



**Signature  
Required**

## **ENTITY ENGAGEMENT LETTER**

Dear Client:

We appreciate the opportunity to work with you and advise you regarding your income tax returns. In order to ensure an understanding of our mutual responsibilities, we ask all clients for whom returns are prepared to confirm the following arrangements.

We will prepare your 2018 federal and requested \_\_\_\_\_ state income tax returns from information which you will furnish to us. You represent that the information you are supplying to us is accurate and complete to the best of your knowledge and that your expenses for meals, entertainment, travel, contributions and vehicle use are supported by records as required by law. The firm relies solely on information furnished by you. There is no responsibility on the part of the firm to audit, verify or extensively analyze the information provided. It is therefore your responsibility to make certain that all information submitted is accurate and complete, though it may be necessary to request clarification of some information. We will render bookkeeping assistance as determined to be necessary for the preparation of your returns. **If additional bookkeeping/accounting work is necessary, there will be an hourly charge for this service in addition to the cost of the actual return. If you would like to request a quote for these services in advance, please let us know.**

It is your responsibility to provide all the information required for the preparation of complete and accurate returns. You should retain all documents, cancelled checks and other data that form the basis of income and deductions for a period of seven years. These may be necessary to prove the accuracy and completeness of the returns to a taxing authority. Our firm policy is to retain copies of selected documents used in the preparation of your returns for a period of three years. After three years, our files are destroyed by an outside contractor. A signed engagement letter and deposit are required before we will be able to begin processing your return.

According to IRS regulations, **you have the final responsibility for the data used to prepared income tax returns** and, therefore, you should review them carefully before you sign them. If any changes are required, **it is your responsibility** to inform us so necessary corrections to your returns are made prior to filing.

In connection with the preparation of your income tax returns, we do not perform any procedures designed to discover defalcations or other irregularities, should any exist. We will use our professional judgment in resolving questions where the tax law is unclear. However, it is understood that you remain responsible for any adverse determination by the taxing authorities or the courts. Any information you provide during the preparation of your returns is confidential; however, the courts have held it is not protected by any Accountant-Client privilege.

Our fee for all of the aforementioned services will be based upon the forms needed and the amount of time required, at standard billing rates in effect at the time the services are rendered. The firm's fee does not include responding to IRS inquiries, and the firm is not responsible for

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*'Accounting Solutions for Small Businesses'*

9099 Ridgefield Drive, #204  
Frederick, MD 21701  
301-360-9500

301-473-5880

8 West Main St  
Middletown, MD 21769

IRS disallowance of doubtful deductions unsupported by adequate documentation, nor for resulting penalties and interest. If your returns are selected for examination by the taxing authorities, we will be available upon request to represent you and will render additional invoices for the time and expenses incurred. All invoices are due and payable upon completion of your returns. In the event of collection proceedings, you will be charged collection expenses and reasonable attorney fees.

The engagement does not include any services not specifically stated in this letter. If this letter fairly sets forth your understanding, please sign it in the space indicated. If there are other tax returns you expect us to prepare, such as Local Business License, Federal Gift tax, or prior year returns, please inform us by noting so at the end of this letter.

We want to express our appreciation for this opportunity to work with you.

Very truly yours,

*Tim Miller*

*Brandon Layo*

*Steven Katz*

Tim Miller, CPA

Brandon Layo, CPA

Steven Katz, CPA

Accepted By: \_\_\_\_\_ Date: \_\_\_\_\_

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



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8 West Main Street, Middletown, MD 21769  
P: 301-473-5880 F: 301-371-6721  
1420 N Street, N.W., Ste. 102, Washington, DC 20005  
P: 301-257-1540 F: 202-355-7615

## Affordable Care Act Notification

In late 2013 the IRS released Revenue Procedure 2013-54 which, among other things has ended the ability for an employer to provide a tax free reimbursement of individual health insurance costs, co-pays, deductibles and most other health care related costs. Failure to comply with these new limitations that went in to effect January 1, 2014 can subject the employer to penalties of \$100 per employee, per day (\$36,500 annually per employee) under IRS Notice 2011-1 and ERISA rules. In early 2015 the IRS delayed this penalty until July 1, 2015.

A small business with fewer than 50 full time employees is still not required to provide health insurance. However, any health care benefit provided must now meet the standards of Affordable Care Act insurance. You may no longer, in most cases, provide discriminatory insurance, insurance or medical cost reimbursements, co-pay reimbursements, Medicare reimbursements or benefits for some full time employees but not others. If you provide any health care benefits other than a company sponsored, non-discriminatory plan to all full-time employees the \$36,500 annual penalty per employee will apply.

