

**WOODALL &  
ASSOCIATES, P.A.**  
CPAs & CONSULTANTS

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**General Terms of Engagement – 2022 Returns**

Effective communication is a key factor in any business relationship. The purpose of this document is to confirm and specify the general terms and conditions applicable to the services we will provide you. **These terms and conditions apply to all services provided to you by Woodall & Associates, P.A. from the date you engage our Firm, until you notify us in writing that our engagement is terminated as discussed in the Termination of Services section below. We may modify or enhance these terms and conditions by providing written notice, and any such modifications or enhancements will be applicable to services provided after the date of such notice.**

**Engagement Letters**

If you engage Woodall & Associates, P.A. to prepare tax returns for a particular calendar or fiscal year, we will provide you with an engagement letter. **We are not responsible for preparing tax returns or other filings not listed on the engagement letter**, nor for determining whether you have a filing obligation with another state. If you have taxable activity in a state/city or country other than your state of residency, you are responsible for providing our Firm with all the 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 shown on the engagement letter, and will not determine if you have taxability in those states, cities or countries not shown.

**Complete and Accurate Information**

It is your responsibility to provide all information required for the preparation of a complete and accurate Return(s). You should retain all documents, canceled checks, invoices and other data that form the basis of income and deductions claimed on your Return(s). These may be necessary to prove the accuracy and completeness of the Return(s) to a taxing authority. You have the final responsibility for the Return(s) and, therefore, you should review them carefully before you sign them. You agree that our Firm is not responsible for a taxing authority's disallowance of deductions or for inadequately supported documentation, nor for any resulting taxes, penalties or interest.

**Client information requests**

We may provide you with questionnaires or other documents requesting specific information. Completing these forms will assist us in making sure you are well served for a reasonable fee. You represent that the

information you are supplying us is accurate and complete, to the best of your knowledge, and that you have disclosed to us all relevant facts affecting the Return(s). We will furnish you with any questionnaires and/or worksheets that you request to guide you in gathering the necessary information. Your use of such forms will assist us in keeping our fee to a minimum. To the extent we render any accounting and/or bookkeeping assistance, including (but not limited to) telephone calls, letter, emails and 3rd party consultation, it will be limited to those tasks we deem necessary for preparation of the Return(s) and will be billed at our standard billing rates and minimums.

### **Equity Loans**

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.

### **Business Owners**

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. Additionally, state laws regarding the collection of sales tax by online sellers require separate registration, collection, filing and payment with many states at very low activity levels. Woodall & Associates, P.A. was not engaged to, nor did we determine whether individual state sales tax rules apply to your business. Determination of whether an individual state's sales tax rule applies to your activity is YOUR responsibility, unless we have a SEPARATE written engagement letter acknowledging our responsibility to determine or apply sales tax rules for an individual state. Failure to register and file with an appropriate state may expose you to severe penalties.

### **Privacy Laws**

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 a secure web portal upon request. In the interest of maintaining service quality and timeliness, we may use a 3<sup>rd</sup> party service provider to assist us in the use of technology to facilitate compliance with disclosure and storage of your tax information. We and the 3<sup>rd</sup> party provider have established written procedures and controls designed to protect client confidentiality and maintain data security.

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. 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.

## **Supporting Documentation**

IRS audit procedures will almost always include questions on bartering transactions and on deductions that require strict documentation, such as travel, meals and entertainment expenses, expenses for business use of autos, computers and all charitable contributions. In preparing your returns, we rely on your representations that we have been fully informed of all bartering transactions and income, 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 us.

You are confirming that you will furnish us with all the information required for preparing the returns. This includes, but is not limited to, providing us with the information necessary to identify (1) all states and foreign countries in which you "do business" or derive income (directly or indirectly), and (2) the extent of business operations in each relevant state and/or country. Our Firm is available under terms of a separate written engagement letter to provide a Nexus Study that will enable us to determine whether any other state tax filings are required. We will not audit or verify the data you submit, although we may ask you to clarify it or furnish us with additional data. If you have any questions as to the type of records required, please ask us for advice in that regard.

