CORPORATE ENGAGEMENT LETTER

Business Name:_____

We are pleased to confirm our understanding of the arrangements for your income tax returns(s). This letter confirms the services you have asked Tax Services, Inc. to perform and the terms under which we have agreed to do that work. Please read this letter carefully because it is important to both our firm and you that you understand what you can and cannot expect from our work. In other words, we want you to know the limitations of the services you have asked us to perform. If you are confused at all by this letter or believe we have misunderstood what you need, please call us before you sign it. (Signature line on last page of this letter)

The IRS imposes penalties on taxpayers, and on us as return preparers, for failure to observe due care in reporting for income tax returns. In order to ensure an understanding of our mutual responsibilities, we ask all clients for whom we prepare tax returns to confirm the following arrangements.

We will prepare your 2017 Federal Form 1120 or Form 1120-S and Specific State(s):_____ related specific income tax return schedules from information you furnish us. Additionally, circle the following returns you want us to prepare:

City of Portland & Multnomah County
Tri-Met Tax
County Personal Property Return.

We will not audit, review, compile or otherwise verify the data you submit although we may ask you to clarify some of the information. We will furnish you with tax organizers and questionnaires to help you gather and organize the necessary information for us, in order to keep our fee to a minimum. **If you have taxable activity in a state other than that specifically listed, you are responsible for providing our firm with all information necessary to prepare any additional applicable state(s) or local income tax returns as well as informing us of the applicable states.**

We are responsible for preparing only the specific income tax forms for the specified reporting agencies listed in this letter. Any other required services, forms or other actions on our part require a separate engagement letter. In the absence of written communications from us documenting such services, our services will be limited to and governed by the terms of this engagement letter.

If you have derived income from a foreign country, we will use the foreign country income information which you provide to calculate any applicable federal or state foreign tax credit or other affected federal or state income tax items. However, you are responsible for meeting any foreign country income tax or other foreign country reporting requirements. If you have amounts in excess of $10,000 invested in a foreign country, the IRS requires that you disclose this. Without your notification of such foreign investments, we will assume that you do not have any amounts invested over $10,000 outside the United States. If you have any interests in a foreign corporation, please discuss them with us.

Our fee does not include responding to inquiries or examination by taxing authorities. However, we are available to represent you and our fees for such services are at our standard rates. You agree to immediately notify us upon the receipt of any correspondence from any agency covered by this letter.

It is your responsibility to maintain, in your records, the documentation necessary to support the data used in preparing your tax returns, including but not limited to the auto, travel, entertainment, and related expenses and the required documents to support charitable contributions. If you have any questions as to the type of records required, please ask us for advice in that regard. It is also your responsibility to carefully examine and approve your completed tax returns before signing them. We are not responsible for the disallowance of doubtful deductions or inadequately supported documentation, or for resulting taxes, penalties and interest. We will rely, without further verification, upon information you provide to us from 3rd parties including, but not limited to, K-1's, 1099's, 1098's, and receipts and similar items. The IRS requires that you file a 1099-MISC for any individual that you pay $600 or more during the tax year in the course of your trade or business and the deadline for such filing is **1/31/2018**. They are now asking us to answer two questions on your business return; did you pay anyone $600 or more and did you issue them a 1099-MISC. Please check the appropriate boxes below and initial next to them.

Yes	No	
☐	☐	Did you pay anyone $600 or more _____
☐	☐	Did you issue them a 1099-MISC _____

We do not automatically file tax extensions for clients – you must notify us in writing, e-mail, or fax if you wish us to file an extension, and the notification should include your estimate of any balance due with the extension. Failure to file an extension may make you subject to various penalties and interest. Additionally, if your return is extended it does not relieve you from paying any tax due on the due date, or making quarterly estimated tax payments for the current year. Failure to pay any tax due with the extension or failure to pay quarterly estimated tax payments may make you subject to various penalties and interest.

We will use our professional judgment in preparing your returns. Whenever we are aware that a possibly applicable tax law is unclear or that there are conflicting interpretations of the law by authorities, we will explain the possible positions that may be taken on your return. We will adopt whatever position you request on your return so long as it is consistent with the codes, regulations, and interpretations that have been promulgated. If the IRS should later contest the position taken, there may be assessment of additional tax plus interest and penalties. We assume no liability for any such additional penalties or assessments. When a taxpayer reduces taxable wages 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 the potential negative effects on future social security benefits for you, and your spouse and any dependents.

It is our policy to keep records related to this engagement for three years after which they are destroyed. However, we do not keep any original client records, so we will return those to you at the completion of the services rendered under this engagement. 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. Prior to each tax filing season we send client organizers to most of our clients as a convenience to assist them with gathering their tax information. If you move or do not wish to receive an organizer, please notify us or we will send the organizer to the address we used on your prior year's tax return.

Repairs & Capitalization Polices

In 2013 the IRS released sweeping changes in items that could be considered deductible as repairs, maintenance and small deductible purchases. These regulations allow, with the adoption of the below $2500 de minimis policy, businesses to deduct the first $2500 of repairs, maintenance and small purchases but require items costing more than the $2500 de minimis to be subjected to up to 20 additional tests regarding a

12 month usage life, betterments, adaptations and restorations. We hereby state that we have applied these tests to all repairs, maintenance and equipment and have appropriately determined whether the expenses are properly classified as expendable items or as capitalized items. We also adopt the de minimis policy below for the tax year beginning January 1, 2016, which is our first adoption of a repairs, capitalization and de minimis policy.

"*We hereby adopt for book and Federal Income Tax purposes the following policy regarding capitalization expenses for the year beginning January 1, 2016. In accordance with Internal Revenue Code Sections 167 and 168 and related Regulations we have determined that the amounts whose individual cost (including tax, installation and delivery costs) does not exceed $2500 will be deducted as incurred as an operating expense. Amounts exceeding this dollar limit will be examined individually to determine if their use or purpose requires capitalization under the betterment, adaptation or restoration rules used by the Internal Revenue Service and will be capitalized or expensed as incurred as a result of the application of those rules."*

Affordable Care Act Policies

In late 2013 the IRS released Revenue Procedure 2013-54 which, among other things, has ended the ability for an employer to provide a tax free reimbursement of individual health insurance costs, co-pays, deductibles and most other health care related costs. Failure to comply with these new limitations that went in to effect July 1, 2015 can subject the employer to penalties of $100 per employee, per day ($36,500 annually per employee) under IRS Notice 2001-1 and ERISA rules.

Effective July 1, 2015 we state that we have not provided tax-free reimbursement or payment of individual health insurance premiums, medical costs, Medicare supplemental policies, or Parts B/D premiums or any other medical items, except for those specifically allowed by law as non-discriminatory employer-sponsored group health care plans.

We appreciate the opportunity to service you. Please date and sign the enclosed copy of this letter to acknowledge your agreement with and acceptance of your responsibilities and the terms of this engagement letter. It is our policy to initiate services after we receive this executed engagement letter. If any provision of this agreement is declared invalid or unenforceable, no other provision of this agreement is affected and all other provisions remain in full force and effect.

Date:_____ Signature(s)_____

I have read the above terms of the engagement letter and agree with the terms of this engagement.