



## Engagement Agreement for Individuals

This Engagement Agreement confirms the services you have asked our firm to perform and the terms under which we have agreed to perform those services. Please read this agreement carefully because it is important to both our firm, and you, that you have a complete understanding of the nature and extent of the services we agree to perform, your responsibilities, and our fee arrangements. If you have any questions regarding this letter or believe we have misunderstood what you need, please call to discuss before signing this engagement agreement.

### 1. Scope of Service - Income Tax Return Preparation/Tax Advisory Services

- 1.1. We are available to prepare your Federal (Form 1040), California (Form 540), or other state income tax returns and related forms from the information you furnish to us. We will process your tax returns in-house utilizing a 3rd party computer service.
- 1.2. Taxing authorities now require us to electronically file all Federal and California state individual income tax returns. Please note that although e-filing will require both you and our firm to complete additional steps, the same filing deadlines will apply. You must, therefore, ensure that you complete the additional requirements well before the due dates in order for our firm to be able to timely transmit your return.
- 1.3. Our firm must transmit your return to the taxing authorities (rather than you). We will provide you with a PDF copy of the income tax returns for your review prior to electronic transmission. After you have reviewed the returns, you must provide us with a signed authorization indicating that you have reviewed the return and that, to the best of your knowledge, you feel it is correct. We cannot transmit the returns to the taxing authorities until we have the signed authorization. Therefore, if you have not provided our firm with your signed authorization 3 days prior to the due date, we will place your return on extension, even though it might already have been completed. In that event, you will be responsible for ensuring that any payment due with the extension is timely sent to the appropriate taxing authorities. You will also be responsible for any additional costs our firm incurs arising from the extension preparation. However, you do have the right to "opt-out" of the e-filing program if you so choose by completing and signing an opt-out statement. Forms are available upon request and must be completed, signed, and returned to us before we can complete your returns.
- 1.4. Business consultations in a variety of areas are also available. Please request our Business Engagement Agreement if interested in these additional services.

### 2. Scope of Service - Investment Counseling Services

- 2.1. We are available to answer your inquiries on specific tax and financial matters and to consult with or assist you on personal financial planning and estate matters, including planning to minimize income or estate taxes, preparing income tax projections, and engaging in research in connection with such matters. In any counseling with you regarding investments, personal financial, or tax planning, we may analyze proposed investments in terms of your financial position and goals as well as their tax aspects, but we will offer no recommendations as to the investment quality of any specific investment. Investment advisory services are available through Morling Financial Advisors, LLC, a registered investment advisory firm, under a separate engagement agreement.



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### 3. Foreign Accounts and Business Interests

- 3.1. Please note that any person subject to the jurisdiction of the United States (includes individuals, corporations, partnerships, trusts, and estates) having a financial interest in, or signature or other authority over, bank accounts, securities, or other financial accounts having a value exceeding \$10,000 in a foreign country, shall report such a relationship. Although there are some limited exceptions, filing requirements also 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. Failure to disclose the required information to the U.S. Department of the Treasury may result in substantial civil and/or criminal penalties.
- 3.2. If you and/or your entity have a financial interest in, or signature authority over, any foreign accounts, you are responsible for providing our firm with all the information necessary to prepare the Report of Foreign Bank and Financial Accounts (FBAR) required by the U.S. Department of the Treasury in order for the FBAR to be received by the Department on or before April 15th of each tax year. However, an extension can be requested for a maximum period of 6 months ending on October 15th of each tax year. Therefore, you will need to provide us with the necessary information if you would like us to request an extension on your behalf.
- 3.3. Electronic filing of FBAR reports is mandatory using the Bank Secrecy Act (BSA) e-filing system for the Financial Crimes Enforcement Network (FinCEN). If you would like our firm to submit your electronic FBAR on your behalf, we must receive a signed consent form (FinCEN Form 114a) from you prior to submitting the foreign reporting form. If you do not provide our firm with information regarding any interest you may have in a foreign account, or if we do not receive your signed authorization to file your foreign reporting forms, we will not be able to prepare and file any of the required disclosure statements.
- 3.4. In addition, the Internal Revenue Service also requires information reporting under applicable Internal Revenue Code sections and related regulations, and the respective IRS tax forms are due when your income tax return is due, including extensions. The IRS reporting requirements are in addition to the U.S. Department of the Treasury reporting requirements stated above. Therefore, if you fall into one of the below categories, or if you have any direct or indirect foreign interests, you may be required to file applicable IRS forms. (Form 8938) You are an individual or entity with ownership of foreign financial assets and meet the specified criteria;
  - 3.4.1. You are an officer, director, or shareholder with respect to certain foreign corporations (Form 5471);
  - 3.4.2. You are a foreign-owned U.S. corporation or foreign corporation engaged in a U.S. trade or business (Form 5472);
  - 3.4.3. You are a U.S. transferor of property to a foreign corporation (Form 926);
  - 3.4.4. You are a U.S. person with an interest in a foreign trust or (Forms 3520 and 3520-A);
  - 3.4.5. You are a U.S. person with interests in a foreign partnership (Form 8865).



