

Kathy L. Ness & Associates

2021 Income Tax Return Annual Engagement Letter

Date: _____

Client Name(s): _____

We are pleased to confirm our understanding of the arrangements for your individual Form 1040 income tax return(s). This letter confirms the services you have asked our firm to perform and the terms under which we have agreed to do that work. Please read this letter carefully because it is important to both our firm and you that you understand what you can and cannot expect from our work. In other words, we want you to know the limitations of the services you have asked us to perform. If you are confused at all by this letter or believe we have misunderstood what you need, please call us before you sign it.

This engagement letter represents the entire agreement regarding the services described herein and supersedes all prior negotiations, proposals, representations or agreements, written or oral, regarding these services. It shall be binding on the heirs, successors and assigns of you and us. The Internal Revenue Service imposes penalties on taxpayers, and on us as return preparers, for failure to observe due care in reporting for income tax returns. In order to ensure an understanding of our mutual responsibilities, we ask all clients for whom we prepare tax returns to confirm the following arrangements.

We will prepare your 2021 **Federal, State and Local (if needed)** Individual Income Tax forms and schedules from information you furnish us. We will not in any way verify the data you submit although we may ask you to clarify some of the information. We will furnish you with any organizers, questionnaires and/or worksheets that you request to guide you in gathering the necessary information, in order to keep our fee to a minimum. *If you have taxable activity in a state/city other than that specifically listed you are responsible for providing our firm with all information necessary to prepare any additional applicable state(s) or local income tax returns as well as informing us of the applicable states. We will prepare only those state/city returns specifically listed above.*

We are responsible for preparing only the specific individual income tax forms for the specified reporting agencies listed in this letter. Any other requested services, forms or other actions on our part require a separate written, signed engagement letter. In the absence of written communications from us documenting such services, our services will be limited to and governed by the terms of this engagement letter. Our services are not intended to determine whether you have filing requirements other than the one(s) which you have requested above.

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 an aggregate 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). Failure to disclose the required information to the U.S. Department of the Treasury may result in substantial civil and/or criminal penalties. Such disclosure includes filing Form 8938 with this Form 1040.

If you do not provide our firm with information regarding any interest you may have in a foreign account, we will not be able to prepare any of the required Income Tax related forms, and penalties may be due, for which we have no responsibility. In the absence of such information being provided we will presume you do not have any foreign assets or financial interests and will not file any applicable disclosure forms without separate written authorization.

If you and/or your entity have a financial interest in any foreign accounts, you may also be responsible for filing Form FinCen 114 required by the U.S. Department of the Treasury on or before April 15th of each tax year. US citizens are required to report worldwide income on their US tax return.

In addition, currently the Internal Revenue Service, under IRC §6038 and §6046, requires information reporting if you are an officer, director or shareholder with respect to certain foreign corporations (Form 5471); foreign-owned U.S. corporation or foreign corporation engaged in a U.S. trade or business (Form 5472); U.S. transferor of property to a foreign corporation (Form 926); and, for taxable years beginning after March 18, 2010, if you hold foreign financial assets with an aggregate value exceeding \$50,000. By your signature below, you accept responsibility for informing us if you believe that you fall into one of the above categories and you agree to provide us with the information necessary to prepare the appropriate forms. We assume no liability for penalties associated with the failure to file or untimely filing of any of these forms.

You acknowledge that you have reported all 2021 income you received including barter, crypto-currency, consumer-to-consumer activity, cash-based revenues and all other income whether received in-person, in-kind, or electronically.

Our fee does not include responding to inquiries or examination by taxing authorities or third parties, for which you will be separately billed for time and expenses involved. However, we are available to represent you and our fees for such services are at our standard rates and would be covered under a separate engagement letter. You agree to immediately notify us upon the receipt of any correspondence from any agency covered by this letter.

It is your responsibility to maintain, in your records, the documentation necessary to support the data used in preparing your tax returns, and the required documents to support charitable contributions for three years from the filing date. It is also your responsibility to carefully examine and approve your completed tax returns before signing and mailing them to the tax authorities. We are not responsible for the disallowance of doubtful deductions or inadequately supported documentation, nor for resulting taxes, penalties and interest. We are required to obtain a copy of Form W-2, 1099-R and 1095 before we are allowed to electronically file your return under the rules of IRS Circular 230.

