



Dear Client:

Thank you for choosing Carnes CPA LLC to assist you with your 2025 taxes. 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. To ensure an understanding of our mutual responsibilities, we ask all clients for whom returns are prepared to confirm the following arrangements.

We will prepare your 2025 federal and state income tax returns from information which you will provide to us. We will not audit or otherwise verify the data you submit, although it may be necessary to ask you for clarification of some of the information. We will provide you with questionnaires and worksheets to guide you in gathering the necessary information. Your use of such forms will assist in keeping the fee to a minimum.

It is your responsibility to provide all the information required for the preparation of complete and accurate returns in a timely manner. Keep in mind for business returns (corporations, LLCs, partnerships, and fiduciaries) management is responsible for the proper recording of transactions in the book of accounts, for the safeguarding of assets, and for the substantial accuracy of the financial records. You should retain all of the documents, canceled checks and other data that form the basis of income and deductions. This includes mileage logs if you are taking a deduction for mileage or other vehicle expenses and receipts, canceled checks, and/or written acknowledgements from the donee organization for all charitable contributions. 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.

We will perform accounting services only as needed to prepare your tax returns. Our work in connection with the preparation of your income tax returns does not include any procedures designed to discover defalcations and/or irregularities, should any exist. We will render such accounting and bookkeeping assistance as determined to be necessary for the preparation of the income tax returns.

The law provides various penalties that may be imposed when taxpayers understate their tax liability. If you would like information on the amount or the circumstances of these penalties, please contact us.

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 action. We will ultimately adopt, on your behalf, the alternative you select.

If an extension of time to file is required, any tax that may be due, with the return in question, must be paid with the extension request. Any tax amounts not paid by the filing deadlines are subject to interest and late penalties from when those amounts are actually paid. The law provides various penalties that may be imposed when taxpayers understate their tax liability. If you would like information on the amount or the circumstances of these penalties, please contact us.

Your returns may be selected for review by the taxing authorities. Any proposed adjustments by the examining agent are subject to certain rights of appeal. In the event of such government tax examination, we will be available, upon request, to represent you and will render additional invoices for the time and expenses incurred.

*Our fee for these services will be based upon the amount of time required at standard billing rates plus out-of-pocket expenses. **All invoices are due and payable upon presentation.** To the extent permitted by state law, an interest charge may be added to all accounts not paid within (30) days.*

We will return your original records to you at the end of this engagement. You should securely store these records, along with all supporting documents, canceled checks, etc., as these items may later be needed to prove accuracy and completeness of a return. We will retain copies of your records and our work papers for your engagement for seven years, after which time these documents will be destroyed.

Federal law has extended the attorney-client privilege to some, but not all communications between a client and the client's CPA. The privilege applies to non-criminal tax matters that are before the IRS or brought by or against the US Government in a federal court. The communications must be made in connection with tax advice. Communication solely concerning the preparation of a tax return will not be privileged.

Our engagement to prepare your 2025 tax returns will conclude with the delivery of the completed tax returns to you (if paper filing) for your signing, and the subsequent submittal of your tax returns if e-filing. If you have selected not to e-file your returns with our office, you will be solely responsible to file the returns with the appropriate taxing authorities. **Please review all tax return documents carefully before signing them.**

NOTICE INSURANCE - PLEASE RETURN THIS FORM

As technology around electronic filing improves, so does the taxing authorities' ability to match data from several sources. In the last several years there has been a significant increase in "automatically generated" notices from both the Internal Revenue Service and the state and local taxing authorities. These notices do not necessarily mean there is an error in the return; often these notices just require a response with clarification. However, they also catch items that were inadvertently excluded from the tax return. In either case, the taxpayer has the requirement to respond to the notice. This can cause unanticipated costs to the taxpayer if there is a need for assistance with the notice response.

As part of our tax services, we are offering "Notice Insurance" to our tax preparation clients. For a fee of \$40, paid with the tax return preparation invoice, we will respond to tax notices that are received on the 2025 tax returns for no additional charge. *Please understand that the Notice Insurance program does not include consulting or other services required for returns selected for review or audit by taxing authorities.* Don't hesitate to let us know if you have any questions about this program. **Please indicate "YES" or "NO" in the space provided below.** The \$40 fee will be added to your tax return preparation invoice.

PLEASE CHOOSE ONE

_____ **YES, I would like** to receive the Notice Insurance protection for the additional \$40. I understand this does not include consulting or other tax services required for returns selected for review or audit by taxing authorities.

_____ **NO, I would NOT like** to receive the Notice Insurance protection for the additional \$40. I understand if I request assistance with a tax notice, there will be an additional cost based on time spent on the resolution.

If the foregoing fairly sets forth your understanding, please sign the enclosed copy of this letter in the space indicated and return it to our office. However, if there are other tax returns you expect us to prepare, please inform us by noting so at the end of the return copy of this letter.

We want to express our appreciation for this opportunity to work with you.

Very truly yours,

Carnes CPA

Taxpayer Signature: _____

Spouse Signature (if applicable): _____

Date: _____