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- 3.5. Failure to timely file the appropriate forms with the U.S. Department of the Treasury and the Internal Revenue Service may result in substantial monetary penalties. By your signature below, you accept responsibility for informing us if you believe that you may have foreign reporting requirements with the U.S. Department of the Treasury and/or Internal Revenue Service and you agree to timely provide us with the information necessary to prepare the appropriate form(s). We assume no liability for penalties associated with the failure to file, or untimely filing, of any of these forms.

### 4. Client's Responsibilities

- 4.1. You will be responsible for the accuracy and completeness of the information you furnish us to prepare your returns. We will not audit or otherwise verify the data you submit. Your signature on this engagement agreement confirms to us that you acknowledge having the necessary receipts, logs, or other records to support all your deductions including travel, meals and entertainment and charity donations. You will be required to produce those records should you be audited by a taxing authority, plus we may ask you for clarification of some of the information, or to furnish written or verbal assurance, that records or other evidence exist to substantiate certain deductions. We will furnish you with a tax organizer, along with a questionnaire, which will guide you in gathering the required information. Your signature on this engagement agreement grants us limited authorization to contact the IRS or other tax authorities on your behalf if we require additional information. If you do not wish to grant us this authority, please inform us in writing.

### 5. Record Retention

- 5.1. Retention of the necessary documents which support data given to us is your responsibility. The personal information we retain is stored in a secure space and on secure computers. We take our obligation to protect your privacy very seriously and value your trust. It is our policy to keep records related to this engagement for six (6) years for active clients and three (3) years for ex-clients. However, Morling & Company generally does not keep any original client records. We will return to you all documentation 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. Your signature on this engagement agreement states that you acknowledge and agree that upon the expiration of the six (6) year period for active clients and three (3) year period for ex-clients Morling & Company shall be free to destroy any records related to this engagement without notifying you. When your personal information is no longer needed, it is shredded, erased, or destroyed before being recycled.

### 6. Timely Submission of Data

- 6.1. To ensure that Morling & Company can prepare your tax returns by April 15 or the designated Internal Revenue Service due date, we must be in possession of your completed tax organizer and supporting tax documentation no later than the third Friday in March of the current calendar year. If we have not received and are in possession of all necessary documentation, your tax returns may not be completed by the IRS deadline, which may result in late filing or late payment penalties. Please understand you may incur additional tax return preparation charges if you submit your completed Tax Organizer and your supporting tax documents after the third Friday in March of the calendar year. If your tax data arrives just prior to a due date, you will incur additional charges to cover staff overtime costs.



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### 7. Travel & Entertainment Expenses

- 7.1. By your signature below, you are confirming to us that unless we are otherwise advised, the travel, entertainment, gifts, and related expenses are supported by the necessary records required under Section 274 of the Internal Revenue Code. If you have any questions as to the type of records required, please ask us for advice in that regard.

