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## **ENGAGEMENT LETTER**

Dear Client:

This letter is to confirm our understanding of the terms and objectives of our tax service engagement and to clarify the nature and limitations of the tax services to be provided.

I will prepare the Federal and North Carolina Individual Income Tax Returns for calendar year 2015. You represent that the information you are supplying to me is accurate and complete to the best of your knowledge and that you have disclosed to me all relevant facts affecting your tax returns. I will not verify the information you give me; however, I may ask for additional clarification of some information.

**Although we will try to prepare your tax returns by April 15, 2016, we cannot guarantee that your return will be completed by that date regardless of when your tax information is received by our office. We will secure a six-month extension for any return not prepared by April 15, 2016. Even though we are allowing for a six-month extension to prepare your return interest starts accruing on April 16<sup>th</sup>, 2016 for any unpaid taxes.**

The charge to prepare your 2015 tax returns is based on the complexity of the return. ***Your bill is payable when you pick up your returns, please note that we accept all major credit cards.*** Any unpaid balances will accrue interest at a rate of 1 ½ % interest per month. I will not begin work on any returns if there is a balance remaining from prior billings. In the event of litigation for collection of fees, the client will bear the cost of all attorney and court costs.

It is not unusual for you to receive notices/letters from the taxing authorities. In the event of an audit, you may be requested to produce documents, records or other evidence to substantiate the items of income and deductions shown on a tax return. Any proposed adjustments by the examining agent are subject to certain rights of appeal. **If an examination occurs, I encourage you to let me represent you; however, this additional service is not included in the preparation fee for your returns.**

I will use my judgment in resolving questions where the tax law is unclear, or where there are conflicts between taxing authorities' interpretations of the law and other supportable positions. Unless instructed by you, I will resolve such questions in your favor whenever possible.

It is important for you to know that the law imposes a penalty if a taxpayer makes a substantial understatement of tax liability. For individual taxpayers, a substantial understatement is when the understatement for the year exceeds the greatest of 10% of the tax required to be shown on the return or \$5,000. The penalty is 20% of the tax underpayment. It may be necessary to make certain disclosures in the return to avoid exposure to penalties. I will discuss tax positions that may increase the risk of exposure to penalties and any recommended tax return disclosures with you before completing the preparation of the returns. You should also know that an IRS Audit always includes questions of bartering transactions and deductions that require strict documentation such as travel and entertainment expenses and expenses for business usage of autos and computers. In preparing your returns, I rely on your representations that we have been informed of all bartering transactions and that you understand and have complied with the documentation requirements for your expenses and deductions. If you have questions about these issues, please contact me. You have the final responsibility for the tax returns and, therefore, you should review the returns carefully before signing and filing. We strongly suggest you mail your returns certified with return receipt to ensure date of sending as well as date received.

If, during our work, I discover information that affects your prior year tax returns, I will make you aware of the facts. However, I cannot be responsible for identifying all items that may affect prior-year returns. If you become aware of such information during the year, please contact me to discuss the best resolution of the issue.

If the tax services and terms outlined are in accordance with your understanding of our engagement, please sign this letter in the space provided and return to our office.

I appreciate this opportunity to serve you. If you have any questions or need any additional information, please do not hesitate to call.

Cordially,

Joseph M. Mahn, CPA

The foregoing is in accordance with my understanding of your engagement to provide tax services. The terms described in this letter are acceptable and are hereby agreed to.

AGREED TO AND ACCEPTED:

By: (Signature) \_\_\_\_\_

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

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