



Dear Client:

Enclosed you will find the following information related to the preparation of your 2019 income tax return.

1. Engagement letter – the purpose of this letter is to communicate our understanding of the services we are to provide. Please read this document. If you have any questions, please call.
2. 2019 Questionnaire.
3. 2019 Disclosures policies.
4. Offer for the Audit Fee Protection Program.

**It is very important that you complete the questionnaires in their entirety.** The complexity of our current tax system dictates the use of such a questionnaire. Tax law gives us some real opportunities at times and without certain information those opportunities can be missed. **If we don't receive information from you by March 2<sup>nd</sup>, 2020, it may be necessary to file an extension for your 2019 tax return.**

We look forward to a long relationship.

Sincerely,

A handwritten signature in black ink that reads 'Martin James CPA/PFS'. The signature is written in a cursive style.

Martin James, CPA/PFS



**RE: 2019 Business Tax Return Preparation Engagement Letter**

Dear Client:

We are pleased to confirm and specify the terms of our engagement with the company and to clarify the nature and extent of the services we will provide regarding the preparation of the tax return(s) and tax planning or other services.

We will prepare the company's 2019 federal tax return, and tax returns for the state and local taxing authorities in which the company has informed us that it is incorporated in and/or is doing business (collectively, the "returns") in 2019. The objective of this engagement is to prepare the tax returns in accordance with Statements on Standards for Tax Services issued by the AICPA and comply with the AICPA's *Code of Professional Conduct*, including the ethical principles of integrity, objectivity, professional competence, and due care. This engagement pertains only to the 2019 tax year and 2020 tax planning, and our responsibilities do not include preparation of any other tax return years that may be due to any taxing authority.

We will prepare the returns from information the company provides us. It is the company's responsibility to provide us with accurate and complete information required for the preparation of the returns. We will not audit or otherwise verify the information the company submits, and our services under this engagement will be limited to those tasks we deem necessary for the preparation of the returns only. Accordingly, our engagement cannot be relied upon to disclose errors, fraud, or other illegal acts that may exist. Historically, we have provided the company with assistance in preparing certain reconciliations of balance sheet and income statement accounts based on information the company has supplied to us. Unless otherwise noted by you, this same assistance will be provided during the current year engagement and is subject to the same terms in this engagement letter. Any accounting and/or bookkeeping services deemed by us as beyond the normal reconciliation process will be considered "out of scope." We will discuss with you the nature, extent, and estimated cost of the "out of scope" work as well as why we believe it is beyond the normal reconciliation process and will charge for these services separately. This "out of scope" work is governed by the terms in this engagement letter.

Throughout the year 2020, we may be called upon to provide tax planning advice or other services. Our ability to provide you with appropriate guidance will be entirely dependent on the timeliness, accuracy, and completeness of the relevant information you provide to us. If such services are requested by you, all the terms, conditions and representations of this engagement letter shall apply.

We may encounter instances where the tax law is unclear, or where there may be conflicts between the taxing authorities' interpretations of the law and other supportable positions. In those instances, we will outline in a written communication each of the reasonable alternative courses of action, including the risks and consequences of each such alternative. In the end, we will adopt, on the company's behalf, the alternative which you select after having considered the information provided by us.

The Tax Cuts and Jobs Act of 2017 added Section 199A to the Internal Revenue Code. This section allows a deduction to the owner of a pass-through entity of 20% of the qualified income from a qualified trade or business subject to certain limitations. The deduction is available to a sole proprietor, a partner in a partnership, a shareholder in an S corporation, and certain trusts. The IRS has issued final regulations regarding the deduction. Guidance is particularly vague on when a rental activity qualifies for the deduction. The determination is made by evaluating the facts and circumstances of each business and referring to judicial history related to when an activity is a trade or business. The regulations provide a safe

harbor for taxpayers who participate in a rental enterprise for 250 hours or more through their own activity or the activity of agents and employees. The contemporaneous records requirement is waived for tax years beginning before January 1, 2020, but taxpayers bear the burden of proving the right to the deduction. If applicable, we will assist you, based on information you provide and guidance available at the time, in determining which of your businesses must report information to the owners necessary for them to calculate the deduction. Upon audit, the IRS may challenge our position. We are not responsible for any additional taxes, penalties, or interest that may be assessed related to the §199A pass-through deduction. #

Our fees for this engagement are not contingent on the results of our service. Rather, our fees for this engagement will be based on a number of factors, including but not limited to, the time spent as well as the complexity of the services we will perform. In addition, the company agrees to reimburse us for any out-of-pocket costs incurred in connection with the performance of our services.

Our fees and costs are payable upon receipt. We reserve the right to suspend our services or to withdraw from this engagement in the event that any of our invoices are deemed delinquent. In the event that any collection action is required to collect unpaid balances due us, the company agrees to reimburse us for the costs of collection including attorneys' fees.

If we do not receive this letter from the company, in fully executed form, but receive supporting documentation requested therein, then such receipt by this office shall be deemed to evidence the company's acceptance of all of the terms set forth in this letter and in the ADDITIONAL TERMS, CONDITIONS AND REPRESENTATIONS attached hereto. If we do not receive any response to this letter, then we will not proceed to provide any professional services, and we will not prepare the tax returns.