## **Virtual Currency**

Please note that the Internal Revenue Service ("IRS") considers virtual currency (e.g. Bitcoin) as property for U.S. federal tax purposes. As such, any transactions in, or transactions that use virtual currency, are subject to the same general tax principles that apply to other property transactions. If you had virtual currency activity during the current or prior tax years, you may be subject to tax consequences associated with such transactions and may have additional foreign reporting obligations. Additionally, recent Form 1040 changes require that you report any activity you may have in cryptocurrency including mining, sale, barter, etc.

Congress and the IRS are very aggressively pursuing cryptocurrency activity, reporting and tax situations. Failure to report crypto-currency of any type, including sales, staking, mining, lending, NFT activity, trades and other activities must be reported on your return, so you also acknowledge that you have reported all crypto-currency activity to us. Cryptocurrency activity may require reporting on tax returns filed with other countries. We have not determined if such returns are due nor have we been hired to determine filing requirements or file any tax returns for foreign countries.

You agree to provide us with complete and accurate information regarding any transactions in, or transactions that have used virtual currency during the applicable tax year. Please ask us for advice if you have any questions regarding the type of records required for virtual currency transactions.

## **Potential Investments**

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.

## **Prior Returns**

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 information affecting a prior year tax return, please contact us immediately to discuss the best resolution of the issue.

## **Defalcation, Theft and Other Irregularities**

Our work, in connection with the preparation of your Return(s) and any other work product, does not include any procedures designed to discover defalcation, theft or other irregularities, should any exist. The Return(s) will be prepared solely from information provided to us without verification by us. We will not audit or otherwise verify any information. We may require clarification or additional information. We are not responsible for disallowed deductions, or the inclusion of additional unreported income, or any taxes, penalties, or interest, resulting there from.

## **Communication Via Email**

In connection with this engagement, we may communicate with you or others via e-mail. We take reasonable measures to secure your confidential information in our email transmissions. However, 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 to and read only by the addressee.

Therefore, we specifically disclaim and waive any liability or responsibility whatsoever for the interception or unintentional disclosure or communication of email transmissions, or for the unauthorized use or failed delivery 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 sales or anticipated profits, or disclosure or communication of confidential or proprietary information. **We prefer communication via ShareFile or fax instead of unsecured email.** In the interest of facilitating our services to our clients, we utilize a secure web portal through ShareFile. 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 your or our termination of services. 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 you consent to our use of these devices during any engagement. If you prefer not to use ShareFile or other portals, you must notify us in writing prior to the beginning of our engagement(s).

### **Preparation and Disclosure Standards**

The Internal Revenue Code and regulations impose preparation and disclosure standards with significant non-compliance penalties on both the preparer of a tax return and on the taxpayer. These standards differ and may be higher for return preparers than taxpayers. To avoid exposure to these penalties, it may be necessary in some cases to make certain disclosures to you and/or in the Return(s) concerning positions taken on the Return(s) that do not meet these standards. Accordingly, we will discuss tax positions that may increase the risk of exposure to penalties and any recommended disclosure with you before completing the preparation of the Return(s). 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.

### **Authorization to Discuss**

The IRS and some states permit you to authorize us to discuss, on a limited basis, aspects of your Return(s) for one year after the return's due date. Your consent to such a discussion is evidenced by checking a box on the Return(s). Unless you tell us otherwise, we will check that box authorizing the IRS or other taxing authority to discuss your Return(s) with us.

### **Client Record Retention**

For each engagement we will provide you a copy of the Return(s), as well as depreciation schedules and other pertinent work papers that should be a part of your books and records. In accordance with our Firm's current document retention policy, we will retain our work papers and your Return(s) for five (5) years. However, we do not keep any original client records, so we will return those to you at the completion of any services rendered under any engagements. 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 should need replacement copies of your return(s), we will provide additional copies at our standard copying fees.

