

January 1 2020

Dear Client:

I want to take this opportunity to thank you for choosing me to be your tax accountant and CPA. I have enjoyed working with you in the past and look forward to maintaining and growing that relationship.

In preparation for the upcoming year, I have just completed the continuing education requirements set forth for my profession as a Certified Public Accountant (40 hours or 1 week of classes per year). Education is one of the keys to providing the best service and knowledge to my clients that is possible. This year, as always, I emphasized my efforts on tax law changes and how to best advise my clients. The other key is experience; of which I just finished my 29th year as a Virginia Certified Public Accountant.

This correspondence consists of multiple pages which include:

- This introductory letter (Front and back) -- please review
- Client information Sheet (One page) -- please review the information, make necessary changes and return to me in person, via email or fax 804.598.8963 (this can wait until you bring me tax documents if you wish)
- Client Engagement Letter (two pages front and back) – please review, sign and date, and return to me in person, via email or fax (this can wait until you bring me tax documents if you wish)

Various Items of Interest

The Trump Tax Plan and Virginia response

This past tax year was hailed as one of the largest tax overhauls in recent memory. Many taxpayers experienced little actual tax dollar changes; where others experienced a large sway either positively or negatively. In my observations, overall most taxpayers should have been pleased.

But, because of the overhaul, Virginia had no idea how to react. Much of last tax season was spent during the Virginia Legislature's session. During the tax season, Virginia decided to not immediately act; resulting in an estimated \$500 million to \$1 billion windfall. Virginia decided each taxpayer (who actually paid taxes in 2018 and filed a final tax return by June 30) would receive a \$110 rebate. Um, I hope that felt good, I have not "found" documentation of the final tally of the windfall versus the rebate.....

Alas, Virginia did decide for the 2019 tax return to increase the standard deduction by 150%. So that \$110 rebate was a one-time thing. Hopefully, my taxpayers will return to their expected Virginia Tax outcomes this year!

State Sales Taxes / Consumer Use Tax

Because of the prevalence of the internet, Virginia and other states feel like they are missing out on serious sales tax income. So, they are continuing emphasis on collecting Consumer Use Tax. If you purchase a product and do not pay sales tax (to any state), then it is your responsibility to report that purchase to Virginia. For individuals, that reporting is done with your 2019 Individual Tax filing (you should provide me this information).

But that was not enough. Partially to get that responsibility back to the retailers, there was a Supreme Court decision that was handed down (the Wayfair decision). Historically it was established that a retailer had to have a physical presence (storefront or facility) in a state to collect their sales tax. Well, along comes the internet. Now, an online presence counts the same as a physical presence. And furthermore, a retailer potentially has to file in all of those states!

Healthcare

Affordable Care Act – Anyone that has subsidized health care needs to still provide me the Form 1095-A that they receive from the "marketplace". Your tax return will not be processed by the IRS if this information is missing. It is important to provide me this information so that your return processing is not delayed (which might affect a refund or your insurance coverage).

The “Penalty” was repealed. So for years 2019 and beyond, there is not a penalty associated with individually mandated insurance.

Retirement accounts

Retirement accounts, such as 401k and IRA accounts, are your key to saving for the future. Most of us believe that tax rates will be lower in our retirement than the rates we pay as wage earners today. These contributions are usually current tax deductions as well as providing an opportunity for growth of assets over time. The contribution rates increased for all employee deferral type accounts. Take the time NOW to increase your participation and enjoy tax deferred growth. Take this time of year to seriously evaluate your 2020 plan for contributing to your retirement.

Likewise, contribution rates were increased for Traditional and Roth IRA’s. Unlike most retirement plans, a Roth IRA offers a potential for tax-free growth. However, all taxpayers are not eligible based on income. You should inquire to see if you could make a contribution for 2019 (by April 15, 2020).

Retiree’s over age 70 could save taxes by choosing to have their RMD allocated to a charitable organization. Inquire with your custodian or me regarding the benefits of a Qualified Charitable Distribution and see if it would save you tax dollars!

Online Security

Each year, there is a larger threat on the internet for the security of your personal information. ***You can be assured that the office of Raymond W. Crump CPA PC takes great strides in the security of your personal information.***

If you have received a personal identification number from the IRS, it must be provided to me for filing of your individual income tax return

Filing of Form 1099 Forms

Another area that I can see future enforcement action is the ***filing of 1099 forms***. If a business (or a taxpayer that owns a rental house) pays an unincorporated entity \$600 or more for a service or rent, then that person is required to file a 1099-MISC form with the IRS. An LLC is not incorporated for this rule! There are also requirements regarding paying dividends, interest, and the receipt of mortgage interest. There are questions on each business return or rental activity if you have complied with this requirement!