This engagement letter is contractual in nature and includes all of the relevant terms and conditions that will govern the engagement for which it has been prepared. The terms and conditions of this letter supersede any prior oral or written representations or commitments by or between the parties. Any material changes or additions to the terms and conditions set forth in this letter will only become effective if evidenced by a written amendment to this letter, signed by all the parties. If any provision of the letter and/or the ADDITIONAL TERMS, CONDITIONS AND REPRESENTATIONS attached hereto is declared invalid or unenforceable, the remaining provisions shall remain in effect.

We look forward to providing our services to you. If you have any questions concerning the terms of this engagement, please feel free to ask us. If you agree with the terms of this engagement letter and the ADDITIONAL TERMS, CONDITIONS AND REPRESENTATIONS, please sign below and return it to us. These engagement terms will apply until either you or we cancel them.

Sincerely,



Martin James, CPA, PFS  
Martin James, CPA, PC

**ACCEPTED AND AGREED:**

\_\_\_\_\_  
Officer

\_\_\_\_\_  
Date

## **ADDITIONAL TERMS, CONDITIONS, AND REPRESENTATIONS**

1. We are responsible for preparing only the state and local returns which we have historically prepared and which you authorize us to prepare. If the company has taxable activity in a state or local municipality that has not historically been recognized on a return filing, please discuss with us. Nexus laws regarding sales of services are rapidly changing. Please inform us of services sold to customers in states for which you have not filed a return in the past. The laws of the state may have changed. We will assist the company in determining whether or not nexus exists with the state or local municipality and the filing requirement thereon. If the company has tax filing requirements in a given state or local municipality but does not file that return, there could be possible adverse ramifications, such as an unlimited statute of limitations, penalties, etc. State income tax nexus is complex and rapidly changing. Often times nexus is based on judicial history. Our best evaluations of nexus are subject to challenge by the various states, and a positive outcome of such a challenge is not guaranteed.
2. Our engagement will be fulfilled upon delivery of the completed returns to you. Therefore, you have the final responsibility for all information shown on the tax returns, including, but not limited to, both the book and tax#income recognized and the allocation of that income (if applicable) per the company's operating agreement. You should review them carefully before you sign and file the returns with the appropriate taxing authorities and/or authorize us to e-file them on the company's behalf.
3. You are responsible for the safeguarding of assets, the proper recording of transactions in the books of accounts, the substantial accuracy of the financial records, and the full and accurate disclosure to us of all relevant facts affecting the returns. Furthermore, you agree to oversee all services by designating an individual, preferably from senior management, with suitable skill, knowledge, or experience to evaluate the adequacy and results of the services and to accept responsibility for them.
4. Pursuant to standards prescribed in IRS Circular 230 and IRC 6694, we are forbidden from signing a tax return unless we have a reasonable belief that there is substantial authority for a tax position taken on the return or we have a reasonable basis for a tax position taken on the return and we disclose this tax position on a separate attachment to the tax return. Substantial authority is generally viewed by tax professionals as requiring at least a 40% probability that the tax position taken will be sustained on its merits. However, under no circumstances may we sign a tax return with a tax position that has no reasonable basis. We will advise management with regard to tax positions taken in the preparation of the tax returns, but management must make all decisions with regard to those matters.
5. The company's returns may be selected for review by the taxing authorities or the company may receive a notice requesting a response to certain issues on the tax returns. Any proposed adjustments by the examining agent are subject to certain rights of appeal. In the event of such government tax examination or inquiry, we will be available upon request to represent the company or respond to such inquiry. If such services are requested, all of the terms, conditions and representations of this engagement letter shall apply, and we will render additional invoices for these services and any expenses incurred.
6. The law provides various penalties and interest that may be imposed when taxpayers understate their tax liability and/or fail to pay the full amount of taxes owed by the original filing due date. Furthermore, additional penalties and interest are imposed when taxpayers fail to remit the proper amount of subsequent year tax estimates. Based on information you provide to us, we can assist you in determining the correct amount of taxes owed for the current year and subsequent year tax estimates. You acknowledge that any such understated or underestimated tax, and any imposed interest and penalty thereon, are the company's responsibility, and that we have no responsibility

in that regard. If you would like information on the amount or the circumstances of these interest and penalties, please contact us.

7. To the best of your knowledge and belief, and unless specifically indicated to us that the representation below cannot be made, you confirm that:

- There was no change in ownership during the year.
- The company has reported (or plans to report) on Forms 1096/1099 certain types of payments made. These payments include:
  - Non-employee compensation (i.e. sub-contractors) for services performed paid to a single recipient when the total amount paid in a calendar year is \$600 or more.
  - Commissions, fees, and other compensation paid to a single recipient when the total amount paid in a calendar year is \$600 or more.
  - Interest, dividends, rents, royalties, annuities, prizes/awards, and other income items paid to a single recipient when the total amount paid in a calendar year is \$600 or more.

Please note, under the current regulations, most payments to corporations are exempt from Form 1099 reporting requirements. However, there are some notable exceptions, the most significant being payments of \$600 or more in a calendar year to an incorporated law firm must be reported on Form 1099-MISC.