After five (5) years, our work papers and files will no longer be available. Physical deterioration or catastrophic events may shorten the time during which your records will be available. Our firm's copies of return(s), work papers and files are not a substitute for the original records, which should be retained by you or your company. It is agreed and understood that in connection with the performance of services by

Woodall & Associates, P.A., the work papers prepared by Woodall & Associates, P.A. will remain the property of Woodall & Associates, P.A., and are not a substitute for your own records.

It is your responsibility to maintain, in your records, the documentation necessary to support the data used in preparing our tax returns, and the required documents to support charitable contributions for three (3) years from the filing date. It is also your responsibility to carefully examine and approve you 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 or interest. We will rely, without further verification, upon information you provide to us from 3<sup>rd</sup> parties including, but not limited to, K-1's, 1099's, 1098's, and receipts and similar items.

### **Client Records Request**

In the event that any client principal requests records you have submitted to us, we are authorized to provide copies of the same in exchange for our standard copying fees.

In the event we receive a subpoena or summons requesting that we produce documents from your engagements, or to testify about your engagements, we will notify you prior to responding to it, if we are legally permitted to do so. You may, within the time permitted for our Firm to respond to any request, initiate such legal action as you deem appropriate to protect information from discovery. If you take no action within the time permitted for us to respond, or if your action does not result in a judicial order protecting us from supplying requested information, we may construe your inaction or failure as consent to comply with the request. These additional services are not included in our fee for preparation of your Return(s) or other services, and we will render additional invoices for all time and expenses incurred, including any time required to prepare. We may require an advance retainer to cover such fees and expenses.

### **E-Filing**

To lower tax return processing costs, the Internal Revenue Service and various states have enacted regulations requiring all individual income tax returns and most business tax returns that our Firm prepares be electronically filed ("e-filed"). The Internal Revenue Service does permit you to elect not to have your Return(s) e-filed. Should you desire not to have your Return(s) e-filed, please notify our Firm immediately, so that we may provide you with the form necessary for opting out of the e-file program. **Please note that unless you notify us of your desire NOT to e-file your Return(s), we will prepare your Return(s) to be e-filed.**

Please note that although e-filing will require both you and our Firm to complete additional steps, the same filing deadlines will apply. You must, therefore, ensure that you complete the additional requirements well before the due dates in order for our Firm to be able to timely transmit your Return(s). E-filing also requires

certain additional information for your Return(s) to be successfully transmitted electronically. Accordingly, it is of the utmost importance that you provide us with your complete and accurate tax information as soon as possible to ensure successful electronic transmission.

Our Firm must send (transmit) your Return(s) to the taxing authorities (rather than you) using a third-party e-filing vendor. We will provide you with a paper or electronic copy of the Return(s) for your review prior to electronic transmission. After you have reviewed the Return(s), you must provide us with a signed authorization form (Form 8879) indicating that you have reviewed the Return(s) and that, to the best of your knowledge, you believe it is correct. **We cannot transmit the Return(s) to the taxing authorities until we have the signed authorization form (Form 8879).**

Therefore, if you have not provided our firm with your signed authorization form one week prior to the filing deadline, we will place your Return(s) on extension, even though it might already have been completed. In that event, you will be responsible for ensuring that any payment due with the extension is timely sent to the appropriate taxing authorities. You will also be responsible for any additional costs our Firm incurs arising from the extension preparation.

Additionally, please note that all tax payment due dates remain the same, even if your Return(s) is e-filed. You must ensure that your payment of any tax balance due is timely remitted on or before the due date of the Federal and State returns. There are options to pay your balance due using a credit card or electronic funds withdrawal. **If you choose to pay the balance due by mail, payment must be received by the tax authorities on or before the due date to avoid penalties.**

Finally, please note that although our Firm will use our best efforts to ensure that your Return(s) are successfully transmitted to the appropriate taxing authorities, we will not be financially responsible for electronic transmission or other errors arising after your Return(s) has been successfully submitted from our office.

