

December 16, 2021

Dear Valued Client,

It's that time of year again...time to start thinking about your tax return! Enclosed is your annual Tax Organizer which needs to be completed and returned to us along with all pertinent forms and statements relating to your tax situation. This letter is to confirm and specify the terms of our engagement with you for 2021 and to clarify the nature and extent of the tax services we will provide.

### **Income Tax Services**

We will prepare the Federal and State individual tax returns for calendar year 2021 for the taxing authorities you request. We are under no duty to review the information you provide to determine whether you may have a filing obligation with another state. If we become aware of any other filing requirement, we will tell you of the obligation and may prepare the appropriate returns at your request as a separate engagement.

The engagement letter does not cover the preparation of any financial statements, which, if we are to provide, will be covered under a separate engagement letter.

It is your responsibility to provide all the information required for the preparation of complete and accurate returns. You 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. You have the final responsibility for the income tax returns and, therefore, you should review them carefully before you sign them.

You represent that the information you are supplying to us is accurate and complete to the best of your knowledge and that you have disclosed to us all relevant facts affecting the returns. This will include the ownership of any other foreign financial assets. We will not verify the information you give us; however, we may ask for additional clarification of some information.

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**YOUR PATH. YOUR FUTURE.**

Davidson Fox & Company, LLP

You should also know that IRS audit procedures will almost always include questions on bartering transactions on deductions that require strict documentation such as travel and entertainment expenses and expenses for business usage of autos and computers. In preparing your returns, we 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 any questions about these issues, please contact us.

If, during our work, we discover information that affects prior-year tax returns, we will make you aware of the facts. However, we 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 us to discuss the best resolution of the issue. We will be happy to prepare appropriate amended returns as a separate engagement.

Our work in connection with the preparation of the tax return(s) does not include any procedures designed to discover defalcations or other irregularities, should they exist. The returns will be prepared solely from information provided to us without verification by us.

In accordance with the federal law, in no case will we disclose your tax return information to any location outside the United States, to another tax return preparer outside of our firm for purposes of second opinion, or to any other third party for any purpose other than to prepare your return without first receiving your consent.

The Internal Revenue Code and regulations impose preparation and disclosure standards with non-compliance penalties on both the preparer of the tax return and on the taxpayer. To avoid exposure to these penalties, it may be necessary in some cases to make certain disclosures to you and/or in the tax return concerning positions taken on the return that don't meet these standards. Accordingly, we will discuss tax positions that may increase the risk of exposure to penalties and any recommended disclosures with you before completing the preparation of the return. If we conclude that we are obligated to disclose a position and you refuse to permit the disclosure, we reserve the right to withdraw from the engagement and you agree to compensate us for our services to the date of withdrawal. Our engagement with you will terminate upon our withdrawal.

The IRS permits you to authorize us to discuss, on a limited basis, aspects of your return for one year after the return's due date. Your consent to such a discussion is evidenced by checking a box on the return. Unless you tell us otherwise, we will check that box authorizing the IRS to discuss your return with us.

It is our policy to keep certain records related to this engagement for seven years. However, we do not keep any of your original records, so we will return those to you upon the completion of the engagement. When records are returned to you, it is your responsibility to retain and protect the records for possible future use, including potential examination by governmental or regulatory agencies. By signing this engagement letter, you acknowledge and agree that upon the expiration of the seven year period, we are free to destroy our records related to this engagement.

Certain communications involving tax advice are privileged and not subject to disclosure to the IRS. By disclosing the contents of those communications to anyone, or by turning over information about those communications to the government, you may be waiving this privilege. To protect this right to privileged communication, please consult with us or your attorney prior to disclosing any information about our tax advice. Should you decide that it is appropriate for us to disclose any potentially privileged communication, you agree to provide us with written, advance authority to make that disclosure.

Should we receive any request for the disclosure of privileged information from any third party, including a subpoena or IRS summons, we will notify you. In the event you direct us not to make the disclosure, you agree to hold us harmless from any expenses incurred in defending the privilege, including, by way of illustration only, our attorney's fees, court costs, outside adviser's costs, or penalties or fines imposed as a result of your asserting the privilege or your direction to us to assert the privilege.

The return(s) may be selected for review by 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 deduction shown on a tax return. Any proposed adjustments by the examining agent are subject to certain rights of appeal. In the event of a tax examination, we will be available, upon request, to represent you. However, such additional services are not included in the fees for the preparation of the tax return(s).

If an extension of time is required, any tax due must be paid with that extension. Any taxes not paid by the filing deadline may be subject to late payment penalties and interest.