We will rely, without further verification, upon information you provide us from third parties including, but not limited to, K1's, 1099's, 1098's, and receipts and similar items. *We DO NOT automatically file tax extensions for clients-you must notify us in writing, email or fax if you wish us to file an extension, and the notification should include your estimate of any balance due with the extension. Failure to file an extension may make you subject to various penalties and interest. Additionally, if your return is extended it does not relieve you from paying any tax due on the due date or making quarterly estimated tax payments for the current year. Failure to pay any tax due with the extension or failure to pay quarterly estimated tax payments may make you subject to various penalties and interest.*

We will use our professional judgment in preparing your returns. Whenever we are aware that a possibly applicable tax law is unclear or that there are conflicting interpretations of the law by authorities (e.g., tax agencies and courts), we will explain the possible positions that may be taken on your return. We will adopt whatever position you request on your return so long as it is consistent with the codes, regulations, and interpretations that have been promulgated. If the Internal Revenue Service should later contest the position taken, there may be an assessment of additional tax plus interest and penalties. We assume no liability for any such additional penalties or assessments.

When a self-employed taxpayer reduces taxable income through tax deductions there is also a reduction in earned income reported to the Social Security Administration, which could reduce current and future benefits for the taxpayer and his or her dependents. You acknowledge and agree to the current tax reduction and also acknowledge and agree to the potential negative effects on future social security benefits for you, your spouse and any dependents.

In addition, equity loans are not deductible unless the mortgage funds are used to buy, build or improve your personal residence and does not exceed the allowable mortgage debt. To comply with these rules we need to know any amounts borrowed against your home, the date borrowed and the use of the funds.

Privacy laws established by the IRS prohibit us from providing confidential information or copies to anyone other than you without your specific, written authorization. To comply with these regulations we provide all copies of all returns to you in our secure ProtectedXchange web portal that we enacted in 2017. Please contact our firm if you need to be set up on our portal or need to obtain a new password. 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. 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 information to a third party.

It is our policy to keep records related to this engagement for three years after which they are destroyed. ***However, we do not keep any original client records, so we will return those to you at the completion of the services rendered under this engagement. When records are returned to you, it is your responsibility to retain and protect your records for possible future use, including potential examination by any government or regulatory agencies. If you move or do not wish to receive an organizer, please notify us or we will send the organizer to the address we used on your prior year's tax return.*** In the interest of facilitating our services to you, we utilize the ProtectedXchange secure web portal. Your use of this portal must comply with our standards of use, and as owners of the portal we retain the right to limit and deny use of the portal for inappropriate purposes. Your access to files maintained on the portal will be terminated no later than 30 days after the earlier of your or our termination of services under this agreement or April 15, unless we are notified in writing of your desire to extend your tax return. All confidential information sent to you or third parties (at your direction), as well as the portal will be password protected. 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 consent to our use of these devices during this engagement.

From time to time during our relationship, you may seek our advice with regard to potential investments. We are not investment advisors. Accordingly, we suggest that you seek the advice of qualified investment advisors appropriate to each investment being considered. Unless otherwise specifically agreed to in a separate engagement letter signed by both parties, we will not advise you regarding the economic viability or consequences of an investment or whether you should or should not make a particular investment.

Payments for billings are due upon receipt and billings become delinquent if not paid within 90 days of the invoice date. If you are delinquent in payment your account may be subjected to collection actions and you will become additionally responsible for collection, legal, administrative, court and any other fees incurred by us in collecting your delinquent account. If billings are not paid within 120 days of the invoice date, at our election, we may stop all work until your account is brought current, or we may withdraw from this engagement. You acknowledge and agree that we are not required to continue work in the event of your failure to pay on a timely basis for services rendered as required by this engagement letter. You further acknowledge and agree that in the event we stop work or withdraw from this engagement as a result of your failure to pay on a timely basis for services rendered as required by this engagement letter, we shall not be liable to you for any damages that occur as a result of our ceasing to render services. Our services will conclude upon delivery of the completed income tax returns discussed above or upon our suspension of services or resignation from the engagement.

In recognition of the relative risks and benefits of this agreement to both the client and the accounting firm, the client and the accounting firm have discussed and have agreed on the fair allocation of risk between them. As such, the client agrees, to the fullest extent permitted by law, to limit the liability of the accounting firm to the client for any and all claims, losses, costs, and damages of any nature whatsoever, so that the total aggregate liability of the accounting firm to the client shall not exceed the accounting firm's total fee for services rendered under this agreement. The client and the accounting firm intend and agree that this limitation apply to any and all liability or cause of action against the accounting firm, however alleged or arising, unless otherwise prohibited by law. Both parties agree that there is a one-year limitation period to bring a claim against us for errors and omissions. The one-year period will begin upon the date of the tax professional's signature on the tax returns covered by this engagement letter.

