



## **ADDITIONAL TERMS, CONDITIONS, AND REPRESENTATIONS**

1. We are responsible for preparing only the state and local returns which we have historically prepared and which you authorize us to prepare. If you have taxable activity in a state or local municipality that has not historically been recognized on a return filing, please discuss with us. We will assist you in determining whether or not a filing requirement exists with the state or local municipality. If you have tax filing requirements in a given state or local municipality but do not file that return, there could be possible adverse ramifications, such as an unlimited statute of limitations, penalties, etc. State income tax requirements change rapidly. You may have a filing requirement for a state for which you have not filed in previous years because the state's filing requirements have changed.
2. Our engagement will be fulfilled upon delivery of the completed returns to you. Therefore, you have the final responsibility for the tax returns and should review them carefully before you sign and file the returns with the appropriate taxing authorities and/or authorize us to e-file them on your behalf.
3. Pursuant to standards prescribed in IRS Circular 230 and IRC 6694, we are forbidden from signing a tax return unless we have a reasonable belief that there is substantial authority for a tax position taken on the return or we have a reasonable basis for a tax position taken on the return and we disclose this tax position on a separate attachment to the tax return. Substantial authority is generally viewed by tax professionals as requiring at least a 40% probability that the tax position taken will be sustained on its merits. However, under no circumstances may we sign a tax return with a tax position that has no reasonable basis.
4. Your returns may be selected for review by the taxing authorities, or you may receive a notice requesting a response to certain issues on the tax returns. Any proposed adjustments by the examining agent are subject to certain rights of appeal. In the event of such government tax examination or inquiry, we will be available upon request to represent you or respond to such inquiry. If such services are requested by you, all of the terms, conditions, and representations of this engagement letter shall apply, and we will render additional invoices for these services and any expenses incurred.
5. The law provides various penalties and interest that may be imposed when taxpayers understate their tax liability and/or fail to pay the full amount of taxes owed by the original filing due date. Furthermore, additional penalties and interest are imposed when taxpayers fail to remit the proper amount of subsequent year tax estimates. Based on information you provide to us, we can assist you in determining the correct amount of taxes owed for the current year and subsequent year tax estimates. You acknowledge that any such understated or underestimated tax, and any imposed interest and penalty thereon, are your responsibility, and that we have no responsibility in that regard. If you would like information on the amount or the circumstances of these interest and penalties, please contact us.
6. To the best of your knowledge and belief, and unless specifically indicated to us that the representation below cannot be made, you confirm that:
  - a. You have disclosed all reportable transactions. These include but are not limited to listed transactions that the IRS has determined to be a tax avoidance transaction; transactions which produce questionable tax shelters, tax deductions, losses, or credits; require confidentiality by you or a related party and for which you or a related party paid an advisor a minimum fee; a transaction for which fees are contingent on your realization of

tax benefits from the transaction or refundable if all or part of the intended tax consequences of the transaction are not sustained; or a transaction that results in you claiming a significant loss of at least \$2 million in any single year or \$4 million in any combination of tax years (at least \$50,000 for a single year if the loss arose as a result of a foreign currency transaction).

- b. You have disclosed the use of any mortgage proceeds for purposes other than to acquire, construct, or substantially improve your main or second home.
- c. You have disclosed any dividend income on shares of stock that you did not own for at least 61 days during the 121-day period beginning 61 days before the ex-dividend date.

- d. You have disclosed if you materially participated in any pass-through entity (such as an S-Corporation, LLC, or Partnership).

*Note: Any determination of material participation in a pass-through entity is complex and based on certain facts and circumstances that may be particular to your personal situation. If you are unsure as to whether you did materially participate in a pass-through entity, please contact us.*

- e. You have disclosed if you have a financial interest in (direct or indirect), or signature or other authority over, bank accounts, securities, or other financial accounts having an aggregate value exceeding \$10,000 at any time during the calendar year in a foreign country.

*Note: If you have a financial interest in any foreign accounts, you must electronically file the FinCEN Form 114, Report of Foreign Bank and Financial Accounts ("FBAR"), as required by the U.S. Department of the Treasury. Such filing requirements 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 account(s). For example, a corporate-owned foreign account would require filings by the corporation and by the individual corporate officers with signature authority.*

- f. You have disclosed if the total value of specified foreign financial assets you own are more than \$100,000 (\$50,000 if unmarried or married filing separately) on the last day of the tax year or more than \$150,000 (\$75,000 if unmarried or married filing separately) at any time during the tax year.

Specified foreign financial assets are defined as accounts maintained by a foreign financial institution, stocks and securities with a non-U.S. issuer, an interest in a foreign partnership, trust or estate, a financial instrument or contract with a non-U.S. issuer or counterparty, etc.