- The company has disclosed all reportable transactions. These include but are not limited to listed transactions that the IRS has determined to be a tax avoidance transaction; transactions which produce questionable tax shelters, tax deductions, losses, or credits; require confidentiality by you or a related party and for which you or a related party paid an advisor a minimum fee; a transaction for which fees are contingent on your realization of tax benefits from the transaction or refundable if all or part of the intended tax consequences of the transaction are not sustained; or a transaction that results in you claiming a significant loss (at least \$2 million in any single year or \$4 million in any combination of tax years).
- For corporations (including S-Corporations), the company paid reasonable compensation in the form of W-2 wages to its officers, shareholders, and related party family members. In addition, taxable fringe benefits (including health insurance premiums for a more than 2% shareholder of an S-Corporation) have been included in W-2 wages.
- For partnerships/LLCs, the company has disclosed (or will disclose) to us the total guaranteed payments, including fringe benefits, received by each partner/member.
- The company has disclosed all related party transactions between family members or a business in which the business shareholders, partners or members have an ownership interest. These types of transactions include borrowing and/or lending funds, paying and/or receiving rents, buying and/or selling products or property, and performing and/or receiving services.
- If applicable\*, the company is in compliance with the mandates established under the Affordable Care Act (ACA). The ACA requires that the company provides proof that, 1) their employees were offered health insurance coverage and, 2) such health insurance coverage was affordable and provided minimum value. This proof is required to be summarized and filed with the Internal Revenue Service (Forms 1094-B or C). In addition, each employee is to be provided with a statement (Forms 1095-B or C) of their own health insurance coverage.

If the company is required to provide proof of coverage to the Internal Revenue Service and its employees but fails to do so, that failure may result in the assessment of substantial penalties. If the company is required to provide affordable health insurance that provides minimum value to its employees but fails to do so, that failure will result in a "Shared Responsibility Payment" being assessed. These assessments will occur subsequent to the filing of the tax return.

\* The compliance mandates established under the provisions of the ACA are complex. To determine whether the company is in compliance, please contact your benefits advisor.

- Unless a lower amount has been discussed, we will assume that the company has adopted (for book and federal income tax purposes) the following policy regarding capitalization of expenses, in accordance with Internal Revenue Code Sections 167 and 168 and related Regulations:
  - Amounts whose individual cost (including tax, installation and delivery costs) does not exceed \$2,500 (\$5,000 if the company has audited financial statements) will be deducted as incurred as an operating expense.
  - Amounts exceeding \$2,500 (\$5,000 if the company has audited financial statements) will be examined individually to determine if their use or purpose requires capitalization under the betterment, adaptation or restoration rules prescribed by the Internal Revenue Service and will be capitalized or expensed as incurred as a result of the application of those rules.
- The company has disclosed if it is either doing business in a foreign country or U.S. territory or owns a subsidiary (wholly owned or in part) that is doing business in a foreign country or U.S. territory. Please note that we will not prepare any tax forms required by any foreign taxing authority. If you believe that foreign tax filings are required, please contact us.
- The company has disclosed if it has a financial interest in (direct or indirect), or signature or other authority over, bank accounts, securities, or other financial accounts having an aggregate value exceeding \$10,000 at any time during the calendar year in a foreign country.

Note:

If the company has a financial interest in any foreign accounts, it must electronically file the FinCEN Report 114, *Report of Foreign Bank and Financial Accounts* (“FBAR.”), as required by the U.S. Department of the Treasury. Such filing requirements 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.

If the company fails to disclose the required information to the U.S. Department of the Treasury, the failure to disclose may result in substantial civil and/or criminal penalties. You are responsible for providing our firm with all the information necessary to prepare the FBAR. **Failure to file can result in penalties ranging from \$10,000 to the greater of \$100,000 or 50% of account balances.** If you do not provide our firm with information regarding any interest the company may have in a foreign account, we will not be able to prepare any of the required disclosure statements.

8. The company should retain all the documents, canceled checks and other data that form the basis of income and deductions. These may be necessary to prove the accuracy and completeness of the returns to a taxing authority, and as such, the company should retain and protect these records. The company is responsible for substantiating any amount upon which a deduction is taken on the return. The type of deduction taken will determine the specific substantiation needed. The following is a list of common deductions taken on a tax return and the substantiation required for each.
  - Automobile Expenses - Mileage logs and trip sheets for each trip. Commuting miles between home and a fixed work location are not considered deductible business miles.
  - Meals and Expenses (100% deductible) - Business meals for the benefit of employees who are not highly compensated, such as holiday parties, lunches for staff meetings, birthdays, and company outings if only the employees and their families attend (no clients).
  - Meals and Expenses (50% deductible) - Includes meals with an employee, meals during travel, and meals with clients. Business meals with clients require documentation

substantiating who the client was and the business purpose of the meal. A receipt is not required for expenses under \$75, but documentation is still required. Meals for clients at any event, such as a sporting event, etc., requires documentation substantiating that there was a bona fide business discussion prior to, during, or following the meal/entertainment event. The meals are deductible only if they are paid for separately from the entertainment event with a separate receipt or, if the entertainment event and the meals are included on one invoice, the meals are listed and priced separately.

