Sample Tax Preparation Engagement Letter

This letter sets the terms under which the Firm will prepare the Client's tax returns for the year stated below. It takes effect once both parties sign and the Firm has received the requested documents.

FIRM
[Firm Legal Name]

CLIENT
[Client Name / Names if a joint return]

TAX YEAR
[2025]

EFFECTIVE DATE
[MM/DD/YYYY]

GOVERNING STATE
[State]

Dear [Client Name],

Thank you for choosing [Firm Legal Name] (the "Firm") to prepare the tax returns described below for [Client Name] (the "Client"). This letter confirms our understanding of the terms of the engagement, the returns we will prepare, and the limits of the services we will provide for the tax year stated above. Work begins only after this letter is signed and the Firm has received the requested documents.

1 SCOPE OF SERVICES

The Firm will prepare the following returns for the **[2025]** tax year only, based on information the Client provides.

- Preparation of the federal Form 1040 and the schedules that apply to the information supplied
- Preparation of the resident-state income tax return for the state of **[State]**
- Review of the prior-year return for carryforward items such as capital loss, depreciation, and credits
- Electronic filing of the completed returns once the Client has reviewed, approved, and signed Form 8879

This engagement applies to the **[2025]** tax year only. It does not include any other year or any return not named above. Local, city, municipal, franchise, and other jurisdictional filings are excluded unless specifically listed above. Preparing the return does not include calculating future estimated tax payments unless the Firm is separately engaged to do so.

Any change in scope or additional return will be confirmed in writing through an amendment or a new engagement letter before the Firm performs the work.

2 RELIANCE ON CLIENT INFORMATION

The Firm will prepare the returns from information the Client provides and will rely on that information without independently verifying its accuracy, unless the Firm becomes aware that the information appears incomplete, inconsistent, or incorrect, in which case the Firm will make reasonable inquiry as required under Treasury Circular 230.

The Firm is not engaged to detect fraud, embezzlement, theft, or other irregularities. If the Firm becomes aware of information that appears unusual while preparing the returns, the Firm may bring it to the Client's attention, but the Firm does not undertake a duty to investigate such matters unless separately agreed in writing.

3 SERVICES NOT INCLUDED

This engagement does not include the following services. Each is available only under a separate written agreement.

- Tax planning, projections, or advice on future transactions
- Calculation of estimated tax payments for the coming year
- Bookkeeping, accounting, or cleanup of the Client's financial records
- Preparation or amendment of returns for any prior year
- Business entity returns (Forms 1120, 1120-S, or 1065) unless separately engaged
- Preparation or filing of Forms 1099 or payroll tax returns
- Foreign reporting, including FBAR (FinCEN Form 114), Form 8938, Form 5471, Form 3520, Form 8865, and Form 8621, unless expressly added
- Representation before the IRS or any state or local taxing authority
- Responses to IRS or state notices, examinations, or audits after the returns are filed
- Legal, investment, or business advisory services

> **AUDIT AND NOTICE HANDLING**
> If the IRS or a state examines a filed return or issues a notice, that work is a new engagement with its own letter and its own fee. It is not covered by this letter.

If information omitted from the original return is discovered after filing, correcting it requires a separate engagement for an amended return.

4 CLIENT RESPONSIBILITIES

An accurate return depends on complete and timely information from the Client. The Client agrees to the following.

- Provide complete and accurate income, deduction, and credit information for the tax year
- Deliver all supporting documents, including W-2s, 1099s, K-1s, receipts, and cost-basis records
- Maintain adequate books, records, receipts, and supporting documentation required by law
- Disclose all income, including income from foreign sources and any signature authority over a foreign account
- Respond promptly to the Firm's questions and requests for clarification
- Review every page of each return before it is filed and confirm that it is complete and correct
- Retain responsibility for all positions taken on the return and for the accuracy of the information provided

> **REVIEW AND ACKNOWLEDGMENT**
> By signing Form 8879 or otherwise approving the return, the Client acknowledges that they have reviewed the entire return and accept responsibility for its accuracy.

5 TAX POSITIONS AND NO GUARANTEE

The IRS or a state taxing authority may challenge positions taken on the return. The Firm cannot guarantee that any position will be sustained on examination, and cannot guarantee that a return will be accepted as filed. The Client is responsible for any additional tax, penalties, and interest that a taxing authority may assess.

6 FEES AND PAYMENT TERMS

The Firm's fee for the returns in Section 1 is **$[amount]**, based on the complexity of the return and the information provided. Work requested outside that scope will be quoted in advance and billed at **$[rate]** per hour, and will not begin until the Client approves it in writing.

