## **[Date]**

**[Client Name]**

**[Client Address]**

**[Client Address]**

Re: *Engagement to Provide Accounting Services for* ***[Client[s]]***

Dear **[Client]**:

We are pleased to confirm our acceptance and the terms and objectives of our engagement with **[Client[s]]** (the “Client**[s]**”) for the **[year/fiscal year/period]** ending **[Date]**, and to clarify the extent and limitations of the services we will provide.

We will perform the following services, as described more thoroughly in this engagement letter:

1. Bill paying, depositing and similar related services.
2. Investment analysis, short-term investments and related accounting services.[[1]](#footnote-1)
3. Prepare your federal and <state> individual <and corporate>income tax returns for the year ended 20**[XX]** **[and we will advise you on income tax matters as to which you specifically request our advice]**.

**I. Bill Paying, Depositing and Similar Related Services**

If requested, and in conformity with your instructions and authorization, **[Accounting Firm]** will open checking and savings accounts in your individual name or any entity you designate, as appropriate, or use your current bank account(s). We will ask you to authorize checks to be drawn on these accounts by your representatives in our firm **[insert name or names]**. You, of course, will also have the right to draw checks on these accounts. Copies of all banking records will be sent to our office and will be provided to you **[at your request/for your approval]**.

**[Accounting Firm]** requests that you direct any persons or entities from whom you expect payments of any nature to make these payments to you in care of this office and for you to inform our office about these arrangements. Upon receipt, any monies received will be deposited directly to your account(s). We will retain copies of all checks deposited and they will be furnished to you upon request. To the extent you do not direct that payments be made to you in care of our office, we will not necessarily have any knowledge of such payments and will have no responsibility for determining whether any such payments were made other than asking you if there were any other payments. **[Accounting Firm]** has no obligation to confirm whether all of your potential income sources have been directed to us; that is your sole obligation.

**[Accounting Firm]** will draw and issue checks from these accounts for all expenditures that you authorize us to pay. Your authorization can be either written (including electronic transmission) or verbal. Recurring monthly expenditures can be approved once, with the understanding that no further approval is necessary. We have not been given, and do not accept, any discretion to determine whether any expenditure should be made on your behalf; all expenditures must be approved by you or someone designated by you. Accordingly, we do not accept any fiduciary responsibility for the services, which are purely commercial and involve the application of traditional accounting practices.

We will retain copies of your banking records for the accounts you authorize us to handle for a period of **[“seven” or other period of time consistent with applicable rule or regulation and the firm’s document retention policy]** years. As we deem appropriate, we also may prepare such journals, ledgers, reconciliations, and trial balances we judge are necessary to the services we are providing.

**[Accounting Firm]** will also, upon your request, assist you in matters such as securing mortgages, insurance coverage, car leases, and the like. We will not undertake these matters unless you specifically request that we do so and each such request shall be treated as an individual transaction and not an ongoing responsibility. In connection with these and similar matters, we may retain a third-party vendor on your behalf to accomplish these tasks. We will seek your approval to engage any third-party vendors and such approval may be in writing or verbal. By your signature below, you acknowledge that we accept no liability or responsibility for the performance of services by any third-party vendor engaged on your behalf.

**II. Investment Analysis, Short-Term Investments and Related Accounting Services**

If requested, **[Accounting Firm]** will provide you with a summary analysis of your investment portfolio and certain other assets in the accounts you identify. We may also advise you on the tax and economic implications of your investments and other assets, at your direction. **[Accounting firm]** is not a SEC registered investment advisor and will not provide you with investment advisory or management services. We do not act as financial planners and will not monitor your investments as part of this engagement. This investment analysis is intended solely for your personal use and is not intended for third-party use. Additionally, this summary analysis can only be provided for the accounts you identify since we will not undertake any investigation to identify additional accounts.

Additionally, if requested, we will invest excess funds in short-term securities (i.e., treasury bills, certificates of deposit, money markets) to maximize your return on your funds.

We also may, at your direction, place your funds with outside investment advisors and convey your investment objectives to the investment advisors. However, we will not act as investment advisors, and our services will be limited to placing your funds as directed by you and/or your outside investment advisors, brokers or counselors. By your signature below, you acknowledge that we accept no liability or responsibility for the performance of services by any third-party outside investment advisors, brokers or counselors, nor do we accept responsibility or liability for the performance of such investments, under any circumstance.