- Entertainment expenses are not deductible for 2018.
- Charitable Cash Contributions (in any one day to any one organization):
  - Less than \$250 – A bank record (e.g. canceled check/ credit card statement) or a written acknowledgement from the charity.
  - \$250 or more – Both a bank record and a written acknowledgement from the charity.
- Charitable Non-Cash Contributions (in any one day to any one organization):
  - Deduction of less than \$250 - A receipt or a written acknowledgement from the charity.
  - Deduction between \$250 and \$500 - A written acknowledgement by the charitable organization.
  - Deduction between \$501 and \$5,000 - Same records required as the \$250 to \$500 category. In addition, records must show how the property was acquired, the date acquired and the adjusted basis of the property.
  - Deduction of more than \$5,000 - Same records required as the \$501 to \$5,000 category. In addition, most contributions require a written appraisal.

The list above only provides guidance on substantiating a limited numbers of deduction types. There are many other types. If you are unsure as to whether or not the information the company possesses is sufficient to substantiate a deduction, please call us.

9. We reserve the right to suspend our services or withdraw from this engagement. If we elect to terminate our services, our engagement will be deemed to have been completed upon written notification of termination, even if we have not completed the return. The company will be obligated, through the date of termination, to compensate us for all outstanding invoices as well as our final invoice, and to reimburse us for all of our out-of-pocket costs. For these purposes, any nonpayment, inability to sign the tax return, or non-response by you of information requested (among other things) will constitute a basis for our election to terminate our services.
10. It is our policy to retain copies of engagement documentation for a period of seven years (five years for former clients), after which time we will commence the process of destroying the contents of our engagement files. Any work papers prepared in conjunction with this engagement are our property, constitute confidential information, and will be retained by us in accordance with this record retention policy. To the extent we accumulate any of the company's original records during the engagement, those documents will be returned to you promptly upon completion of the engagement.
11. In the interest of facilitating our services to you, we may communicate with you by means of electronic communications, such as fax, email, or via our client portal. While we will use our best efforts to keep such communications secure in accordance with our obligations under applicable laws and professional standards, you recognize and accept that we have no control over the unauthorized interception of these communications once they have been sent and you consent to our use of these devices during this engagement. 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, such as loss of revenues or anticipated profits, or disclosure or communication of confidential or proprietary information. It is

our belief that electronic communication provides the greatest privacy by eliminating paper trails of confidential information.

12. IRS regulations require that we electronically file (e-file) all tax returns, and it is our belief that this type of filing provides the greatest security. However, you do have the right to “opt-out” from e-filing by notifying us, in writing, of this desire.
13. Although we may orally discuss tax issues with you from time to time, such discussions will not constitute advice upon which we intend for you to rely on for any purpose. Rather, any advice upon which we intend for you to rely, and upon which you will rely, will be embodied in a written report or correspondence from us to you, and any such writing will supersede any prior oral representations between the parties on the issue.
14. In the event we are required to respond to a subpoena, court order or other legal process for the production of documents, work papers and/or testimony relative to information we obtained and/or prepared during the course of this engagement, you acknowledge our right to release this information and agree to compensate us, for the time we expend in connection with such response, and to reimburse us for all of our out-of-pocket costs incurred in that regard.
15. If the tax returns we are to prepare in connection with this engagement are for a company with multiple owners and/or board members, each is our client. You, on behalf of the multiple owners and/or board members, acknowledge that there is no expectation of privacy from the other(s) concerning our services in connection with this engagement, and we are at liberty to share with any of you, without the prior consent of the other(s), any and all documents and other information concerning preparation of the company’s returns.
16. In the event that we become obligated to pay any judgment under a court proceeding, an award under a mediation proceeding, or penalty assessed by any taxing authority, in our capacity as a tax preparer, you agree to pay any costs incurred as a result of any inaccurate or incomplete information that you provided to us during the course of this engagement. You agree to indemnify us, defend us, and hold us harmless against such obligations and/or costs. Any litigation arising out of this engagement, except actions by us to enforce payment of our professional invoices, must be filed within one year from the completion of the engagement, notwithstanding any statutory provision to the contrary. In the event of litigation brought against us, any judgment you obtain shall be limited in amount, and shall not exceed the amount of the fee charged by us, and paid by you, for the services set forth in this engagement letter.
17. You agree that any dispute that may arise regarding the meaning, performance or enforcement of this engagement will, prior to resorting to litigation, be submitted to mediation, and that you will engage in the mediation process in good faith once a written request to mediate has been given by either party to the engagement. Any mediation initiated as a result of this engagement shall be administered by a law firm specializing in the mediation process, not associated with either party, and selected by us, according to its mediation rules. Any ensuing litigation shall be conducted within the County of Morgan, Indiana, according to Indiana law. The results of any such mediation shall be binding only upon agreement of each party to be bound. The costs of any mediation proceeding shall be shared equally by the participating parties.
18. Unless you tell us otherwise, we will presume that you authorize us to discuss certain aspects of the company’s tax returns with the IRS and certain states/local municipalities if necessary.

## 2019 BUSINESS TAX RETURN QUESTIONNAIRE

To further assist in the organization of your business's 2019 tax information, the following is a tax questionnaire relating to specific transactions that may have occurred during the year. This tax questionnaire is mandatory in order to ensure that we prepare the most accurate tax return possible; we strongly recommend that you take a few moments and complete the following questions. Failure to answer will be treated as "NO" or "Zero" in each instance.