### 8. Virtual Currency Transactions

- 8.1. Please note that the Internal Revenue Service ("IRS") considers virtual currency (e.g., Bitcoin) as property for U.S. federal tax purposes. As such, any transactions in, or transactions that use, virtual currency are subject to the same general tax principles that apply to other property transactions. If you had virtual currency activity during the tax year, you may be subject to tax consequences associated with such transactions and may have additional foreign reporting obligations.
- 8.2. You agree to provide us with complete and accurate information regarding any transactions in, or transactions that have used, virtual currency during the applicable tax year. Please ask us for advice if you have any questions regarding the type of records required for virtual currency transactions.

### 9. Understatement of Tax Liability

- 9.1. 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 (e.g., tax agencies and courts), we will explain the possible positions that may be taken on your return. In accordance with our professional standards, we will follow whatever position you request, 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. In the event, however, that you ask us to take a tax position that in our professional judgment will not meet the applicable laws and standards as promulgated, we reserve the right to stop work and shall not be liable to you for any damages that occur as a result of ceasing to render services.
- 9.2. The law provides for a penalty to be imposed where taxpayers make a substantial understatement of their tax liability. For individual taxpayers, a substantial understatement exists when the understatement for the year exceeds the greater of 10 percent of the tax required to be shown on the return, or \$5,000. The penalty is 20 percent of the tax underpayment. Taxpayers may seek to avoid all or part of the penalty by showing (1) that they acted in good faith and there was reasonable cause for the understatement, (2) that the understatement was based on substantial authority, or (3) that the relevant facts affecting the item's tax treatment were adequately disclosed on the return. You agree to advise us if you wish disclosure to be made in your returns or if you desire us to identify or perform further research with respect to any material tax issues for the purposes of ascertaining whether, in our opinion, there is "substantial authority" for the position proposed to be taken on such issues in your returns.



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### 10. Income Tax Audits and Notices

- 10.1. All tax returns are subject to examination (audit and tax notices) by the taxing authorities. Any items resolved against you by the taxing authorities are subject to certain rights of appeal. In the event of an audit, we are available to represent or assist you. Such additional services (including responding to tax notices or requests for information) are not included in our fee quote for the preparation of your personal tax returns. We will require a minimum of \$4,000 as a non-refundable retainer to be paid before undertaking your audit defense.

### 11. IRS and FTB Authorizations

- 11.1. The IRS has provided that an individual taxpayer, and his or her spouse, if applicable, may authorize the IRS to discuss the taxpayer's tax return with the tax return preparer who signed the taxpayer's return. The authorization is granted by checking the "yes" box in the signature area of the tax return. By checking the "yes" box, you are granting the IRS permission to contact our firm with questions that may arise during the processing of your return. You would also be granting our firm the permission to (1) provide the IRS with any information that may be missing from your return, (2) call the IRS to inquire on the processing of your return or on the status of your refund, and (3) respond to any IRS notices that you have received. Please note that Morling & Company will not receive separate copies of IRS notices; therefore, you must provide our firm with complete copies of any notices you receive from the IRS. Once elected, the authorization cannot be revoked. The authorization is valid for one year after the due date for filing the tax return.
- 11.2. By signing this agreement, you authorize Morling & Company to execute the Online Account View Access Authorization on the Franchise Tax Board's website. You understand that Morling & Company will have view-only access to all the tax year information available on the FTB's website that is associated with you. This authorization remains in effect until you revoke it in writing.

### 12. Conflict of Interest

- 12.1. It is customary for a married couple to have the same accountant to represent both of them in planning their estates. If you have differences of opinion as to the proper course of action, we will point out the pros and cons of the alternatives, but we cannot advocate for either of your positions. Rules of professional conduct require that we not withhold information from either spouse. Should a dispute arise between you and your spouse so that we cannot perform the work we have undertaken to perform, it will be necessary for us to withdraw as your professional advisor and to advise one or both of you to obtain independent advice.