*Note: If you have specified foreign financial assets above the threshold amounts provided above, you are required to report this ownership on Form 8938 and include with your Form 1040.*

If you fail to disclose the required information to the Internal Revenue Service, the failure to disclose may result in substantial civil and/or criminal penalties. You are responsible for providing our firm with all the information necessary to prepare Form 8938. **Failure to file can result in penalties ranging from \$10,000 to \$60,000.** If you do not provide our firm with information regarding any interest you may have in a specified foreign financial asset, we will not be able to prepare the form, nor your tax returns.



or beverages to retail customers for immediate consumption, regardless of whether the food or beverages are consumed on the business's premises." The 100% deduction is permissible: (i) to the extent the expense is not lavish or extravagant, (ii) the taxpayer or an employee of the taxpayer is present at the meal, and (iii) the meal is provided to the taxpayer, employee, and/or business associate (e.g., customer, client, prospective client, etc.).

- c. Meals Expense (50% deductible) – Includes meals with an employee, meals during travel, and meals with clients not provided by a restaurant (as described above). Business meals with clients require documentation substantiating who the client was and the business purpose of the meal. A receipt is not required for expenses under \$75, but documentation is still required. Meals in conjunction with entertaining clients at any event, such as a sporting event, etc., requires documentation substantiating that there was a bona fide business discussion prior to, during, or following the meal/entertainment event if the meals are invoiced and paid separately from the entertainment or, if meals and entertainment are billed together, the meals are listed as a separate item on the invoice.
- d. Entertainment expenses are not deductible.
- e. Charitable Cash Contributions (in any one day to any one organization):
  - In tax year 2021, taxpayers who do not itemize their deductions on Schedule A are eligible to take an above-the-line deduction of up to \$300 single/\$600 married filing joint for cash contributions made to qualified charitable organizations.
    - i. In 2021, itemizers may deduct cash contributions made to qualified charitable organizations up to 100% of AGI (the AGI limitation was 60% prior to the CARES Act and Consolidated Appropriations Act of 2021).
    - ii. Less than \$250 – A bank record (e.g. canceled check/ credit card statement) or a written acknowledgement from the charity.
    - iii. \$250 or more – Both a bank record and written acknowledgement from the charity.
- f. Charitable Non-Cash Contributions (in any one day to any one organization):
  - i. Deduction of less than \$250 - A receipt or a written acknowledgement from the charity.
  - ii. Deduction between \$250 and \$500 - A written acknowledgement by the charitable organization.
  - iii. Deduction between \$501 and \$5,000 - Same records required as the \$250 to \$500 category. In addition, records must show how the property was acquired, the date acquired, and the adjusted basis of the property.
  - iv. Deduction of more than \$5,000 - Same records required as the \$501 to \$5,000 category. In addition, most contributions require a written appraisal.

*Note: The list above provides only general guidance on substantiating a limited number of deduction types. There are many other types. If you are unsure as to whether or not the information you possess is sufficient to substantiate a deduction, please contact us.*

In addition to the common deductions listed above, it is important to note that the American Rescue Plan Act (ARPA) introduced certain provisions applicable to the 2021 tax year:

- a. ARPA made sweeping changes to both the Child Tax Credit and Child and Dependent Care Credit for the 2021 tax year.
  - i. ARPA made the following changes to the Child Tax Credit for the 2021 tax year:
    - Expanded the definition of a qualifying child to include a child who has not turned age 18 by the end of 2021, meaning 17-year-old children are