<b>General Business Information (All businesses):</b>	<b>Yes</b>	<b>No</b>
Did the business address change during 2019?		
If yes, please provide the new address, phone number, cell phone number, and email address in the sections below:		
Address:		
Email:		
Cell phone:		
Work phone:		
Did you make payments of fees and other non-employee compensation, interest, rents, royalties, real estate transactions, annuities, or pensions?		
If yes, did you file all required Forms 1099?		
Did the business elect or revoke its S-corporation status during 2019?		
Was there a change in ownership at any time during 2019? Please note that a change in ownership may create a transaction resulting in special reporting requirements. Please discuss this matter with one of our tax managers.		
If yes, please provide the following information on any new shareholders/partners:		
Names of Incoming Shareholders/Partners:		
Social Security No./EIN:		
Date of Transfer:		
% of Ownership/# of Shares Transferred to:		
If yes, please provide the following information on any old shareholders/partners:		
Names of Outgoing Shareholders/Partners:		
Date of Transfer:		
% of Ownership/# of Shares Transferred from:		

<b>Employment (Corporations only):</b>	<b>Yes</b>	<b>No</b>
Did the business pay compensation to its officers/shareholders and was that compensation compensatory with the services that were provided to the business?		
Did the business pay, on behalf of the more than 2% shareholders, fringe benefits (including health insurance premiums)?		
If yes, were these fringe benefits reported on a W-2?		
Did the business provide health benefits or other fringe benefits to family or friends of the shareholders who are not employees?		
Do any family members of the shareholders work in the business and receive compensation for their services?		
Did the business use independent contractors who received \$600 or more in payments during 2019?		
If yes, the business is required to complete and issue a Form 1099-MISC for all such individuals, partnerships, or LLCs. Has the business issued (or plan to issue) such Form 1099-MISCs?		
<b>Employment (Partnerships/LLCs only):</b>	<b>Yes</b>	<b>No</b>
Did the business pay guaranteed payments to its members/partners and were those payments compensatory with the services that were provided to the business?		
Did the business pay, on behalf of the partners/members, fringe benefits (including health insurance premiums)?		
If yes, were these fringe benefits reported as part of the partners/members guaranteed payment?		
Did the business provide health benefits or other fringe benefits to family or friends of the partners/members who are not employees?		
Do any family members of the partners/members work in the business and receive compensation for their services?		
Did the business use independent contractors who received \$600 or more in payments during 2019?		
If yes, the business is required to complete and issue a Form 1099-MISC for all such individuals, partnerships, or LLCs. Has the business issued (or plan to issue) such Form 1099-MISCs?		
<b>Related Party Transactions (All businesses):</b>	<b>Yes</b>	<b>No</b>
Did the business pay rents, receive rents, buy products, sell products, perform services, or receive services from related parties such as family members or a business in which the business shareholders, partners or members have an ownership interest?		
If yes, please describe all relationships:		

<b>Related Party Transactions (Continued):</b>		<b>Yes</b>	<b>No</b>
Have any of the shareholders, partners, or members loaned money to the business?			
If yes, has a legal note from the lender to the business been executed?			
Also, please provide the following information:			
Amount Lent:			
Date Lent:			
Terms of Note:			
Current Activity:			
Has the business loaned money to any of the shareholders, partners, members, or family members?			
If yes, has a legal note from the business to the borrower been executed?			
Also, please provide the following information:			
Amount Lent:			
Date Lent:			
Terms of Note:			
Current Activity:			
Have any of the shareholders, partners, or members contributed additional capital to the business?			
<b>Automobile Expenses (All businesses):</b>		<b>Yes</b>	<b>No</b>
Does the business provide company vehicles for its employees (including shareholders and partners/members)?			
If yes, do the business employees maintain mileage logs and trip sheets for each trip? Automobile expenses need to be substantiated with mileage logs and trip sheets for each trip. Commuting miles between home and a fixed work location are not considered deductible business miles.			
For each employee vehicle, please provide the following information (if more than two vehicles, please include on separate attachment):			
<b>Vehicle #1</b> - Make, Model, and Year:			
Date Placed in Service:			
Employee Using Auto:			
<b>Mileage From January 1, 2019 to December 31, 2019:</b>			
Total Miles Driven:		Total Business Miles Driven:	



RE: 2019 Business Disclosure Policies

Dear Client:

This letter serves to inform you of this firm's policy of disclosure with respect to tax return information in connection with the above engagement.

We shall not knowingly or recklessly disclose the information you furnish us except as provided by law. We may disclose tax return information to an officer or employee of the Internal Revenue Service.

If the firm provides software to you that is used in connection with the preparation or filing of your tax return, the tax return preparer may use your tax return information to update your software for the purpose of addressing changes in IRS forms, e-file specifications and administrative, regulatory, and legislative guidance, or to test and ensure the software's technical capabilities without the taxpayer's consent. In addition, an officer, employee, or member of the firm may use the tax return information, or disclose the tax return information to another officer, employee, or member of the same firm, for the purpose of performing services that assist in the preparation of, or assist in providing auxiliary services in connection with the preparation of, the taxpayer's tax return, except with respect to such individuals who are located outside the United States or any territory or possession of the United States unless you give consent to such use or disclosure.