### 13. Fees & Billings: General & Fees-Retainers & Fees-Change in Circumstances

- 13.1. The fees for our services are based on the amount of time required to complete the engagement, which may include, but are not limited to:
- 13.1.1. Planning
  - 13.1.2. Communications (including calls and emails)
  - 13.1.3. Research
  - 13.1.4. Large Data Storage



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- 13.1.5. Third-Party Inquiries
- 13.1.6. Collection Matters
- 13.1.7. Documentation of Work Papers
- 13.1.8. Retrieving IRS Documents

- 13.2. We will bill you at our standard billing rates, plus additional charges for complex services such as handling a tax audit plus computer processing services, administrative services, and any other out-of-pocket costs. Out-of-pocket costs include, but are not limited to, items such as travel expenses and service bureau charges. Our hourly rates start at \$120 per hour and increase. Rates vary according to the degree of complexity and responsibility involved and the experience required to complete the engagement. In future years, our hourly rates may increase due to various circumstances; however, we will notify you in advance if our rates increase in excess of 10% per annum, compounded. We reserve the right to ask for a retainer prior to rendering services. There will be additional charges for clients whose data arrives just prior to a due date forcing us to incur overtime costs with our staff.
- 13.3. All fees are due upon the completion of work on a "cash on delivery" basis. If we perform other work and agree to bill you on account, generally we will provide you with an invoice for our fees and costs incurred on a monthly basis. You agree to pay each invoice upon receipt and payment must be received by us within 30 days after the date of our invoice.

## 14. Stop Work Clause

- 14.1. If our invoices remain unpaid 60 days after the invoice date, at our election, we will stop all work until your account is brought current, or we will withdraw from this engagement. Your signature acknowledges and agrees that we are not required to continue work in the event of your failure to pay on a timely basis for services rendered as required by this engagement letter. You further acknowledge and agree that in the event we stop work or withdraw from this engagement because of your failure to pay on a timely basis for services rendered as required by this engagement letter, we shall not be liable to you for any damages that occur because of our ceasing to render services.

## 15. Professional Service Referrals

- 15.1. From time to time if requested, we may accommodate our clients by providing referrals to unrelated service providers. Please be aware that we take no responsibility for the quality of the service provided by them and we make no warranties on their work.

## 16. Attorney-Client Privilege

- 16.1. Federal law has extended the attorney-client privilege to some, but not all, communications between a client and the client's CPA. The privilege applies only to non-criminal tax matters that are before the IRS or brought by or against the U.S. Government in a federal court. The communications must be made in connection with tax advice. Communications solely concerning the preparation of a tax return will not be privileged.



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- 16.2. In addition, your confidentiality privilege can be inadvertently waived if you discuss the contents of any privileged communication with a third party, such as a lending institution, a friend, or a business associate. We recommend that you contact us before releasing any privileged information to a third party.
- 16.3. If we are asked to disclose any privileged communication, unless we are required to disclose the communication by law, we will not provide such disclosure until you have had an opportunity to argue that the communication is privileged. You agree to pay any and all reasonable expenses that we incur, including legal fees, which are a result of attempts to protect any communication as privileged.

### 17. Policies Pertaining to the Privacy of Your Information

- 17.1. If you are like most Americans, privacy is a big concern to you. Morling & Company shares this concern. During the rendering of services (preparation of your tax return/financial plan) your personal information may be shared with the employees of Morling & Company. This might include information on applications, worksheets, tax organizers, or other documents we use in preparing your taxes or financial plan. It also may include information we receive directly from third parties such as brokerage houses and banks regarding your accounts and information about your transactions with us, or our affiliates. Protecting your privacy is important to us and your personal information is only shared with those employees with whom it is necessary to perform the services for which we were engaged. State and Federal laws and the standards of our profession, pledge us to keep your information confidential unless we are required by a legal authority to divulge the information.
- 17.2. In connection with this engagement, we may communicate with you or others via email transmission. We take reasonable measures to secure your confidential information in our email transmissions, including password-protecting tax returns and other confidential documents. However, as emails can be intercepted and read, disclosed, or otherwise used or communicated by an unintended third party, or may not be delivered to each of the parties to whom they are directed and only to such parties, we cannot guarantee or warrant that emails from us will be properly delivered and read-only by the addressee. Therefore, we specifically disclaim and waive any liability or responsibility whatsoever for interception or unintentional disclosure or communication of email transmissions, or for the unauthorized use or failed delivery of emails transmitted by us in connection with the performance of this engagement. In that regard, 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 sales or anticipated profits, or disclosure or communication of confidential or proprietary information.
- 17.3. To complete your tax return or provide personal financial advice, it may be necessary for us to share your information with our affiliate, Morling Financial Advisors, LLC, or other persons/entities with whom we have a service relationship. We will notify you in advance before this information can be shared with parties outside of Morling & Company and Morling Financial Advisors, LLC. Morling Financial Advisors, LLC also shares our privacy policy and commitment to your protection.



