

## SAMPLE PERSONAL TAX RETURN ENGAGEMENT LETTER

Name of Client  
Address  
City State Zip

Dear (Client):

This letter is to confirm and specify the terms of our engagement with you and to clarify the nature of the services we will provide.

We will prepare and submit to you for filing the (year) federal and (insert state) state income tax returns. This engagement only pertains to the (year) tax returns and does not include any additional returns you may be required to file with other taxing authorities.

We will prepare the tax returns relying on the information and documents that you are providing to us. It is your responsibility to provide us with timely and complete information and documentation for the preparation of your returns. We may ask you to clarify certain items that you furnish to us, but we will not audit or verify any of this information. Therefore, our engagement cannot be relied upon to disclose errors, embezzlements, fraud or other illegal acts should they exist. However, we will inform you of any such matters that come to our attention.

Your cooperation and timeliness are essential in order for us to complete this engagement. *It may be necessary to prepare an application for an extension of time to file the (year) return when we do not receive your tax information 30 days prior to the due date of your return.* Applying for an extension of time to file may extend the time available for a tax authority to undertake an audit of your return or may extend the statute of limitations. An extension only allows additional time to file a return, it does not extend the time to pay any taxes that are due.

We will use professional judgment in resolving questions where the tax law is unclear or where there may be conflicting interpretations of the law and other supportable positions. Unless otherwise instructed by you, we will resolve such questions in your favor whenever possible.

The law provides various penalties and interest that may be imposed on taxpayers for underestimated tax liability. If you would like more information on the amount or circumstances of these penalties, please contact us.

The Internal Revenue Code and regulations impose preparation and disclosure standards with noncompliance penalties on both the preparer of a tax return and on the taxpayer. These standards differ. Unless the preparer has a reasonable belief that any tax position in the return will more-likely-than-not be sustained on its merits, a preparer penalty will be imposed unless that position has a reasonable basis and is adequately disclosed in the return via disclosure on a Form 8275. And, while a preparer penalty might be avoided by adequately disclosing the return position, the taxpayer might not have to disclose the position in order to avoid applicable

taxpayer penalties. If we determine that we would be subject to a preparer penalty by delivering the return to you, you agree to either adequately disclose that position on the return or change the position to one that would not subject us to penalty. If you do not choose to change your position or adequately disclose so as to eliminate, in our sole opinion, our exposure to the preparer penalty, we, in our sole discretion and at any time, may withdraw from the engagement without completing or delivering tax returns to you. Such withdrawal will complete our engagement, and you will be obligated to compensate us for all time expended and to reimburse us for all out-of-pocket expenses through the date of our withdrawal.

Your returns may be selected for review by the taxing authorities. If your tax return is selected for examination or audit, you may request that we assist you in responding to such inquiry. In that event, we would be pleased to discuss providing assistance to you under the terms of a separate engagement for that specific purpose. 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.

In addition, you may request that we perform additional services not contemplated by this engagement letter. Engagements for additional services may necessitate that we amend this letter or issue a separate engagement letter to reflect the obligations of both parties. In the absence of any other communications from you requesting such additional services, our services will be limited to and governed by the terms of this engagement letter. Although we are available to provide you with tax planning advice, we are not obligated to do so unless you specifically request it

In the event that we receive a subpoena or summons requesting that we produce documents from this engagement or testify about the engagement, we will notify you prior to responding to it. You may, within the time permitted for our firm to respond to any request, initiate such legal action as you deem appropriate to protect information from discovery. If you take no action within the time permitted for us to respond or if your action does not result in a judicial order protecting us from supplying requested information, we may construe that inaction or failure as consent to comply with the request.

Our fees for this engagement will be based upon the time required to complete your returns billed at our standard hourly rate. Our fees will be billed monthly and are payable upon receipt. Invoices unpaid 30 days past the billing date may be subject to an interest charge. We reserve the right to suspend our services or to withdraw from this engagement in the event our invoices are not paid. If our services are terminated you will be obligated to reimburse us for all costs through the date of termination.

Our maximum liability to you arising for any reason relating to services rendered under this letter shall be limited to the amount of fees you paid for these services. In the event of a claim by a third party relating to services under this letter, you will indemnify us from all such claims, liabilities, costs and expenses, except to the extent determined to have resulted from our intentional or deliberate misconduct

If any dispute arises (between/among) the parties hereto, the parties agree first to try in good faith to settle the dispute through non-binding mediation. The costs of mediation shall be shared equally by the parties.

The parties agree that, if any dispute cannot be settled through mediation, the dispute may then be brought before a court of competent jurisdiction, but the matter will ultimately be decided by the court, sitting without a jury. **The parties recognize they have *knowingly and voluntarily* agreed to waive all rights to have any such dispute determined by a jury**, but otherwise retain all rights afforded under the applicable civil justice system.

You should retain all documents and data that form the basis of income and deductions as these may be needed to prove accuracy and completeness of your returns. You have the final responsibility for reviewing, signing and sending in your return to the applicable taxing authorities. In the event information is requested by any of the parties signing this return, that information will be furnished without obtaining the additional consent of any other party.

This Agreement, and the rights and obligations of the Parties hereunder, shall be governed by and construed in accordance with the laws (enter state or other jurisdiction) (without giving effect to its provisions on conflict of laws).

This Agreement is fully and voluntarily entered into by the Parties. Each Party states that he, she, or it has read this Agreement, has obtained advice of counsel if he, she, or it so desired, understands all of this Agreement, and executes this Agreement voluntarily and of his, her, or its own free will and accord with full knowledge of the legal significance and consequences of this Agreement.

To confirm that you agree with the services and terms of this engagement, please sign where indicated at the bottom of this letter and return one signed copy to us. If we do not receive the executed copy of this agreement from you, receipt of your tax return data (and/or organizers for Individuals) will acknowledge your acceptance of the terms of this agreement. Should you have any questions regarding these requirements or provisions, please feel free to contact us.

Sincerely

\_\_\_\_\_  
Signed on behalf of  
(Firm Name)

ACCEPTED AND AGREED TO BY  
(Insert client name)

By: \_\_\_\_\_  
Signature of client

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

Please be advised that this sample letter/information is provided as part of a service from your insurance carrier. These are risk management suggestions from your insurer and are not to be construed as legal advice from an attorney to a client. We strive to provide sound risk management advice and suggestions and hope this information is helpful to you in this matter.

Please be further advised that neither Markel nor All Risks, Ltd can be responsible for material changes to this document or information supplied in the blanks currently provided. If you would like to have a proposed finished product reviewed in advance of utilization of this document please contact our Accountants' Professional Liability Advice "Hotline" at 866-306-3607.