In general, an officer, employee, or member of the firm may disclose tax return information to another tax return preparer (who is not an officer, employee, or member of the firm located in the United States (including any territory or possession of the United States) for the purpose of preparing or assisting in preparing a tax return, or obtaining or providing auxiliary services in connection with the preparation of any tax return, so long as the services provided are not substantive determinations or advice affecting the tax liability reported by taxpayers. A substantive determination involves an analysis, interpretation, or application of the law. The authorized disclosures permitted include one tax return preparer disclosing tax return information to another tax return preparer for the purpose of having the second tax return preparer transfer that information to, and compute the tax liability on, your tax return by means of electronic, mechanical, or other form of tax return processing service. The authorized disclosures permitted also include disclosures by a tax return preparer to an Authorized IRS e-file Provider for the purpose of electronically filing the return with the IRS. Authorized disclosures also include disclosures to a second tax return preparer for the purpose of making information concerning the return available to the taxpayer. This would include, for example, whether the return has been accepted or rejected by the IRS, or the status of your refund. The firm may not disclose tax return information to another tax return preparer for the purpose of the second tax return preparer providing substantive determinations without first receiving the taxpayer's consent. The firm may disclose tax return information to a person under contract with the tax return preparer in connection with the programming, maintenance, repair, testing, or procurement of equipment or software used for purposes of tax return preparation only to the extent necessary for the person to provide the contracted services, and only if the tax return preparer ensures that all individuals who are to receive disclosures of tax return information receive a written notice that informs them of the applicability of §§6713 and 7216 to them and describes the requirements and penalties of such sections.

In preparing a tax return of a second taxpayer, the firm may use, and may disclose to the second taxpayer in the form in which it appears on the return, any tax return information that the tax return preparer obtained from you if the second taxpayer is related to you, and your tax interest in the information is not adverse to the second taxpayer's tax interest in the information. However, you may expressly prohibit such disclosure or use. For these purposes, a

taxpayer is related to another taxpayer if they have any one of the following relationships: Husband and wife, child and parent, grandchild and grandparent, partner and partnership, trust or estate and beneficiary.

The disclosure limitations do not apply to the order of any court of record, federal, state, or local; a subpoena issued by a grand jury, federal or state; a subpoena issued by the United States Congress; an administrative order, demand, summons or subpoena that is issued in the performance of its duties by any federal agency, or a state agency, body, or commission charged under the laws of the state or a political subdivision of the state with the licensing, registration, or regulation of tax return preparers; a written request from a professional association ethics committee or board investigating the ethical conduct of the tax return preparer; or a written request from the Public Company Accounting Oversight Board in connection with an inspection under §104 of the Sarbanes-Oxley Act of 2002, or an investigation under §105 of such Act, for use in accordance with such Act. The firm may disclose tax return information to an attorney for purposes of securing legal advice; to an employee of the Treasury Department for use in connection with any investigation of the tax return preparer (including investigations relating to the tax return preparer in its capacity as a practitioner) conducted by the IRS or the Treasury Department; or to any officer of a court for use in connection with proceedings involving the tax return preparer (including proceedings involving the tax return preparer in its capacity as a practitioner), or the return preparer's client, before the court or before any grand jury that may be convened by the court.

The firm may use your tax return information, or disclose the information to another officer, employee or member of the firm, consistent with applicable legal and ethical responsibilities, who may use the tax return information for the purpose of providing other legal or accounting services to the business. As an example, an accountant who prepares a tax return for the business may use the tax return information, or disclose it to another officer, employee or member of the firm, for use in connection with the preparation of books and records, working papers, or accounting statements or reports for you. In the normal course of rendering the accounting services to you, the accountant may make the tax return information available to third parties, including stockholders, management, suppliers, or lenders, consistent with the applicable legal and ethical responsibilities, unless you direct otherwise.

The firm may, consistent with the applicable legal and ethical responsibilities, take your tax return information into account, and may act upon it, in the course of performing accounting services for another client, or disclose the information to another officer, employee or member of the firm to enable that other officer, employee or member to take the information into account, and act upon it, in the course of performing accounting services for another client. This is permissible when the information is, or may be, relevant to the subject matter of the accounting services for the other client, and consideration of the information by those performing the services is necessary for the proper performance of the services. In no event, however, may the tax return information be disclosed to a person who is not an officer, employee or member of the accounting firm, unless the disclosure is exempt from the disclosure provisions.

If, after furnishing tax return information to the firm, you die or become incompetent, insolvent, or bankrupt, or your assets are placed in conservatorship or receivership, the firm may disclose the information to your duly appointed fiduciary of your estate, or to the duly authorized agent of the fiduciary.