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### 18. Outsourcing of Select Information

18.1. Unless you indicate otherwise, our firm may transmit confidential information that you provided to third parties within the United States in order to facilitate delivering our services to you. For example, such transmissions might include but not be limited to tax return electronic service providers. We have secured confidentiality agreements with all our service providers to maintain the confidentiality of your information and we will take reasonable precautions to determine that they have the appropriate procedures in place to prevent the unauthorized release of confidential information to others. We will remain responsible for the work provided by any third-party service providers used under this agreement. By your signature below, you consent to have confidential information transmitted to entities outside the firm. Please feel free to inquire if you would like additional information regarding the transmission of your confidential information.

### 19. Disputes – Services

19.1. In the event of any dispute arising out of our work for you (excluding disputes over our fees and/or your payment of same), both parties agree to try in good faith to resolve the dispute through mediation by selecting a neutral third party provided by the American Arbitration Association in San Francisco, California, under its Rules for Professional Accounting and Related Services Disputes, to help us reach an agreement. If we are unable to resolve our differences through mediation, then both parties hereby agree in advance to submit those differences to mandatory, binding, final, and non-appealable arbitration in accordance with the rules of the American Arbitration Association in San Francisco, California.

19.2. In agreeing first to mediate and then to arbitrate, you hereby acknowledge that both parties willingly give up the right to have the dispute decided in a court of law before a judge or jury, as well as the right to appeal that outcome, and instead are accepting the use of mediation, as necessary, followed by binding arbitration to ensure cost-effective and timely resolution of all disputes, which are subject to these provisions.

19.3. All third-party charges for mediating or arbitrating our differences shall be borne in equal shares by both parties, except that said charges shall be an element of the dispute, allocable as the parties agree in the case of a mediated result or as the arbitrator determines if arbitration is required.

### 20. Disputes – Fees

20.1. Client and accountant both agree that any dispute over fees charged by the accountant to the client will be submitted for resolution by arbitration in accordance with the Rules for Professional Accounting and Related Services Disputes of the American Arbitration Association. Such arbitration shall be binding and final. In agreeing to arbitration, we both acknowledge that in the event of a dispute over fees charged by the accountant, each of us is giving up the right to have the dispute decided in a court of law before a judge or jury, and instead, we are accepting the use of arbitration for resolution.

20.2. In any dispute arising out of this agreement, including any fee dispute, both parties shall bear their own legal fees and associated costs, including their own expert's charges, regardless of whether the dispute is mediated, arbitrated, litigated, or subject to some other form of dispute resolution mechanism.

20.3. We appreciate the opportunity to be of service to you and believe this agreement accurately summarizes the significant terms of our engagement. If you have any questions, please let us know.



# Morling & Company

*We Maximize Your Financial Well-Being*

Financial, Tax and Business Consulting Services

7049 Redwood Boulevard, Suite 205

Novato, CA 94945

Phone: 415-956-9500

Fax: 415-956-1856

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20.4. Please note that you are affirming to Morling & Company your understanding of, and agreement to, the terms and conditions of this engagement letter by any one of the following actions: returning your signed engagement agreement letter to our firm; returning your income tax information to us for use in the preparation of your returns; the submission of the tax returns we have prepared for you to the taxing authorities; or the payment of our return preparation fees.

This letter will continue in effect until canceled in writing by either party.

Morling & Company  
A Financial Services Firm

\_\_\_\_\_  
Date

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Printed Name

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Printed Name