**III. Tax Preparation Services**

We will prepare the income tax returns**[specifically include or exclude payroll tax, sales tax, and property tax returns]** based on information and documents you provide or that we obtain from others. We will rely in good faith upon the information you provide without verification unless the information provided appears to be incomplete, inconsistent or incorrect, in which case we may ask for additional information or clarification. All information necessary to complete preparation of the income tax returns must be received by us no later than **[#]** weeks prior to the applicable due date of the income tax returns in order to ensure timely completion of those returns

Because of their special purpose, nature and format, income tax returns do not constitute financial statements prepared in accordance with generally accepted accounting principles. The tax returns will be used only for income tax purposes and will not be used as a substitute for financial statements. We may render such accounting and bookkeeping services as are necessary for us to prepare your returns. However, our tax preparation services and related maintenance of your financial books and records does not create a fiduciary relationship.

Tax return preparation services do not constitute accounting or auditing services, and are not designed to disclose fraud, defalcations or other irregularities, should any exist. Accordingly, you cannot rely on these services to uncover fraud, employee misconduct or other similar issues, and it is your sole responsibility to safeguard your assets and establish an appropriate system of internal controls. We will not audit or verify the data you submit, although we may ask you to clarify it or furnish us with additional data.

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 information necessary to identify (1) all states and foreign countries in which you “do business” or derive income (directly or indirectly) and (2) the extent of business operations in each relevant state and/or country, the auto, travel, entertainment, and related expenses and the required documents to support charitable contributions over $<amount>. If you have any questions as to the type of records required, please ask us for advice in that regard. You will have the final responsibility for the income tax returns and, therefore, we recommend you review them carefully before signing and filing them. Please bring any questionable items or possible omissions to our attention.

Please note that the Internal Revenue Service (“IRS”) considers virtual currency (e.g., Bitcoin) as property for U.S. federal tax purposes. As such, any transactions in, or transactions that use, virtual currency are subject to the same general tax principles that apply to other property transactions. If you had virtual currency activity during the <year> tax year, you may be subject to tax consequences associated with such transactions, and may have additional foreign reporting obligations.

You agree to provide us with complete and accurate information regarding any transactions in, or transactions that have used, virtual currency during the applicable tax year. Please ask us for advice if you have any questions regarding the type of records required for virtual currency transactions.

The Internal Revenue Code (“IRC”) and the related Treasury regulations, as well as certain other laws and regulations, require taxpayers to disclose various transactions, sometime specifying the actual tax treatment, and frequently impose strict penalties as well as interest for noncompliance. Most of these penalties provide for an additional assessment in the event of some wrongdoing or negligence on the part of the taxpayer. However, penalties may be imposed even though there is no fraud, negligence or willfulness on your part. Accordingly, the Client**[s]** agree**[s]** to use reasonable efforts to identify all reportable transactions and promptly inform **[Accounting Firm]** if the Client**[s]** are required to disclose any transaction relevant to this engagement. **[Accounting Firm]**will inform the Client**[s]** of any such transactions that come to our attention, but the ultimate responsibility for identifying transactions lies with the Client**[s]**.

[Optional: If your individual return includes business activities, please note that in 2018, a Supreme Court Ruling in South Dakota v. Wayfair, Inc. (“Wayfair”) significantly impacted businesses that engage in out-of-state sales (i.e., remote sales). Wayfair opened the door for other states to redefine what is deemed to be “sufficient contact” from a physical presence standard, to a much broader standard that looks at a business’s economic presence (“economic nexus”) in a given state. How this may impact your business depends on the individual states from which you derive sales and whether they have adopted an economic nexus standard. As our engagement is limited to preparing the income tax returns specified above, our firm is not rendering any services designed to assess your sales and use tax risks and potential exposure to substantial (“economic”) nexus. By your signature below, you understand and acknowledge that you are responsible for compliance with applicable rules associated with the collection and remittance of sales and use tax for the various states in which you do business. If you require our assistance to assess your sales and use tax exposure and how the Wayfair decision may impact your business, please let us know. Any ad[Optional: If your individual return includes business activities, please note that in 2018, a Supreme Court Ruling in South Dakota v. Wayfair, Inc. (“Wayfair”) significantly impacted businesses that engage in out-of-state sales (i.e., remote sales). Wayfair opened the door for other states to redefine what is deemed to be “sufficient contact” from a physical presence standard, to a much broader standard that looks at a business’s economic presence (“economic nexus”) in a given state. How this may impact your business depends on the individual states from which you derive sales and whether they have adopted an economic nexus standard. As our engagement is limited to preparing the income tax returns specified above, our firm is not rendering any services designed to assess your sales and use tax risks and potential exposure to substantial (“economic”) nexus. By your signature below, you understand and acknowledge that you are responsible for compliance with applicable rules associated with the collection and remittance of sales and use tax for the various states in which you do business. If you require our assistance to assess your sales and use tax exposure and how the Wayfair decision may impact your business, please let us know. Any additional services will be covered under a separate engagement letter.]

