Engagement Letter for Tax Services

[Your Name or Firm Name]

[Your Address]

[City, State, ZIP Code]

[Your Email] | [Your Phone Number]

[Date]

[Client’s Name]

[Client’s Address]

[City, State, ZIP Code]

\*\*Subject: Engagement Letter for Tax Services, Including Individual Income Tax Nexus Study\*\*

Dear [Client’s Name],

Thank you for selecting [Your Firm Name] to assist you with your tax compliance needs. We appreciate the opportunity to serve you and are committed to delivering professional and thorough tax services. This letter outlines the terms of our engagement, including the scope of services, responsibilities, and related conditions.

## Scope of Services

We will provide the following services for the tax year [Year]:
- \*\*Tax Preparation Services:\*\*
 - Federal Income Tax Return ([Form Number(s)])
 - [State] Income Tax Return(s)
 - [Other applicable returns, if any]
- \*\*Individual Income Tax Nexus Study:\*\*
 - We will conduct a multi-jurisdictional nexus study to determine whether you have potential state tax filing obligations due to residency, employment, or other income-related activities.
 - This study will involve an analysis of factors such as:
 - \*\*Residency status\*\* (primary and secondary residences, days spent in each state)
 - \*\*Employment location(s)\*\* and remote work arrangements
 - \*\*Income sources\*\* (e.g., rental properties, partnerships, stock sales)
 - \*\*State-specific filing thresholds and residency rules)
 - We will provide a report summarizing our findings and advising on any necessary state filings or potential exposure.

## Cryptocurrency and Digital Asset Transactions

In accordance with federal tax laws, you are required to disclose any cryptocurrency transactions (e.g., Bitcoin, Ethereum, or other digital assets), including purchases, sales, exchanges, conversions, or payments made with digital currency. Please ensure that you provide us with all relevant records and documentation related to your cryptocurrency activity. Failure to report such transactions may result in penalties or additional tax assessments.

## Foreign Bank and Financial Accounts (FBAR) and Related Reporting

Under U.S. law, you are required to disclose any \*\*foreign financial accounts\*\* (e.g., bank accounts, brokerage accounts, mutual funds) if the aggregate value of these accounts exceeds \*\*$10,000\*\* at any point during the year. This includes filing \*\*FinCEN Form 114 (FBAR)\*\* with the U.S. Treasury Department, separate from your tax return. Additionally, you may have \*\*FATCA (Foreign Account Tax Compliance Act)\*\* reporting requirements if you own certain foreign assets exceeding the reporting thresholds. Please ensure you provide us with all relevant information regarding your foreign financial interests. Failure to report these accounts may result in significant penalties.

## Responsibilities

\*\*Your Responsibilities:\*\*
- Provide complete and accurate financial records, tax-related documents, and details regarding your residency, travel, cryptocurrency transactions, and foreign financial accounts.
- Disclose any remote work arrangements, part-year or multiple-state residency, or other activities that could trigger filing obligations.
- Review your tax returns and the nexus study report before filing and notify us of any discrepancies.
- Pay all required taxes, penalties, and interest, if applicable.

\*\*Our Responsibilities:\*\*
- Prepare your tax returns based on the information provided.
- Conduct the nexus study and deliver a report with our findings.
- Advise you on any new or existing state tax filing obligations resulting from nexus determination.
- Apply tax laws and regulations to the best of our professional knowledge.
- Electronically file or provide completed tax returns for filing (as applicable).
- Maintain confidentiality of your information in accordance with professional standards.

## Fees and Payment Terms

- \*\*Tax Preparation Services:\*\* Our fees for tax return preparation are based on the complexity of the returns and the time required.
- \*\*Nexus Study:\*\* The fee for the individual income tax nexus study is based on the number of states analyzed and the complexity of the review. We will provide an estimate of the total cost before commencing the study.
- Payment is due upon completion of the services and before filing. Additional services beyond the agreed scope will be subject to separate billing.

## Confidentiality & Data Security

Your personal and financial information will be handled with strict confidentiality. We comply with applicable privacy laws and professional standards regarding the protection of client data.

## Limitations and Liability

- \*\*Nexus Study Limitations:\*\* While we will make every effort to identify and advise you on multi-state income tax filing obligations, it is ultimately your responsibility to comply with state tax requirements.
- \*\*Tax Law Changes:\*\* We are not responsible for changes in tax laws that may affect your compliance requirements after the completion of the nexus study or tax return filing.
- \*\*Audit or Examination:\*\* In the event of an audit or tax examination, our services under this engagement letter do not include representation before tax authorities unless separately agreed upon.

## Acknowledgment & Agreement

By signing below, you acknowledge that you have read, understood, and agree to the terms outlined in this engagement letter.

Client Signature: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ Date: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_
Printed Name: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Please return a signed copy of this letter before we begin work on your tax return and individual income tax nexus study. If you have any questions, feel free to contact us. We look forward to working with you.

Best regards,

[Your Name]

[Your Firm Name]

[Your Contact Information]