The office of Raymond W. Crump CPA PC began filing the required 1099 forms electronically a few years ago. This ended up being a great time saver for all involved. If you need to send a person or business entity a Form 1099, all that is needed is the Name, identifying number, address and amount paid in 2018. Form W9 can be found on the “links” page of my website to get this information, if needed. ***The use of our efile system will generate the necessary forms for the vendor and the useful electronic receipt of filing to prove compliance with the IRS.***

Web presence and updates

I invite you to visit the website at www.raycrumpcpa.com. It has a wealth of information and links to pertinent information. Visit it as a convenient place to get information, or interesting links. Follow us on twitter @RayCrumpCPA or like us on www.facebook.com/RayCrumpCPA/

And feel free to recommend me to your friends and neighbors through a handshake or online review.

I hope this letter finds you well, and I wish you the Happiest of Holidays and New Year. I look forward to communicating with you in the coming months. In the meantime, if you have any questions or concerns, give me a call!

Sincerely,



Client Information Sheet

Please review, correct, delete and complete as appropriate.

Basic Information and contacts

Name:

Address:

City:

Home Phone:

Cell Phone (Taxpayer, spouse):

Email address:

If any changes to direct deposit information, please provide voided check

Information from your drivers license is now required to authenticate your identity by the IRS and Va Dept of Taxation. Please provide a photocopy of your license (or Customer Number, Issue Date and Expiration Date)

Dependents:

Any change to your marital status this year?

Any change to your dependents for this year?

Any dependents in college? Please provide details and Form 1098T

Income, Deductions and Tax Credits

There is a comprehensive "Individual Tax Organizer" available at www.raycrumpcpa.com; choose "document download". We want to make sure that you pay the least amount of legal income tax! You may also contact our office for a more concise organizer with your personal information.

Please provide a copy of any correspondence with the IRS or State tax agencies

Health Insurance Status for 2019 – REQUIRED INFORMATION

If you received health insurance through the "marketplace", then you will receive a Form 1095-A, This information must be supplied to me (regardless of IF there was a subsidy or not).

Estimated Income Tax Payments

Please provide me the dates and amounts of any estimated (quarterly) tax payments (you know if this applies to you!).

Federal:

Virginia:

Additional Information or Concerns

January 1 2020

Dear Client:

Raymond W. Crump CPA PC is pleased to provide _____ (“you” or “your”) with the professional services described below. This letter confirms our understanding of the terms and objectives of our engagement and the nature and limitations of the services we will provide. The engagement between you and our firm will be governed by the terms of this Agreement.

Engagement Objective and Scope

We will prepare the federal and state tax returns for the year ended December 31, 2019

We will prepare your tax returns based upon information and representations that you provide to us. We will not audit or otherwise verify the data you submit to us, although we may ask you to clarify certain information.

We will prepare the tax returns solely for filing with the Internal Revenue Service (“IRS”) and state and local tax authorities. Our work is not intended to benefit or influence any third party, either to obtain credit or for any other purpose.

You agree to indemnify and hold us harmless with respect to any and all claims arising from the use of the tax returns for any purpose other than filing with the IRS and state and local tax authorities regardless of the nature of the claim, including the negligence of any party.

Our engagement does not include any procedures designed to detect errors, fraud, or theft. Therefore, our engagement cannot be relied upon to disclose such matters. In addition, we are not responsible for identifying or communicating deficiencies in your internal controls. You are responsible for developing and implementing internal controls applicable to your operations.

This engagement is limited to the professional services outlined above.

CPA Firm Responsibilities

Unless otherwise noted, we will perform our services in accordance with the Statements on Standards for Tax Services (“SSTs”) issued by the American Institute of Certified Public Accountants (“AICPA”) and U.S. Treasury Department Circular 230 (“Circular 230”). It is our duty to perform services with the same standard of care that a reasonable tax return preparer would exercise in this type of engagement. It is your responsibility to safeguard your assets and maintain accurate records pertaining to transactions. We will not hold your property in trust for you, or otherwise accept fiduciary duties in the performance of the engagement.

We will prepare your tax returns based upon your filing status (single, married filing jointly, married filing separately, head of household or qualifying widow[er] with dependent child) as reflected in your income tax returns for last year. If your filing status has changed, you wish to change your filing status, or you have questions about your filing status, please contact us immediately.

Confidentiality

If the tax returns prepared in connection with this engagement are filed using the married filing jointly filing status, both spouses are deemed to be clients of the firm under the terms of this Agreement. Both individuals acknowledge that there is no expectation of privacy from the other concerning our services in connection with this Agreement. We are at liberty to share with either of you, without prior consent of the other, documents and other information concerning the preparation of your tax returns.

Bookkeeping assistance

We may deem it necessary to provide you with accounting and bookkeeping assistance solely for the purpose of preparing the tax returns. These services will be performed solely in accordance with the AICPA Code of Professional Conduct.

Estimated tax payments

You may be required to make quarterly estimated tax payments. We will calculate these payments for the 2020 tax year based upon the information you provide to prepare your 2019 tax returns (the “safe harbor” rule). Updating recommended payments to more closely reflect your actual current year’s income is not within the scope of this engagement. If you would like us to provide this service, we are happy to assist with these calculations upon request.

Government inquiries

This engagement does not include responding to inquiries by any governmental agency or tax authority. If your tax return is selected for examination or audit, you may request our assistance in responding to such an inquiry.