Please note that any person or entity subject to the jurisdiction of the United States (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 a value exceeding $10,000 in a foreign country, shall report 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.

If you have a financial interest in, or signature authority over, any foreign accounts, you are responsible for providing [Accounting Firm] with all the information necessary to prepare the Report of Foreign Bank and Financial Accounts (FBAR) required by the U.S. Department of the Treasury in order for the FBAR to be received by the Department on April 15 with an automatic extension to October 15 each year. Electronic filing of FBAR reports is mandatory using the Bank Secrecy Act (BSA) e-filing system for the Financial Crimes Enforcement Network (FinCEN). If you would like [Accounting Firm] to submit your electronic FBAR report (FinCEN Form 114) on your behalf, we must receive a signed consent form (FinCEN Form 114a) from you prior to submitting the foreign reporting form. If you do not provide [Accounting Firm] with information regarding any interest you may have in a foreign account, or if we do not receive your signed authorization to file your foreign reporting form, we will not be able to prepare and file any of the required disclosure statements.

In addition, the Internal Revenue Service also requires information reporting under applicable Internal Revenue Code sections and related regulations, and the respective IRS tax forms are due when your income tax return is due, including extensions. The IRS reporting requirements are in addition to the U.S. Department of the Treasury reporting requirements stated above. Therefore, if you fall into one of the below categories, or if you have any direct or indirect foreign interests, you may be required to file applicable IRS forms.

* You are an individual or entity with ownership of foreign financial assets and meet the specified criteria (Form 8938);
* You are an officer, director, or shareholder with respect to certain foreign corporations (Form 5471);
* You are a foreign-owned U.S. corporation or foreign corporation engaged in a U.S. trade or business (Form 5472);
* You are a U.S. transferor of property to a foreign corporation (Form 926);
* You are a U.S. person with an interest in a foreign trust (Forms 3520 and 3520-A); or
* You are a U.S. person with interests in a foreign partnership (Form 8865).

Failure to timely file the appropriate forms with the U.S. Department of the Treasury and the Internal Revenue Service may result in **substantial** monetary penalties. By your signature below, you accept responsibility for informing us if you believe that you may have foreign reporting requirements with the U.S. Department of the Treasury and/or Internal Revenue Service and you agree to timely provide us with the information necessary to prepare the appropriate form(s). We assume no liability for penalties associated with the failure or untimely filing of any of these forms.

In the event that you ask us to take a tax position with respect to your tax returns or other information provided to taxing authorities that in our professional judgment will not meet applicable laws or standard, we reserve our right to stop work. We will discuss such a position with you.

If you request that our services rise to the level of a Covered Opinion, as defined by I.R.S. regulations, we will issue a separate engagement letter for the issuance of a Covered Opinion. To be of greater assistance to the Client**[s]**, we should be advised in advance of proposed transactions.

**[Optional – the next three paragraphs deal with privileged communication and may be omitted in most engagement letters unless you anticipate I.R.S. scrutiny of the tax returns prepared or otherwise believe it prudent to advise the Client in the engagement letter about such a privilege]:**

**[**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 only to non-criminal tax matters that are before the IRS or brought by or against the U.S. Government in a federal court. The communications must be made in connection with tax advice. Communications solely concerning the preparation of a tax return will not be 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. We recommend that you contact us before releasing any privileged information to a third-party.

If we are asked to disclose any privileged communication, unless we are required to disclose the communication by law, we 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 we incur, including legal fees, that are a result of attempts to protect any communication as privileged.**]**

As your tax preparer, we collect information provided by you from your tax organizer, worksheets, documents and discussions and information that we develop as part of the engagement. We are required to keep all information about our engagement confidential so we will not make any disclosure about you unless we have your approval or are required/permitted by law. This applies even if you are no longer a client. We are committed to safekeeping of your confidential information and we maintain physical, electronic, and procedural safeguards to protect it.

**IV. General Terms of Engagement**

Our fees for the above services will be based on the time expended at our standard rates (available upon request **[or set forth here]**), plus out-of-pocket expenses, and will be billed to you **[monthly]**.

All invoices are due and payable **[“upon presentation” or “within 30 days” or other appropriate time period]**. Work may be suspended if your account becomes overdue and may not resume until your account is paid in full. If we elect to terminate our services for non-payment, our engagement will be deemed to have been concluded upon our providing you written notification of termination, even if we have not completed our work. You will be obligated to compensate us for all time expended and to reimburse us for all out-of-pocket expenditures through the date of termination, regardless of whether the services were completed by that point. If we stop work based on your account becoming overdue, we will not be responsible for any damages, tax, interest or penalties caused by or related to the work stoppage.

