, 1098s, and receipts and similar items. **I DO NOT automatically file tax extensions for clients-you must notify me in writing, email or fax if you wish for me to file an extension, and the notification should include your estimate of any balance due with the extension. I must receive your information by February 25, 2017 for returns due by March 15, 2017 and April 1, 2017 for returns due by April 18, 2017 in order to complete your return(s) in a timely manner and information received after that date may cause your return to be extended and completed after the applicable due date.** Failure to file an extension may make you subject to various penalties and interest. Additionally, if your return is extended it does not relieve you from paying any tax due on the due date, or making quarterly estimated tax payments for the current year. Failure to pay any tax due with the extension or failure to pay quarterly estimated tax payments may make you subject to various interest and penalties, for which I am not responsible or liable.

#### **Other Items**

I will use my professional judgment in preparing your returns. Whenever I am 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), I will explain the possible positions that may be taken on your return. I will adopt whatever position you request on your return so long as it is consistent with the codes, regulations, and interpretations that have been promulgated. If the Internal Revenue Service should later contest the position taken, there may be an assessment of additional tax plus interest and penalties. I assume no liability for such additional penalties or assessments. **When a self-employed taxpayer reduces taxable income 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 potential negative effects on future social security benefits for you, your spouse and any dependents.**

New privacy laws were established by the IRS effective January 1, 2009 and I am now prohibited from providing confidential information or copies to anyone other than you without your specific, written authorization. To comply with these new regulations, I will provide copies of all returns to you in paper and .pdf format at the time the returns are prepared. **If at any time in the future you require additional copies of these returns in any format, you will be charged a \$25 fee for EACH request, payable PRIOR to the copy being provided. Copies will only be provided directly to the taxpayer(s) shown on the returns being provided (i.e. you or your spouse, if applicable), or to the tax matters partner or shareholder for business returns. I will not provide copies to any outside third parties directly.**

If I am asked to disclose any privileged communication, unless I am required to disclose the communication by law, I will not provide such disclosure until you have had an opportunity to argue that the communication is privileged. You agree to pay any and all reasonable expenses that I incur, including legal fees that are a result of attempts to protect any communication as privileged. 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. I recommend that you contact me before releasing information to a third party.

It is my policy to keep records related to this engagement for three years after which they are destroyed. However, I do not keep any original client records, so I will return those 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 three years for possible future use, including potential examination by any government or regulatory agencies. During the year, I send newsletters to existing clients; and prior to each tax filing season, I send organizers or other materials to most of my clients as a convenience to assist them with gathering their tax information. If you move or do not wish to receive any interim information or mailings from me, please notify me or I will send this information to the address used on your prior year's tax return.

From time to time during our relationship, you may seek my advice with regard to potential investments. I am not an investment advisor and accordingly, suggest you seek the advice of qualified investment advisors appropriate to each investment being considered. Unless otherwise specifically agreed to in a separate engagement letter signed by both parties, I will not advise you regarding the economic viability or consequences of an investment or whether you should or should not make a particular investment.

**My fee does not include responding to inquiries or examination by taxing authorities or third parties, for which you will be separately billed for time and expenses involved. However, I am available to represent you and my fees for such services are at my standard rates and would be covered under a separate engagement letter. You agree to immediately notify me upon the receipt of any correspondence from any agency covered by this letter. Please do not respond to or click on any links from emails purportedly from the IRS-THE IRS NEVER INITIATES CORRESPONDENCE VIA EMAIL and any such emails are attempts to steal your identity. Additionally in order to protect your identity we may verify your ID, birthdate and social security number when you call or visit the office.**

My fees for these services will be based upon the published rate schedule in effect at the time services are provided. A copy of the rate schedule will be provided to you upon request. My fees may also include the amount of time required at my standard billing rate for any services not included in the enclosed rate schedule, computer charges, and any out-of-pocket expenses. All invoices are due and payable upon presentation of completed tax returns. **Tax Returns will not be e-filed until these fees are paid in full, unless prior arrangements have been made with me in writing. You understand that you are responsible and liable for any and all additional filing fees, interest, penalties, late filing fees or any other fees assessed by a taxing agency or authority resulting from the late filing of your tax returns with the taxing agency due to the non-payment of my preparation fees.**

Billings become delinquent if not paid within 30 days of the invoice date. If billings are not paid within 60 days of the invoice date, at my election, I may stop all work at my discretion until your account is brought current, or I may withdraw from this engagement. You acknowledge and agree that I am not required to continue work in the event of your failure to pay on a timely basis for services rendered as required by this engagement letter. You further acknowledge and agree that in the event I stop work or withdraw from this engagement as a result of your failure to pay on a timely basis for services rendered as required by this engagement letter, I shall not be liable to you for any damages that occur as a result of my ceasing to render services. My services will conclude upon delivery of the completed income tax returns specifically referenced or upon our suspension of services or resignation from the engagement.

In recognition of the relative risks and benefits of this agreement to both the client and the account firm, the client and the accounting firm have discussed and have agreed on the fair allocation of risk between them. As such, the client agrees, to the fullest extent permitted by law, to limit the liability of the accounting firm to the client for any and all claims, losses, costs and damages of any nature whatsoever, so that the total aggregate liability of the accounting firm to the client shall not exceed the accounting firm's total fee for services rendered under this agreement. The client and the accounting firm intend and agree that this limitation apply to any and all liability or cause of action against the accounting firm, however alleged or arising, unless otherwise prohibited by law. Both parties agree that there is a one-year limitation period to bring a claim against us for errors and omissions. The one-year period will begin upon the date of the tax professional's signature on the tax returns covered by this engagement letter.

Please complete the separate questionnaire for compliance with the individual insurance mandate of the Affordable Care Act. I will rely without independent verification of the information you have provided on the questionnaire to determine your eligibility for credits, application of penalties and reconciliation of any advance credit payments where applicable.

I appreciate the opportunity to service you. Please date and sign a copy of this letter to acknowledge your agreement with and acceptance of your responsibilities and the terms of this engagement. It is my policy to initiate services after I receive the executed engagement letter. If any provision of this agreement is declared invalid or unenforceable, no other provision of this agreement is affected and all other provisions remain in full force and effect.

Sincerely,

*Peggy G. McQuitty*

Peggy G. McQuitty, CPA

ACKNOWLEDGEMENT: 2016 TAX SEASON

I have read all of the above terms of the engagement letter described in pages 1-3 and agree with the terms of this engagement. In addition to the Federal Income Tax Form 1040 (or 1120, 1120S or 1065 in the case of business returns), I will prepare only those specified 2016 State, local or miscellaneous returns detailed below:

State Returns: \_\_\_\_\_

Local or other returns: \_\_\_\_\_

Accepted by: \_\_\_\_\_  
Taxpayer Signature

\_\_\_\_\_  
Spouse Signature (If filing a joint return)

Date: \_\_\_\_\_

\_\_\_\_\_

Name Printed: \_\_\_\_\_  
Taxpayer

\_\_\_\_\_  
Spouse (If filing a joint return)