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1040 INCOME TAX RETURN ENGAGEMENT LETTER & PRIVACY NOTIFICATION

This engagement letter confirms the services you have asked our firm to perform and the terms under which we have agreed to prepare your _____ Federal and/or _____ State Income Tax Return(s) and those of your minor children. The IRS imposes penalties on taxpayers and tax return preparers for failure to observe due diligence while preparing Federal Income Tax returns. It is imperative to ensure that all parties understand their respective responsibilities. Please read this letter carefully and in its entirety, and ask questions if you need clarification.

SERVICE FEE

To calculate your IRS refund or liability your tax preparer must manually enter all of your information into our tax software and conduct a full interview to determine the optimal method for handling your tax return. This process requires the preparer to complete all the work necessary to file your return. If you are not satisfied with the results and choose not to have our office file your return, you will be charged a \$50 service fee or 25% of the invoice, whichever is greater, for the work performed.

TAXPAYER RESPONSIBILITIES

It is your responsibility to maintain all necessary documentation to support the data used in preparing your tax return(s). This includes, but is not limited to, auto mileage, travel, entertainment, moving 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. Due to the stringent nature of the new Internal Revenue Service regulations for tax preparers, we now require that you provide us with mileage logs before any mileage will be entered on a tax return. It is also your responsibility to provide us with all 3rd party information required to prepare your tax return(s). This includes, but is not limited to K-1's, 1099's, 1098's, receipts and similar items. You understand that the tax preparer will generally rely, without further verification, upon this information. Lastly, you agree and understand that it is ultimately your responsibility to carefully examine and approve your completed tax return(s) before it(they) are submitted to the IRS.

SELF-EMPLOYMENT AND SOCIAL SECURITY

When a self-employed taxpayer reduces taxable income through expenses, 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, your spouse, and any dependents.

FOREIGN INCOME, ASSETS, AND INTERESTS (can include Off-Shore Time-Shares)

Because the new regulations for reporting foreign income, assets and interests are so complex, we are providing our clients with a separate explanation of them. Please signify your assent to the following by initialing each item; we will not prepare your tax returns without your initials on these items:

_____ I/We have been provided with a copy of the Foreign Income, Assets, and Interests Statement

_____ I/We hereby attest that if there is any possibility that we possess or have some form of interest in or power of attorney over any foreign income source, whether in my/our name or not, that I/we will discuss the item with our tax preparer.

_____ I/We accept that the responsibility for informing the tax preparer that I/we may have foreign income, assets, or interests is mine/ours alone.

_____ I/We understand that Alaska Tax Service will assume no liability for penalties associated with the failure to file or untimely file any tax forms related to the reporting of foreign income, assets, and interests including, but not limited to, TD-F 90-22.1, 8938, 5471, 2555, and 3520.

ALASKA TAX SERVICE RESPONSIBILITIES

We will prepare your tax return(s) specified in this letter along with all of the appropriate forms and schedules based on the information you provide us. This will apply to auto, travel, entertainment, home-office and other related expense deductions taken on, but not limited to, Schedules A, C, D, and E. We are not responsible for the disallowance of doubtful deductions or inadequately supported documentation, nor for resulting taxes, penalties, and interest.



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PROFESSIONAL JUDGMENT

We will use our professional judgment in preparing your tax returns. 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 tax return. We will adopt whatever position you request on your return as long as it is consistent with the codes, regulations, and interpretations that have been promulgated. If the Internal Revenue Service 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 penalties or assessments.

COMMUNICATIONS

In the interest of facilitating our services, communication via facsimile transmission or electronic mail over the Internet may be necessary. These communications may include confidential information. By signing this document, you are authorizing the use of these devices during this engagement. You further acknowledge and agree that e-mail communication might not be completely confidential, and you assume all risks that the medium may present, including but not limited to, hacking, electronic interruption, or interception by persons known or unknown.

RELEASE OF INFORMATION

New privacy laws were established by the IRS effective January 1, 2009. We are prohibited from providing confidential information or copies to anyone other than you without specific, written authorization. You will need to complete our 3rd party release form before we can process your request.

RECORDS

It is our policy to keep records related to this engagement for three years, after which they will be destroyed. All original documentation will be returned to you at the completion of the services rendered under this engagement. It is your responsibility to retain and protect your records for possible future use, including potential examination by any government or regulatory agencies.