It is our policy to retain engagement documentation for a period of **[“seven” or other period of time consistent with applicable rule or regulation and the firm’s document retention policy]** years, after which time we will commence the process of destroying the contents of our engagement files. Through our engagement, we may gain possession of various original records, such as bank statements, invoices, cancelled checks, etc. If you would like us to return those records to you, please so advise. We may, however, need to retain copies of such records as are necessary or prudent in accordance with our professional obligations.

We may from time to time and depending on the circumstances and nature of the services we are providing, share your confidential information with third-party service providers, some of whom may be cloud-based, but we remain committed to maintaining the confidentiality and security of your information. Accordingly, we maintain internal policies, procedures and safeguards to protect the confidentiality of your personal information. In addition, we will secure confidentiality terms with all service providers to maintain the confidentiality of your information and will take reasonable precautions to determine that they have appropriate procedures in place to prevent the unauthorized release of your confidential information to others. In the event that we are unable to secure appropriate confidentiality terms with a third-party service provider, you will be asked to provide your consent prior to the sharing of your confidential information with the third-party service provider. Although we will use our best efforts to make the sharing of your information with such third parties secure from unauthorized access, no completely secure system for electronic data transfer exists. As such, by your signature below, you understand that the firm makes no warranty, expressed or implied, on the security of electronic data transfers.

In connection with this engagement, we may communicate with you or others via email transmission. As emails can be intercepted, read, disclosed, or otherwise used or communicated by an unintended third-party, or may not be delivered to each of the parties to whom they are directed and only to such parties, we cannot guarantee or warrant that emails from us will be properly delivered and read only by the addressee. Therefore, we specifically disclaim any liability or responsibility whatsoever for interception or unintentional disclosure of emails transmitted by us in connection with the performance of this engagement. In that regard, you agree that we shall have no liability for any loss or damage to any person or entity resulting from the use of email transmissions, including any consequential, incidental, direct, indirect, or special damages, or disclosure or communication of confidential or proprietary information.

In the event we are requested by the Client**[s]**, or are required by government regulations, subpoena, or other legal process, to produce documents or our personnel as witnesses with respect to our engagements for you,you will, so long as we are not a party to the proceeding in which the information is sought, reimburse us for our professional time and expense, as well as the fees and expenses of our counsel, incurred in responding to such requests.

**[Some jurisdictions do not allow the shortening of the statute of limitations and others only allow it to be shortened to a specific or reasonable time. Consult your risk management professional to determine if and to what extent the following provision is appropriate for you and complies with the law in your jurisdiction.]**

**[**All claims relating to the performance of the services rendered under this agreement must be asserted within [x years] of the delivery of the workproduct contemplated under this engagement or they will be time-barred as a matter of law.**]**

**[Identify Fee Arrangement (e.g., monthly fee, percentage of adjusted gross income) and how bills will be paid. As a best practice, the Client(s) should be invoiced and approve all of Accounting Firm’s fees, especially if Accounting Firm draws the check to itself. If fees payable for a given period (e.g., monthly, quarterly) exceed the Client’s base fee, make sure to document the additional work justifying the fee in a communication to the client, or through a separate engagement letter, if practical. An Accounting Firm’s fee arrangement in a Business Management/High Net Worth/Family Office engagement should be clear and unambiguous (e.g., define adjusted gross income). If you have any questions regarding fee arrangements, be sure to contact your Risk Management Professional.]**

While we do not expect there to be any problems whatsoever with our relationship, misunderstandings can occur. We believe that most disagreements can be resolved to mutual satisfaction in a friendly, non-threatening environment. Accordingly, in the event of any dispute arising out of, or relating to, this engagement, the parties will first attempt in good faith to settle the dispute through non-binding mediation administered by the American Arbitration Association under its mediation rules, before resorting to litigation or similar action.

In the event that the parties fail to settle the dispute through mediation, all parties agree that any further action arising out of or relating to this engagement shall be decided by a court of competent jurisdiction **[Consider identifying a specific court to hear the dispute if local practices permit.]** by a judge sitting without a jury. **WE BOTH ACKNOWLEDGE AND AGREE THAT WE ARE WAIVING ANY AND ALL RIGHTS WE MAY HAVE TO HAVE SUCH DISPUTE DECIDED BY A JURY [please check to see if this is permissible under local state law].**

**[If you determine, after consultation with your risk management professional, that arbitration is a more appropriate dispute resolution forum, use the following paragraphs.]**

**[**Any controversy or claim arising out of or relating to this contract, or the breach thereof, shall be settled by arbitration administered by the American Arbitration Association in accordance with its Professional Accounting and Related Services Dispute Resolution Rules and judgment on the award rendered by the arbitrator(s) may be entered in any court having jurisdiction thereof.