There are exceptions to this penalty, which we would be pleased to discuss with you, but the bankruptcy-inducing penalty limits for small business employers requires us to both notify you of their existence as well as have you confirm that you are no longer providing any of these prohibited items.

Please read the following paragraph and sign where indicated:

Effective January 1, 2018 we state that we have not provided tax-free reimbursement or payment of individual health insurance premiums, medical costs, Medicare supplemental policies or Parts B/O premiums or any other medical items, except for those specifically allowed by law as non-discriminatory employer-sponsored group health care plans.

Employer \_\_\_\_\_

BY: (Print Name & Title) \_\_\_\_\_

Date \_\_\_\_\_



FARAGALLA & Associates

2018 BUSINESS WORKSHEET

Name of Entity: \_\_\_\_\_

1. PLEASE PROVIDE A COPY OF THE DECEMBER 2018 AND JANUARY 2019 STATEMENTS FOR:

ALL BUSINESS BANK ACCOUNT (\$)

ALL CREDIT CARD STATEMENTS

2. INVENTORY OF MERCHANDISE HELD FOR RESALE \$ \_\_\_\_\_

Inventory must be taken at fiscal year end.

You must maintain a list by item showing description, quantity, unit price and extension

3. COST OF INVENTORY TAKEN FROM BUSINESS FOR PERSONAL USE: \$(\_\_\_\_\_)

4. NOTES, CONTRACTS, LOANS, MORTGAGES PAYABLE

5. Was there any change in the share of ownership or officers during the year?  Yes  No

If yes, please explain change \_\_\_\_\_

6. Are there additional business expenses that were paid by owners that have not been reimbursed?  Yes  No

If yes, attach list.

7. Does your business have a retirement plan?  Yes  No

If yes, what type?  401K  Keogh  SEP  IRA  SIMPLE  Other \_\_\_\_\_

8. Have you disposed of any equipment, furniture or vehicles during the year?

If yes, fill in details below or mark on attached Depreciation Schedule  Yes  No

9. Have you acquired any equipment, furniture, or vehicles during the year?

If yes, include purchase papers and any corresponding loan documents  Yes  No

10. SALES BY STATE

MD \$ \_\_\_\_\_ VA \$ \_\_\_\_\_ DC \$ \_\_\_\_\_

PA \$ \_\_\_\_\_ WV \$ \_\_\_\_\_ Other \$ \_\_\_\_\_

11. CELL PHONES/BLACKBERRIES/OTHER COMMUNICATION DEVICES

Percentage of Business use \_\_\_\_\_ Who's name is on the account? \_\_\_\_\_

Do you have *written* evidence to support the business use percentage?  Yes  No

**NOTE:** The IRS has denied, during audits, claims of 100% business use.

12. IF YOU HAVE A COMPANY OWNED OR LEASED VEHICLE ON YOUR BOOKS\*

	Vehicle #1	Vehicle #2	Business Use of Personal Vehicle
<b>Life of Lease</b>			
<b>Odometer reading</b> at end of year			
<b>Total miles driven</b> during the year			
. . . Total <b>business</b> miles			
. . . Total <b>commuting</b> miles			
<b>Actual expenses</b> (gas, oil, repairs, lease expense)			
<b>Interest</b>			
<b>Personal property tax</b>			
<b>Business parking and tolls</b>			
Was the vehicle available for personal use?	<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No
Was the vehicle used primarily by a more than 5% owner or related person?	<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No
Do you have evidence to support the business miles claimed? **	<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No
Is the evidence in writing? **	<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No
Do you have a written policy that prohibits personal use of vehicles other than for commuting? **	<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No

\* **Do not report with personal information.** \*\* If these questions are answered no, the deduction may be disallowed. Identify any vehicle that is electric or uses clean burning fuel \_\_\_\_\_

**INSURANCE**

1. Are any life insurance premiums paid through your business?  Yes  No  
 If yes, are they included in your P&L?  Yes  No. If yes, who is beneficiary of policy?  
 \_\_\_\_\_  
 If business is beneficiary, what is cash value at year end? \$ \_\_\_\_\_.
2. Are any long-term care or disability insurance premiums paid for officers and/or owners?  Yes  No  
 If yes, are they included in your P&L?  Yes  No  
 If yes, are all qualifying employees covered by the business plan?  Yes  No  
 If yes, is the company the beneficiary?  Yes  No  
 If yes, for each officer/owner, what is the premium paid?

Type of Ins.	Amount Paid
_____	_____
_____	_____
_____	_____

3. Are there any qualified medical benefits provided to the employees?  Yes  No
4. Are there any qualified medical benefits provided to the owners?  Yes  No
5. How many Full Time employees are employed? \_\_\_\_\_ Part Time? \_\_\_\_\_