

Individual Income Tax Engagement Letter

For many practices the individual income tax return presents the largest number of engagements in the office. Obtaining a signed engagement letter each year for each client presents a significant obstacle. Overcoming that obstacle yields significant rewards.

Signed engagement letters define the terms of the engagement and serve to frame the scope of services. Today's practitioner is faced with clients who may be working, investing or transacting business in multiple jurisdictions without knowing that they may be subject to taxation in those jurisdictions. Other, more sinister, clients may know very well that they are avoiding taxation in other jurisdictions and simply intend to blame their CPA if (or perhaps when) the client gets caught avoiding taxation. A frequent refrain among plaintiffs suing their CPAs today is: "I hired a CPA; I thought the CPA would be helping me with ALL MY TAXES!" The client had often limited the scope of the CPA's engagement by hiring the CPA to prepare only certain tax returns and had not been forthcoming with information about other tax issues.

An artfully crafted engagement letter can address this critical scope limitation issue along with developments in privacy and confidentiality, record keeping, client representations, disclosed tax positions, penalties and interest, responsibility for foreign bank account reporting, filing status, document retention, return examination, deadlines, investment advice, dispute resolution and more. With a signed engagement letter issues that develop are often addressed in writing in advance which can reduce the likelihood of a disagreement over what the terms of the engagement encompassed.

With increasing frequency courts are accepting documents that are digitally signed by parties. Logistically, a digital signature is often easier to obtain than a hand signature. In either event, digital signature or a hand signed document, an agreement with the client can substantially reduce the risk of an unfavorable outcome should a disagreement about professional services arise.

Protexure's Risk Management team has developed an individual tax return engagement letter for signature by the client designed to address many of the most pressing issues facing tax practitioners today.

This template is available to insureds only by logging into the Protexure Accountants Members Only area of our website. If you have questions on access please call us at 888-803-9898 and we will be happy to assist you.