### **Foreign Reporting Requirements**

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 in a foreign country, having an aggregate value exceeding \$10,000 at any time during the calendar year, 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 accounts(s). For example, a corporate-owned, foreign account would require filings by the corporation and by the individual corporate officer(s) with signature authority. Failure to disclose the required information to the U.S. Department of the Treasury may result in substantial civil and/or criminal penalties.

If you and/or your entity have a financial interest in, or signature authority over, any foreign accounts, you are responsible for providing our Firm with all the information necessary to prepare the Report of Foreign Bank and Financial Accounts (FBAR) required by the U.S. Department of the Treasury, in order for the FBAR to be received by the Department on or before the due date. If you have an FBAR filing requirement, the FBAR filing deadline is April 15<sup>th</sup>. The FBAR deadline now follows the Federal income tax due date guidance, which notes that if the tax due date falls on a weekend or legal holiday, a return is considered timely filed if filed on the next succeeding date. An automatic 6-month extension will be granted to October 15<sup>th</sup> of each year.

Electronic filing of FBAR reports is mandatory using the Bank Secrecy Act (BSA) e-filing system located on the Financial Crimes Enforcement Network (FinCEN). If you would like our Firm to submit your electronic FBAR report (FinCEN Form 114) on your behalf, we must receive a signed consent form (FinCEN Form 114a) from you prior to submitting the foreign reporting form. If you do not provide our Firm with information regarding any interest you may have in a foreign account, or if we do not timely receive your signed authorization to file your foreign reporting form, we will not be able to prepare and file any of the required disclosure statements.

In addition, the Internal Revenue Service also requires information reporting under applicable Internal Revenue Code sections and related regulations, and the respective IRS tax forms are due when your income tax return is due, including extensions. The IRS reporting requirements are in addition to the U.S. Department of the Treasury reporting requirements stated above. Therefore, if you fall into one of the below categories, or if you have any direct or indirect foreign interests, you may be required to file the following applicable IRS forms.

- You are an individual or entity with ownership of foreign financial assets and meet the specified criteria (Form 8938);
- You are an officer, director or shareholder with respect to certain foreign corporations (Form 5471);
- You are a foreign-owned U.S. corporation or foreign corporation engaged in a U.S. trade or business (Form 5472);
- You are a U.S. transferor of property to a foreign corporation (Form 926);
- You are a U.S. person with an interest in a foreign trust (Forms 3520 and 3520A);
- You are a U.S. person with interests in a foreign partnership (Form 8865).

Failure to timely file the appropriate forms with the U.S. Department of the Treasury and the Internal Revenue Service may result in substantial monetary penalties. You are responsible for informing us if you believe that you may have foreign reporting requirements with the U.S. Department of the Treasury and/or Internal Revenue Service and you agree to timely provide us with the information necessary to prepare the appropriate form(s). We assume no liability for penalties associated with the failure to file, or untimely filing of any of these forms.



## **Examination of Your Returns**

Your 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, deduction or other items shown on a Return(s). 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. You understand that you will be charged an additional fee if we are asked to assist you in a tax examination or inquiry. You understand that, in the event of preparer error, you are responsible for additional tax and interest that may be due, but our responsibility is limited to payment of any penalty that the IRS, state or local taxing authorities may assess.

## **Tax Return Positions**

You will contact us immediately if you discover additional information that will lead to a change in your Return(s), or if you receive any letters from the IRS, state or local taxing authorities. Our policy is to put all tax advice in writing, and you agree that you will not rely upon any unwritten advice because it may be tentative, incomplete, or not fully reviewed.

