

**Letter 07-05**  
**Preparation of Trust Tax Returns**

<Date>

<Trustee>

<Trust Name>

<Trust Address>

Dear <Trustee>:

This letter will serve to confirm our understanding whereby our firm has been retained by you, the trustee of <Name>, in connection with the federal and <State(s)> state income tax services to be rendered to the above-entitled trust. The <State(s)> state and federal income tax returns, worksheets, and any other documents prepared by us in connection with this assignment will be submitted directly to you. It is agreed that this assignment includes the following work to be done by us:

1. We will prepare the federal and <State(s)> state fiduciary income tax returns for the above-mentioned trust for the year ending December 31, <year>, from information you provide.

With regard to the fiduciary income tax return, we will not audit or otherwise verify the data you submit, although we may ask you to clarify some of it or furnish written or oral assurance that records or other evidence exist to substantiate deductions. You should retain all the documents, books, and records that form the basis of income and deductions. The documents may be necessary to prove the accuracy and completeness of the returns to a taxing authority. You have the final responsibility for the income tax returns and, therefore, you should review them carefully before you sign them.

This firm is responsible for preparing only the return(s) listed above. All other returns and forms are to be prepared by you or under separate written engagement letters.

We will use our professional judgment in preparing your return(s). 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 share our knowledge and understanding of the possible positions that may be taken on your return(s). We will adopt whatever position you request on your return(s) so long as it is consistent with our professional standards and ethics. If you desire a legal opinion before choosing among alternative tax positions, legal counsel should be separately retained for this purpose. We will work with you and your chosen legal counsel to the best of our abilities in giving you whatever information we have that may help you in your decision. You have the final responsibility for positions taken on the return(s). If the Internal Revenue Service should later contest the position taken, there may be an assessment of additional tax liability plus interest and possible penalties. We assume no liability for any such additional penalties or assessments.

Provisions of the Internal Revenue Code require you to have the necessary records to support your travel (including auto), entertainment, and related expenses. If you do not have the required records, including receipts, do not record the expenditure as a deductible item. If you have any questions as

to the type of records required, please contact us for assistance.

Your return(s) <is/are> subject to examination by the taxing authorities. In the event of an audit, you may be requested to produce documents, records, or other evidence to substantiate the information shown on the tax return(s). We are not responsible for Internal Revenue Service calculation of values or for resulting taxes, penalties, and interest. Any items resolved against you by an examining agent are subject to certain rights of appeal. In the event of an examination, we will be available to represent you. Such services will be covered in a separate engagement letter.

**Please note that any person or entity 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.**

**If you and/or your entity have a financial interest in any foreign accounts, you are responsible for providing our firm with all the information necessary to prepare Form TD-F-90-22.1 required by the U.S. Department of the Treasury in order for the form to be received by the Department on or before June 30th of each tax year. If you do not provide our firm with information regarding any interest you may have in a foreign account, we will not be able to prepare any of the required disclosure statements.**

**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.**

- **You are an individual or entity with ownership of foreign financial assets and meet the specified criteria (Form 8938);**
- **You are an officer, director, or shareholder with respect to certain foreign corporations (Form 5471);**
- **You are a foreign-owned U.S. corporation or foreign corporation engaged in a U.S. trade or business (Form 5472);**
- **You are a U.S. transferor of property to a foreign corporation (Form 926);**
- **You are a U.S. person with an interest in a foreign trust (Forms 3520 and 3520-A); or**
- **You are a U.S. person with interests in a foreign partnership (Form 8865).**

**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 or untimely filing of any of these forms.**

Our fees are based on the time required by the individuals assigned to the engagement, plus direct expenses. Individual hourly rates vary according to the degree of responsibility involved and the skill required. Billings are due upon presentation. Billings become delinquent if not paid within <number> days of the invoice date. If billings are past due in excess of <number> days, at our election, we may stop all work until your account is brought current or withdraw from this engagement. <Client> acknowledges and agrees that we are not required to continue work in the event of <client>'s failure to pay on a timely basis for services rendered as required by this engagement letter. <Client> further acknowledges and agrees that in the event we stop work or withdraw from this engagement as a result of <client>'s failure to pay on a timely basis for services rendered as required by this engagement letter, we shall not be liable to <client> for any damages that occur as a result of our ceasing to render services.

It is our policy to keep records related to this engagement for <number> years. However, <Firm Name> does 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.

By your signature below, you acknowledge and agree that upon the expiration of the <number>-year period <Firm Name> shall be free to destroy our records related to this engagement.

If any dispute arises among the parties hereto, the parties agree to first try in good faith to settle the dispute by mediation administered by the American Arbitration Association under its Rules for Professional Accounting and Related Services Disputes before resorting to litigation. The costs of any mediation proceeding shall be shared equally by all parties.

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.

We appreciate the opportunity to be of service to you and believe this letter accurately summarizes the significant terms of our engagement. If you have any questions, please let us know. If you agree with the terms of our engagement as described in this letter, please sign the enclosed copy and return it to us.

Yours truly,

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<Accountant Name>

<Firm Name>

I have read and understand the foregoing and agree to these terms.

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<Client Name>

<Client Representative>

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Date