The place of arbitration shall be **[specify appropriate location]**. The arbitration shall be governed by the laws of the State of [state]. The arbitrator(s) shall not award consequential damages in any arbitration initiated under this section. Any award in an arbitration initiated under this clause shall be limited to monetary damages and shall include no injunction or direction to any party other than the direction to pay a monetary amount. The award of the arbitrators shall be accompanied by a reasoned opinion. Except as may be required by law, neither a party nor an arbitrator may disclose the existence, content, or results of any arbitration hereunder without the prior written consent of both parties. **]**

Our liability relating to the performance of the services rendered under this letter is limited solely to the direct damages sustained by [the client]. In no event shall we be liable for the consequential, special, incidental or punitive loss, damages or expenses suffered by [the client] (including without limitation, lost profits, opportunity costs, etc.). Notwithstanding the foregoing, our maximum liability relating to the services rendered pursuant to this engagement shall be limited to the fees actually received by us for this engagement.

[The Client**[s]**] hereby indemnifies its partners, principals, employees and agents, and holds them harmless, from all claims, liabilities, losses and costs arising in circumstances where there has been a knowing or reckless misrepresentation by [the Client], its management, employees or agents, regardless of whether that person was acting in a manner adverse to [the Client’s] interests.

If any provision of this letter is unenforceable, the remaining provisions shall be enforced to the fullest extent possible. If any provision of this letter is deemed overbroad or unreasonable by a court of law **[or arbitrator]**, such provision shall be given effect to the maximum extent possible by narrowing or removing that aspect of the provision found overbroad or unreasonable, and enforcing the remaining portions to the fullest extent permissible under the law.

After reviewing this letter, please sign in the space designated and return it to us to confirm your receipt of this letter and your understanding of the scope, terms and conditions of this engagement. If you have any questions, do not hesitate to contact us.

We look forward to working with you and enjoying a mutually beneficial relationship.

Very truly yours,

[Insert Firm Signature}

**[Accounting Firm]**

Agreed and acknowledged:

**[Client Representative]**

**[Client Name]**

**Individual Taxpayers – Consent to foreign disclosure of tax return information**

Federal law requires this consent form be provided to you. Unless authorized by law, we cannot disclose your tax return information to third parties for purposes other than the preparation and filing of your tax return without your consent. If you consent to the disclosure of your tax return information, Federal law may not protect your tax return information from further use or distribution.

[For tax return preparation or auxiliary services]:

[You are not required to complete this form. Because our ability to disclose your tax return information to another tax return preparer affects the tax return preparation service(s) that we provide to you and its (their) cost, we may decline to provide you with tax return preparation services or change the terms (including the cost) of the tax return preparation services that we provide to you if you do not sign this form. If you agree to the disclosure of your tax return information, your consent is valid for the amount of time that you specify. If you do not specify the duration of your consent, your consent is valid for one year from the date of signature.]

OR

[For contexts other than tax return preparation and auxiliary services]:

[You are not required to complete this form to engage our tax return preparation services. If we obtain your signature on this form by conditioning our tax return preparation services on your consent, your consent will not be valid. If you agree to the disclosure of your tax return information, your consent is valid for the amount of time that you specify. If you do not specify the duration of your consent, your consent is valid for one year from the date of signature.]

This consent to disclose may result in your tax return information being disclosed to a tax return preparer located outside the United States, including your personally identifiable information such as your Social Security Number (“SSN”). Both the tax return preparer in the United States that will disclose your SSN and the tax return preparer located outside the United States that will receive your SSN maintain an adequate data protection safeguard (as required by the regulations under 26 U.S.C. section 7216) to protect privacy and prevent unauthorized access of tax return information. If you consent to the disclosure of your tax return information, federal agencies may not be able to enforce United States laws that protect the privacy of your tax return information against a tax return preparer located outside of the United States to whom the information is disclosed.

If you believe your tax return information has been disclosed or used improperly in a manner unauthorized by law or without your permission, you may contact the Treasury Inspector General for Tax Administration (TIGTA) by telephone at 1-800-366-4484, or by email at [complaints@tigta.treas.gov](mailto:complaints@tigta.treas.gov).

Agreed and acknowledged:

[Client Name and date]

1. **[Accounting firm]** is not a SEC registered investment advisor and does not provide investment advisory or management services for its clients. [↑](#footnote-ref-1)