From time to time various third parties may request that we sign, for you, some verification of income, employment or tax filing status. Because we were engaged only to prepare your income tax return, without examination, review, audit or verification the state board of accountancy prohibits us from signing any such document and we suggest that you have any third parties send IRS Form 4506 to the IRS to obtain such verification.

In connection with this engagement, we may communicate with you or others via email transmission. As emails can be intercepted and 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 and waive 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, such as loss of revenues or anticipated profits, or disclosure or communication of confidential or proprietary information.

We truly appreciate the opportunity to serve you. **Please date and sign the enclosed copy of this letter to acknowledge your agreement with and acceptance of your responsibilities and the terms of this engagement. It is our policy to initiate services after we receive the executed engagement letter. If any provision of this agreement is declared invalid or unenforceable, no other provision of this agreement is affected and all other provisions remain in full force and effect.**

Sincerely,

Nathy L. Aless & Associates

_____ (Client Signature) _____ (Date)

_____ (Client Signature) _____ (Date)

I have read the above terms of the engagement letter and agree with the terms of this engagement.

2021 Advanced Child Tax Credit

Please provide copies of all IRS Letter 6419

The Child Tax Credit payments were an advance on the 2021 Child Tax Credit. These advance payments will be used to reduce your 2021 Child Tax Credit for qualifying individuals. Refer to the IRS letter indicating the amount of Advanced Child Tax Credit payments received. You can look up your Advanced Child Tax Credit amounts by either creating or viewing your IRS online account at: <https://www.irs.gov/credits-deductions/child-tax-credit-update-portal>

Advanced Child Tax Credit payments. Enter a zero (0), if none was received:	Taxpayer/Joint	Spouse
July	+ _____	+ _____
August	+ _____	+ _____
September	+ _____	+ _____
October	+ _____	+ _____
November	+ _____	+ _____
December	+ _____	+ _____

Number of qualifying children used to determine Adv CTC Payments received (Letter 6419) _____

5. Economic Income Payment #3 (IRS Notice 1444-C)

The Third Economic Impact Payment (Stimulus Check)
would have been distributed on/around March 17, 2021.

Please let us know the amount you received via check or direct deposit.

Crypto-Currency & Taxes: What You (and We) Need to Know

Calculating Your Crypto Gains and Losses:

For each taxable event (selling, trading, spending for goods or services or disposing of your crypto) you need to calculate your gain or loss incurred from the transaction(s). Your capital gains and losses must be reported one-by-one onto Form 8949 (*Sales and Other Dispositions of Capital Assets*) in your tax return. If you've sold, disposed, or traded your crypto we need you to provide us the details of the gain or loss for each sale.

We will not take responsibility for determining the gain or loss from your crypto transactions. We highly recommend you invest in a cryptocurrency tax software such as CryptoTrader.Tax (www.cryptotrader.tax) to handle your crypto tax reporting.

Crypto Received from Mining & Staking is treated as Income

Income received from mining is a taxable event. When you mine coins, you have income on the day the coin is "created" in your account at that day's exchange value. If you have not been keeping track of the fair market value (FMV) in USD for all of the specific dates that you received crypto, you can simply upload your mining into a cryptocurrency tax software like CryptoTrader to automatically receive reports containing this data. We will then need this information to prepare your tax returns.

Seven (7) Activities That Require Reporting

- Selling (Converting) crypto to US Dollars
- Trading 1 crypto for another
- Spending crypto directly for goods or services
- Mining crypto from your own computers
- Staking or lending crypto and receiving payment in crypto or dollars
- Receiving Airdrop crypto
- Getting paid in crypto

The first 3 items require that we report each and every transaction separately on your return!! Potentially hundreds or thousands of transactions must be reported if you are spending cryptocurrency, trading (even via a "Bot"), mining, etc.

If all you did this year was PURCHASE cryptocurrency, please let us know.

The IRS has placed mandatory questions regarding cryptocurrency transactions in the return that- if answered incorrectly- will cause them to open your return to review because of anticipated schedules they expect to see that are connected to these questions.