The uses and disclosures with respect to software preparation, other tax return preparers within the firm, and tax return preparers located outside the United States, as well as the disclosures to other tax return preparers within the United States and the disclosures to programming and maintenance contractors permitted above apply to the disclosure of any tax return information in the preparation of, or in connection with the preparation of, any tax return under the law of any state or political subdivision thereof, of the District of Columbia, of any territory or possession of the United States, or of a country other than the United States. The nondisclosure and non-use provisions do not apply to the use by the firm of any tax return information in the preparation of, or in connection with the preparation of, any tax return of yours under the law of any state or political subdivision thereof, of the District of Columbia, of any territory or possession of the United States, or of a country other than the United States. They also do not apply to the disclosure or use by any tax return preparer of any tax return information in the audit of, or in connection with the audit of, any tax return of yours under the law of any state or political subdivision thereof, the District of Columbia, or any territory or possession of the United States.

The firm may use and disclose tax return information that you provide to us to pay for tax preparation services to the extent necessary to process or collect the payment. For example, if you give us a credit card to pay for tax preparation services, the firm may disclose your name, credit card number, credit card expiration date, and amount due for tax preparation services to the credit card company, as necessary, to process the payment. Any tax return information that you did not give us for the purpose of making payment for tax preparation services may not be used or disclosed by the firm without your prior written consent, unless otherwise permitted under another provision.

The firm may retain your tax return information, including copies of tax returns, in paper or electronic format, prepared on the basis of the tax return information, and may use the information in connection with the preparation of another of your tax returns or in connection with an examination by the Internal Revenue Service of any tax return or subsequent tax litigation relating to the tax return. The firm may compile and maintain a separate list containing solely the names, addresses, email addresses, and phone numbers of taxpayers whose tax returns the firm has prepared or processed. This list may be used by the compiler solely to contact the taxpayers on the list for the purpose of offering tax information or additional tax return preparation services to such taxpayers. The firm may not transfer the taxpayer list, or any part thereof, to any other person unless the transfer takes place in conjunction with the sale or other disposition of the firm's tax return preparation business. A person who acquires a taxpayer list, or a part thereof, in conjunction with a sale or other disposition of a tax return preparation business is also subject to these provisions with respect to the list. The term list includes any record or system whereby the names and addresses of taxpayers are retained. These provisions also apply to the transfer of any records and related papers.

The firm may use, for the limited purpose specified, tax return information to produce a statistical compilation of data. The purpose and use of the statistical compilation must relate directly to the internal management or support of the firm's tax return preparation business, or to bona fide research or public policy discussions concerning state or federal taxation or requiring data acquired during the tax return preparation process. The firm will not disclose the compilation, or any part thereof, to any other person unless disclosure of the statistical compilation is anonymous as to taxpayer identity, does not disclose cells containing data from fewer than ten tax returns, and is in direct support of the firm's tax return preparation business or of bona fide research or public policy discussions concerning state or federal taxation or requiring data acquired during the tax return preparation process. A statistical compilation is anonymous as to taxpayer identity if it is in a form that cannot be associated with, or otherwise identify, directly or indirectly, a particular taxpayer. For these purposes, marketing and advertising is in direct support of the tax return preparer's tax return preparation business provided the marketing and advertising is not false, misleading, or unduly influential. This does not authorize the use or disclosure in marketing or advertising of any statistical compilations, or part thereof, that identify dollar amounts of refunds, credits, or deductions associated with tax returns, or percentages relating thereto, whether or not the data are statistical, averaged, aggregated, or anonymous. Disclosures made in support of fundraising activities conducted by Volunteer Return Preparation programs and other 501(c) organizations in direct support of their tax return preparation businesses are not marketing and advertising under this paragraph. The firm may disclose the compilation in order to comply with financial accounting or regulatory reporting requirements whether or not the statistical compilation is anonymous as to taxpayer identity or discloses cells containing data from fewer than ten tax returns.

The tax return preparer may not sell or exchange for value a statistical compilation of data, in whole or in part, except in conjunction with the transfer of assets made pursuant to the sale or other disposition of the tax return preparer's tax return preparation business. The provisions regarding the transfer of a taxpayer list also apply to the transfer of any statistical compilations of data. A person who acquires a statistical compilation, or a part thereof, in conjunction with a sale or other disposition of the firm's tax return preparation business, is subject to these limitations with respect to the compilation.

The firm may disclose your tax return information for the purpose of a quality or peer review to the extent necessary to accomplish the review. A quality or peer review is a review that is undertaken to evaluate, monitor, and improve the quality and accuracy of a tax return preparer's tax preparation, accounting, or auditing services. A quality or peer review may be conducted only by attorneys, certified public accountants, enrolled agents, and enrolled actuaries who are eligible to practice before the Internal Revenue Service. Tax return information may also be disclosed to persons who provide administrative or support services to an individual who is conducting a quality or

peer review, but only to the extent necessary for the reviewer to conduct the review. Tax return information gathered in conducting a review may be used only for purposes of a review. No tax return information identifying a taxpayer will be disclosed in any evaluative reports or recommendations that may be accessible to any person other than the reviewer or the tax return preparer being reviewed. The tax return preparer being reviewed will maintain a record of the review, including the information reviewed and the identity of the persons conducting the review. After completion of the review, no documents containing information that may identify any taxpayer by name or identification number may be retained by a reviewer or by the reviewer's administrative or support personnel.