- qualifying children for purposes of the Child Tax Credit in the 2021 tax year.
  - Increased the Child Tax Credit to up to \$3,000 per qualifying child aged six or older or up to \$3,600 per qualifying child aged six or under at the end of the 2021 tax year.
  - Provided taxpayers with advanced Child Tax Credit payments throughout the latter half of 2021.
  - ii. ARPA made the following changes to the Child and Dependent Care Credit for 2021:
    - Expanded the Child and Dependent Care Credit to be refundable for taxpayers who have a principal place of abode in the U.S. for more than one half of the tax year (in prior years this credit was nonrefundable).
    - Increased the dollar limitation for qualifying expenses from \$3,000 to \$8,000 for one qualifying individual, and from \$6,000 to \$16,000 for two or more qualifying individuals. ARPA also increases the applicable credit percentage from 35% to 50% for taxpayers whose AGI is \$125,000 or less. Phaseout rules apply to taxpayers with AGI greater than \$125,000.
  - b. ARPA instituted the following changes to the Earned Income Tax Credit (EITC) for the 2021 tax year:
    - i. Reduced the applicable minimum age for the credit from 25 years old to 19 years old (certain exceptions apply),
    - ii. Increased the childless EITC amount,
    - iii. Removed the identification requirement for qualifying children,
    - iv. Raised the disqualified investment income requirement amount from \$3,650 to \$10,000,
    - v. Eliminated the requirement that married taxpayers must file a joint return in order to claim the EITC; and
    - vi. Established a temporary special rule for determining earned income for purposes of the EITC by allowing taxpayers to substitute their 2019 earned income for their 2021 earned income for purposes of determining the EITC if their 2021 earned income was less than their 2019 earned income.
  - c. ARPA modified the affordability percentages used for premium tax credits for 2021 and 2022 to increase credits for individuals eligible for assistance and to provide credits for taxpayers with income over 400% of the Federal Poverty Line (FPL).
10. We reserve the right to suspend our services or withdraw from this engagement. If we elect to terminate our services, our engagement will be deemed to have been completed upon written notification of termination, even if we have not completed the return. You will be obligated, through the date of termination, to compensate us for all outstanding invoices as well as our final invoice, and to reimburse us for all of our out-of-pocket costs. For these purposes, any nonpayment, inability to sign the tax return, or non-response by you of information requested (among other things) will constitute a basis for our election to terminate our services.
11. It is our policy to retain copies of engagement documentation for a period of seven years (five years for former clients), after which time we will commence the process of destroying the contents of our engagement files. Any work papers prepared in conjunction with this engagement are our property, constitute confidential information, and will be retained by us in accordance with this record retention policy. To the extent we accumulate any of your original records during

the engagement, those documents will be returned to you promptly upon completion of the engagement.

12. In the interest of facilitating our services to you, we may communicate with you by means of electronic communications, such as fax, email, or via our client portal. 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 this engagement. 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 revenues or anticipated profits, or disclosure or communication of confidential or proprietary information. It is our belief that electronic communication provides the greatest privacy by eliminating paper trails of confidential information. As such, and unless you tell us otherwise, the client's copy of the prepared tax return will be presented back to you in a PDF file format via our web-based client portal. If you would still like us to send you a paper copy of the tax return, please contact our office.
13. IRS regulations require that we electronically file (e-file) all tax returns, and it is our belief that this type of filing provides the greatest security. However, you do have the right to "opt-out" from e-filing by notifying us, in writing, of this desire.
14. Although we may orally discuss tax issues with you from time to time, such discussions will not constitute advice upon which we intend for you to rely on for any purpose. Rather, any advice upon which we intend for you to rely, and upon which you will rely, will be embodied in a written report or correspondence from us to you, and any such writing will supersede any prior oral representations between the parties on the issue.
15. In the event we are required to respond to a subpoena, court order or other legal process for the production of documents, work papers and/or testimony relative to information we obtained and/or prepared during the course of this engagement, you acknowledge our right to release this information and agree to compensate us for the time we expend in connection with such response and to reimburse us for all of our out-of-pocket costs incurred in that regard.
16. If the income tax returns we are to prepare in connection with this engagement are joint returns, and because you will each sign those returns, each of you is our client. You each acknowledge that there is no expectation of privacy from the other concerning our services in connection with this engagement, and we are at liberty to share with either of you, without the prior consent of the other, any and all documents and other information concerning preparation of your returns.
17. If we become obligated to pay any judgment under a court proceeding, an award under any mediation proceeding, or penalty assessed by any taxing authority in our capacity as a tax preparer, you agree to pay any costs incurred as a result of any inaccurate or incomplete information that you provided to us during the course of this engagement. You agree to indemnify us, defend us, and hold us harmless against such obligations and/or costs. Any litigation arising out of this engagement, except actions by us to enforce payment of our professional invoices, must be filed within one year from the completion of the engagement, notwithstanding any statutory provision to the contrary. In the event of litigation brought against us, any judgment you obtain shall be limited in amount, and shall not exceed the amount of the fee charged by us, and paid by you, for the services set forth in this engagement letter.

18. You agree that any dispute that may arise regarding the meaning, performance or enforcement of this engagement will, prior to resorting to litigation, be submitted to mediation, and that you will engage in the mediation process in good faith once a written request to mediate has been given by either party to the engagement. Any mediation initiated as a result of this engagement shall be administered by a law firm specializing in the mediation process, not associated with either party, and selected by us, according to its mediation rules. Any ensuing litigation shall be conducted within the County of Charleston, South Carolina according to South Carolina law. The results of any such mediation shall be binding only upon agreement of each party to be bound. The costs of any mediation proceeding shall be shared equally by the participating parties.
  
19. Unless you tell us otherwise, we will presume that you authorize us to discuss certain aspects of your tax returns with the IRS and certain states/ local municipalities, if necessary.