PAYMENT

Payment is expected upon completion of your return(s). We accept Visa, MasterCard, debit cards, cash, and checks. Checks that are returned for insufficient funds will be assessed an additional fee of \$30.00. Unpaid accounts will be considered delinquent after thirty (30) days and will be charged a late fee of \$10.00 per month until the account is paid in full. Additional copies of tax returns are \$10.00 per copy.

ADDITIONAL SERVICES

You may request that we perform additional services not contemplated by this engagement letter, such as responding to inquiries or examination by taxing authorities. We will communicate with you regarding the scope and estimated cost of these services. Engagements for additional services will require an amendment to this letter or a separate letter to reflect the obligations of both parties.

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

Taxpayer _____ Date _____

Spouse (if married) _____ Date _____

We appreciate the opportunity to serve you. Please date and sign this letter to acknowledge your agreement with and acceptance of your responsibilities and the terms of this engagement.

FOREIGN INCOME, ASSETS AND INTERESTS STATEMENT

We cannot express strongly enough the seriousness of this issue for our clients who may have foreign income, assets, or interests in any form. The fines simply for failure to file the proper foreign income reporting forms by the tax year in which they are due literally start at \$10,000 per form. The fees, penalties, and interest on the unreported income are assessed on top of that - and the penalties alone are a minimum of 27.5% of the unreported income for each tax year.

The Internal Revenue Service has, to date, collected over \$5,000,000,000 from their very aggressive pursuit of offshore income in just four years. They use a very broad definition of "interest in foreign income" that can include anything from bank accounts, stocks, time-shares, and retirement plans to your parents' bank accounts in a foreign country (if you happen to have a financial power of attorney for them - whether or not it has been exercised) or a relative's account if you go abroad for a length of time and store your money in that. There are literally hundreds of possible types of income. Do not assume that any form of income you possess, store in, or expect to receive from a foreign country is exempt from this scrutiny - disclose it to us and we will review it with you to determine whether or not it needs to be reported on your tax return.

The Internal Revenue Service has begun a Voluntary Disclosure Program for taxpayers who have failed to report their offshore income, whether deliberately or not. We have worked with taxpayers going through this program already and we encourage our clients who did not report foreign income to sign up for it as the civil penalties (referenced above) for those in it are far less than those who did not join it. Failure to report foreign income can also result in criminal charges for income tax evasion, filing a false tax return, or failure to file a tax return. The Internal Revenue Service has indicated that it will more aggressively pursue criminal action against taxpayers with unreported offshore income who did not join their Voluntary Disclosure Program than those who did.

Taxpayers are required to report on all world-wide income including, but not limited to, wages, self-employment earnings, interest, dividends, annuities, rental income, pensions, scholarships, and sales of assets. Taxpayers and entities to which they belong (including corporations, partnerships, trusts, and estates) that have a financial interest in, or signature or other authority over, bank accounts, securities, or other financial accounts in a foreign country whose aggregate value exceeds \$10,000 in any tax year must report the relationship. This includes taxpayers that have direct or indirect control over a foreign or domestic entity with foreign financial accounts, even if they are not in the taxpayer's name. Failure to disclose these accounts to the IRS may result in substantial civil and/or criminal penalties. The form required to report this relationship, TD-F-90-22, is due on June 30th of each tax year.

Taxpayers are required to report holding of foreign financial assets with an aggregate value exceeding \$50,000 for all tax years beginning after March 18, 2010. The definition of foreign financial assets is also broad and includes, but is not limited to, bank accounts, stocks, partnership interests, mutual funds, investment accounts, foreign-issued life insurance or annuity contract with a cash value, hedge funds, equity funds, and interest in foreign property held by a foreign business entity. The form required to report these assets, Form 8938, is due on the filing date for the tax return (including extensions).

In addition, currently the Internal Revenue Service, under IRC §6038 and §6046, requires information reporting if you are an officer, director or shareholder with respect to certain foreign corporations (Form 5471); foreign-owned U.S. corporation or foreign corporation engaged in a U.S. trade or business (Form 5472); or U.S. transferor of property to a foreign corporation (Form 926). There are additional forms which may need filing depending on your circumstances.

Again, we strongly encourage you to discuss any possible foreign income, assets, or interests that you may possess with us.

We assume no liability for penalties associated with the failure to file or untimely filing of any forms regarding foreign income, assets, or interests.