Our office will be filing returns electronically in accordance with Federal and New York State electronic filing mandates.

### **Tax Organizer Information**

You now have the option of submitting your tax organizer online using My 1040 Data. If you are interested in using My 1040 Data on the internet rather than completing the enclosed Tax Organizer, please call us at (607) 722-5386 and we will forward you a unique User ID and password. Likewise, if you have any questions about My 1040 Data, we would be happy to provide you with additional information regarding this exciting internet tool.

If you would rather complete the hard copy of the Tax Organizer, please feel free to do so and send it back to us in the enclosed envelope, set up an appointment with your tax professional to review and discuss your situation. Please carefully review and update the client profile information section of the organizer including your current e-mail address, cell phone and other pertinent phone numbers to facilitate our follow up.

The Internal Revenue Service matches information returns with amounts reported on tax returns. A negligence penalty may be assessed when income is underreported or when deductions are overstated. Accordingly, all information returns reflecting amounts reported to the Internal Revenue Service should be submitted with this organizer. This includes forms such as:

W-2	Schedules K-1 (Forms 1065, 1120S, 1041)
1099 INT	Annual Brokerage Statements
1099 DIV	1098 – Mortgage Interest
1099 B	Any other tax information statements
1099 MISC or NEC	8886 (Reportable transactions)
1099 (any other)	Form HUD-1 for Real Estate Sales /Purchases

To continue providing quality services on a timely basis, we urge you to collect your information as soon as possible. If information from “passthrough” entities such as partnerships, trusts and S corporations is the only data you are missing, please send the data you have assembled and forward the missing information as soon as it is available.

As you know tax season is an extremely busy time of year for us. In order to complete your return in as timely and efficient manner as possible, **we request that you forward your tax information to us by March 31, 2022.** We cannot guarantee that return information received after this date will result in a completed return by April 15<sup>th</sup>, the deadline. Please be sure to make us aware of any unique circumstances regarding your return.

### **Engagement Administration, Fees, and Other**

Our invoices for these services will be based upon the amount of time required and are payable on presentation. Interest will be assessed at the rate of 1 ½ % per month for all balances outstanding over 30 days. In accordance with our firm policies, work may be suspended if your account becomes 45 days or more overdue and will not be resumed until we have arrived at a mutually agreeable arrangement. If we elect to terminate our services for nonpayment, our engagement will be deemed to have been completed upon written notification of termination, even if we have not completed your return. You will be obligated to compensate us for all time expended and to reimburse us for all out-of-pocket expenditures through the date of termination.

In the event that you disagree with or question any amount due under an invoice, you agree to communicate such disagreement to us in writing within thirty (30) days of the invoice date. Any claim not made within that period shall be deemed waived. In the event that collection procedures are required, you agree to pay all expenses of collection and all attorneys’ fees and costs actually incurred by our firm in connection with such collection, whether or not suit is filed thereon. If litigation is required regarding collection of the account, we will be paid our hourly rates for all time actually expended by our firm in connection with such action.

You agree to indemnify and hold our firm, its partners, and employees harmless from any and all liabilities, costs, and expenses relating to this engagement, and expenses (and those of our legal counsel) incurred by reason of any action taken or committed to be taken by us in good faith. In no event will our firm be liable for incidental or consequential damages even if we have been advised of possibility of such damages.

Our accountants may communicate with you via email, facsimile, transmitting data over the Internet, store data on computer software applications on the Internet, or allow access to data through third-party vendors’ secured portals or clouds. Electronic data that is confidential may be transmitted or stored using these methods. Our firm makes reasonable efforts to keep such communications and data access secure in accordance with applicable laws and professional standards. You accept that we have no control over the unauthorized interception or breach of communications once it has been sent or has been subject to unauthorized access, notwithstanding all reasonable security measures employed by us or our third-party vendors.

We have the right to withdraw from this engagement, in our discretion, if you don’t provide us with any information we request in a timely manner, refuse to cooperate with our reasonable requests or misrepresent any facts. Our withdrawal will release us from any obligation to complete your return and will constitute completion of our engagement. You agree to compensate us for our time and out-of-pocket expenses through the date of our withdrawal.

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If the foregoing correctly sets forth your understanding of our tax engagement, please sign this letter in the space below and return it to our office. If you disagree with any of these terms, please notify us immediately.

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

Very truly yours,

Davidson, Fox & Company, LLP

Davidson Fox & Company, LLP

**AGREED TO AND ACCEPTED BY:**

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Signature

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Date

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