We will use our judgment to resolve questions in your favor where a tax law is unclear or if there is a reasonable justification for doing so. 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(s). We will follow whatever position you request, so long as it is consistent with the codes and regulations and interpretations that have been promulgated. If a taxing authority 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 tax assessments, penalties or interest. In the event, however, that you ask us to take a tax position that in our professional judgment will not meet the applicable laws and standards as promulgated, we reserve the right to stop work and shall not be liable for any damages that occur as a result of ceasing to render services.

## **Substantial Understatement Penalty**

The law provides for a penalty to be imposed where a taxpayer makes a substantial understatement of their tax liability. Taxpayers may seek to avoid all or part of the penalty by showing (1) that they acted in good faith and there was reasonable cause for the understatement, (2) that the understatement was based on substantial authority, or (3) that the relevant facts affecting the item's tax treatment were adequately disclosed on the return. You agree to advise us if you wish disclosure to be made in your returns or if you desire us to identify or perform further research with respect to any material tax issues for the purpose of ascertaining whether, in our opinion, there is "substantial authority" for the position proposed to be taken on such issue in your Return(s).

## **Our Fees**

Our fees for services vary depending on the individual providing the services and type and complexity of the service. All invoices are due and payable upon presentation. We may bill you on an interim basis prior to completion of the engagement. If our invoices are not paid within thirty (30) days of the invoice date or other mutually agreeable arrangements are not made, we reserve the right to discontinue services and withdraw from any engagement until your account is paid in full.

## **Dispute Resolution**

If any dispute arises among the parties hereto, the parties agree to first try, in good faith, to settle the dispute by mediation administered by the American Arbitration Association (AAA) under its applicable rules for resolving professional accounting and related services disputes before resorting to litigation. Costs of any mediation proceeding shall be shared equally by all parties.

Client and accountant both agree that any dispute over fees charged by the accountant to the client will be submitted for resolution by arbitration in accordance with the applicable rules for resolving professional accounting and related services disputes of the American Arbitration Association (AAA), except that under all circumstances the arbitrator must follow the laws of NC. Such arbitration shall be binding and final. IN AGREEING TO ARBITRATION, WE BOTH ACKNOWLEDGE THAT IN THE EVENT OF A DISPUTE OVER FEES CHARGED BY THE ACCOUNTANT, EACH OF US IS GIVING UP THE RIGHT TO HAVE THE DISPUTE DECIDED IN A COURT OF LAW BEFORE A JUDGE OR JURY, AND INSTEAD WE ARE ACCEPTING THE USE OF ARBITRATION FOR RESOLUTION. The prevailing party shall be entitled to any award of reasonable attorneys' fees and costs incurred in connection with the arbitration of the dispute in an amount to be determined by the arbitrator.

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 return(s) covered by the engagement letter.

### **Termination of Service**

We have the right to withdraw from any engagement, at our discretion, if you don't provide us with information we request in a timely manner, refuse to cooperate with our reasonable requests, misrepresent any facts or fail to pay our fees when due. Our withdrawal will release us from any obligation to complete your Return(s) or other work and will constitute completion of our engagement.

You have the right to terminate our engagement at any time by providing us with written notice of termination. You agree to compensate us for our time and out-of-pocket expenses through the date of our withdrawal or your termination of our engagement.

### **Acceptance of General Terms of Engagement**

The foregoing sets forth the general terms and conditions of all engagements with our Firm. Our services will be provided in accordance with these General Terms of Engagement, which together with our engagement letters constitute our mutual agreement. Please note that you are affirming your understanding of, and agreement to, these terms and conditions by any of the following actions: returning a signed copy of the General Terms of Engagement, returning a signed Engagement Letter, returning your income tax information to us for use in preparation of your Return(s), the submission of the tax returns we have prepared for you to the taxing authorities, or payment of our return preparation fees.

Any additions or modifications to these general terms and conditions will be provided in writing and will be applicable to any services provided following the date of such notice.