Client Responsibilities

We rely upon the accuracy and completeness of both the information you provide in the income tax organizer and other supporting data you provide in rendering professional services to you.

Documentation

You are responsible for maintaining adequate documentation to substantiate the accuracy and completeness of your tax returns. You should retain all documents that provide evidence and support for reported income, credits, and deductions on your returns, as required under applicable tax laws and regulations. You are responsible for the adequacy of all information provided in such documents. You represent that you have such documentation and can produce it, if necessary, to respond to any audit or inquiry by tax authorities. You agree to hold our firm harmless from any liability including but not limited to, additional tax, penalties, interest and professional fees resulting from the disallowance of tax deductions due to inadequate documentation.

Gift Tax Returns

The IRS considers a gift to be any transfer to an individual, either directly or indirectly, where full consideration (measured in money or money’s worth) is not received in return. Under federal tax law, certain gifts are taxable and subject to an annual gift tax exclusion amount, which for 2019, is \$15,000 per taxpayer. You are responsible for informing us if gift tax returns are required to be filed.

Gifts received from foreign persons

If you received a gift or bequest from a foreign person or trust, you may be required to file a separate IRS Form 3520, *Annual Return To Report Transactions With Foreign Trusts and Receipt of Certain Foreign Gifts* or 3520-A, *Annual Information Return of Foreign Trust with a U.S. Owner*.

Personal expenses

You are responsible for ensuring that personal expenses, if any, are segregated from business expenses and that expenses such as meals, travel, vehicle use, gifts, and related expenses are supported by necessary records required by the IRS and other tax authorities.

U.S. filing obligations related to foreign investments

As part of your filing obligations, you may be required to make certain information disclosures related to your foreign investments. You are responsible for informing us of all foreign assets owned directly or indirectly, including but not limited to financial accounts with foreign institutions, other foreign non-account investments, and ownership of any foreign entities, regardless of amount.

Foreign filing obligations

You are responsible for complying with the tax filing requirements of any other country. You acknowledge and agree that we have no responsibility to raise these issues with you and that foreign filing obligations are not within the scope of this engagement.

Other income, losses and expenses

If you realized income, loss or expense from a business or supplemental income or loss, the reporting requirements of federal and state income tax authorities apply to such income, and you are responsible for communicating this information to us.

Ultimate responsibility

You have final responsibility for the accuracy of your tax returns. We will provide you with a copy of your electronic tax returns and accompanying schedules and statements for review prior to filing with the IRS and state and local tax authorities, as applicable. You agree to review and examine them carefully for accuracy and completeness.

You will be required to verify and sign a completed Form 8879, *IRS e-file Signature Authorization*, and any similar state and local equivalent authorization form before your returns can be filed electronically.

In the event that you do not wish to have your tax returns filed electronically, please contact our firm. Additional procedures will apply. You will be responsible for reviewing the paper returns for accuracy, signing them, and filing them timely with the tax authorities.

Timing of the Engagement

We expect to begin our services upon receipt of this executed Agreement and all documents requested either in the organizer or by our office.

Our services will conclude upon the earlier of:

- the filing and acceptance of your 2019 tax returns by the appropriate tax authorities and mailing or delivery of non-electronically filed tax returns (if any) for your review and filing with the appropriate tax authorities,
- written notification by either party that the engagement is terminated, or
- one year from the execution date of this Agreement.

Extensions of Time to File Tax Returns

The original filing due dates for your tax returns are April 15, 2020

It may become necessary to apply for an extension of the filing deadline if there are unresolved issues or delays in processing, or if we do not receive all of the necessary information from you on a timely basis. Applying for an extension of time to file may extend the time available for a government agency to undertake an audit of your return or may extend the statute of limitations to file a legal action. All taxes owed are due by the original filing due date. Additionally, extensions may affect your liability for penalties and interest or compliance with governmental or other deadlines.

Penalties and Interest Charges

Federal, state, and local tax authorities impose various penalties and interest charges for non-compliance with tax laws and regulations, including failure to file or late filing of returns, and underpayment of taxes. You, as the taxpayer, remain responsible for the payment of all tax, penalties, and interest charges imposed by tax authorities.

We rely on the accuracy and completeness of the information you provide to us in connection with the preparation of your tax returns. Failure to disclose or inadequate disclosure of income or tax positions may result in the imposition of penalties and interest charges.

Professional Fees

Our fees are based upon the complexity of the work to be performed, and our professional time, as well as out-of-pocket expenses. In addition, this fee depends upon the timely delivery, availability, quality, and completeness of the information you provide to us. You agree that you will deliver all records requested and respond to all inquiries made by our staff to complete this engagement on a timely basis. You agree to pay all fees and expenses incurred whether or not we prepare the tax returns.

* * * * *

We appreciate the opportunity to be of service to you. Please date and execute this Agreement and return it to us to acknowledge your acceptance.

Very truly yours,
Raymond W. Crump CPA PC

Raymond W. Crump

ACCEPTED:

Taxpayer

Spouse if applicable

[Date]