These limitations do not apply to any disclosure necessary to accomplish a conflict review. A conflict review is a review undertaken to comply with requirements established by any federal, state, or local law, agency, board, or commission, or by a professional association ethics committee or board, to either identify, evaluate, and monitor actual or potential legal and ethical conflicts of interest that may arise when a tax return preparer is employed or acquired by another tax return preparer, or to identify, evaluate, and monitor actual or potential legal and ethical conflicts of interest that may arise when a tax return preparer is considering engaging a new client. Tax return information gathered in conducting a conflict review may be used only for purposes of a conflict review. No tax return information identifying a taxpayer may be disclosed in any evaluative reports or recommendations that may be accessible to any person other than those responsible for identifying, evaluating, and monitoring legal and ethical conflicts of interest. No tax return information identifying a taxpayer may be disclosed outside of the United States or a territory or possession of the United States unless the disclosing and receiving tax return preparers have procedures in place that are consistent with good business practices and designed to maintain the confidentiality of the disclosed return information.

The firm is not prohibited from the disclosure of any tax return information to the proper federal, state, or local official in order, and to the extent necessary, to inform the official of activities that may constitute, or may have constituted, a violation of any criminal law or to assist the official in investigating or prosecuting a violation of criminal law. A disclosure made in the bona fide but mistaken belief that the activities constituted a violation of criminal law is not subject to the nondisclosure and non-use rules.

In the event of incapacity or death of the tax return preparer, disclosure of tax return information may be made for the purpose of assisting the tax return preparer or his legal representative (or the representative of a deceased tax return preparer's estate) in operating the tax return preparer's business.

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).

Thank you for your attention in this matter, and please contact us with any questions that you may have.

Sincerely,



Martin James, CPA, PFS  
Martin James, CPA, PC

**ACCEPTED AND AGREED:**

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**Officer**

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**Date**



## **Audit Fee Protection Program (AFPP)**

The Internal Revenue Service, the Indiana Department of Revenue and the Department of Workforce Development have been much more active in selecting individuals and companies for exam. Technology and updated statistical information have made our government entities much more efficient in increasing the number of tax returns that are being examined. Exam techniques included a 1099 and K1 matching program; Exams in which you receive a letter denying your deductions requiring you to provide support for your deductions; and actual face-to-face examinations.

The fact that you get chosen for an exam does not mean you have done anything wrong or that there was an error in the preparation of your tax return. Exams can be the result of random chance or that your tax return contains line items or schedules in which the government entity has determined has a high potential for non-compliance. Additionally, the Internal Revenue Service regularly performs special project exams for certain entities, industries or items on personal returns to establish statistical data for selecting future tax returns for exam.

Per the engagement letter for the preparation of your tax returns, our fees for representing you in an exam are not included in the tax preparation fees. Fees for representing you will be charged at our standard hourly rates plus expenses incurred for the exam and must be paid prior to the beginning of the exam (minimum fee schedule will apply). Depending on the nature of the exam, these fees could be significant and well above the fees incurred for the preparation of the tax return being examined. To alleviate the risk of incurring these fees we are offering a program that protects our clients from additional fees resulting from representation by our firm in an exam. We refer to this program as the Audit Fee Protection Program (AFPP). If you participate in the program, we will represent you at no charge as follows:

***We will represent you in exams concerning tax returns and/or tax forms prepared by our firm, to the extent we are allowed by our professional designations. This includes correspondence from the Internal Revenue Service, Indiana Department of Revenue and the Department of Workforce Development.***

The Audit Fee Protection Program includes only fees incurred for our representation. You will remain responsible for any additional tax, penalties, and/or interest that may be assessed by taxing authorities. Additionally, you will be responsible for any fees resulting from other professionals involved in your exam, which may include, but not limited to attorneys, appraisers and expert witnesses. If at anytime any fraud or criminal investigation begins, we may withdraw from the engagement and a recommendation to an attorney specializing in such matters will be made.

Participation in the AFPP is optional. If you elect to participate in the program you agree to cooperate with our staff by providing all necessary documentation and source documents requested within 30-days of such request. You agree to sign all forms necessary to allow us to properly represent you.

A handwritten signature in black ink that reads 'Martin James CPA/PFS'.

Martin James, CPA/PFS

Martin James CPA, PC/Martin James, Investment and Tax Management, LLC



## Audit Fee Protection Program Fee Schedule

To participate in the program, indicate by checking the appropriate box and signing below.

Fees are as follows:

<b>Annual Audit Fee Protection Program:</b>	
Individual	\$55
Individuals with (Schedules C, E and F)	\$105
Individuals with multiple securities sales on Schedule D	\$75
Corporations & Partnerships	\$165
Trusts and Estate 1041	\$85
Estate 706	\$300
Gift 709	\$75

<b>Minimum Fee Schedule Without Audit Fee Protection Program</b>	
<b>Individual Audits</b>	\$425
<b>Corporation &amp; Partnership Audits</b>	\$875
<b>Estates 706</b>	\$1,250
<b>Correspondence</b>	\$200

Please check:

\_\_\_\_\_ YES, I wish to participate in the Audit Fee Protection Program and acknowledge that I will be billed annually for the protection unless I inform you that I do not wish to participate.

\_\_\_\_\_ NO, I do not wish to participate in the Audit Fee Protection Program and acknowledge that I will be billed at least the minimum fee per occurrence without Audit Protection.

\_\_\_\_\_  
 Printed

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 Date

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