Payment is due **[on completion and before the returns are filed]**. The Firm will not electronically file any return until the related invoice is paid in full. Invoices unpaid after **[30]** days may result in suspension of work until the balance is settled. Consistent with Treasury Circular 230, the Firm does not charge a contingent fee tied to the amount of any refund or tax saved for return preparation.

7 FILING DEADLINES AND EXTENSIONS

To file the returns by the **April 15, [2026]** deadline, the Firm must receive the Client's complete information by **[April 1, 2026]**. Documents received after that date may prevent timely filing, and the Firm assumes no responsibility for a missed deadline that results. In that case an extension of time to file may be necessary. The Firm will file an extension only with the Client's express approval and will base it on the information available at the time.

> **AN EXTENSION IS NOT MORE TIME TO PAY**
>
> An extension gives more time to file the return, not more time to pay. Even when an extension is filed, the Client remains responsible for paying any tax owed by the original deadline, and any unpaid amount continues to accrue penalties and interest after that date.

8 ELECTRONIC FILING AND REJECTED RETURNS

The Firm will electronically file the returns after the Client reviews them and signs Form 8879, the authorization for electronic filing. If the IRS or a state rejects an e-filed return, the Firm will notify the Client, the return will need to be corrected, and the Client agrees to cooperate promptly so the return can be resubmitted or filed on paper if required.

9 REFUND TIMING

The Firm cannot control or predict how long the IRS or a state will take to process a refund. Refund timing is determined by the taxing authority, not the Firm.

10 CONFIDENTIALITY AND DATA SECURITY

The Firm will keep the Client's tax return information confidential and will not use or disclose it except to prepare the returns or as required by law.

Under Internal Revenue Code Section 7216, the Firm will obtain the Client's written, signed consent before using or disclosing the Client's tax return information for any purpose beyond preparing the return, including offering other services. To the extent applicable, and consistent with the Gramm-Leach-Bliley Act and the FTC Safeguards Rule, the Firm maintains administrative, technical, and physical safeguards designed to protect customer information.

- Documents and returns are exchanged through a secure client portal rather than unsecured email
- Access to systems is protected by multifactor authentication
- Returns are prepared using **[named tax software]** and transmitted through an authorized IRS e-file provider
- The Client is responsible for maintaining the security of its own login credentials

The Client consents to electronic delivery of documents and returns through the secure portal. The Client should not send sensitive documents by unsecured email. If the Client chooses to do so, the Client accepts the risk of that method.

11 OWNERSHIP AND RETURN OF RECORDS

The Client's original records remain the property of the Client and will be returned on request, consistent with Circular 230 Section 10.28, even if there is a dispute over fees. Returns and work the Firm prepares remain the property of the Firm, and the Firm may retain copies. The Firm will retain its records for **[seven]** years, after which they may be destroyed in accordance with the Firm's retention policy.

12 TERMINATION

Either party may terminate this engagement with **[30]** days' written notice. The Client remains responsible for fees covering all work performed through the termination date, and the Firm will return the Client's records promptly on request.

13 LIMITATION OF LIABILITY

The Client is responsible for the accuracy and completeness of all information provided to the Firm. The Firm is not liable for additional tax, penalties, or interest that result from incomplete, inaccurate, or late information supplied by the Client, or from the Client's failure to disclose income or accounts.

To the fullest extent permitted by applicable law, the Firm's total liability for any claim arising from this engagement will not exceed the total fees the Client paid to the Firm under this engagement. Neither party will be liable to the other for consequential, incidental, indirect, punitive, or special damages.

> **ATTORNEY REVIEW REQUIRED**
> The enforceability of a liability cap and a consequential-damages waiver depends on the state and the facts of the engagement. These clauses must be reviewed by a licensed attorney in the governing state before the letter is used with any client.

14 GOVERNING LAW AND ENTIRE AGREEMENT

This letter is governed by the laws of the State of **[State]**, without regard to conflict-of-law principles. It is the entire agreement between the parties for the services described and supersedes any prior discussions. It may be amended only in writing signed by both parties. If any provision is found unenforceable, the remaining provisions stay in effect. Any mediation, arbitration, venue, or jury-waiver provision should be added only on the advice of a licensed attorney in the governing state.

✓ ACCEPTANCE AND SIGNATURES

Our engagement concludes upon the earlier of successful electronic filing of the returns, delivery of the completed returns to the Client for filing, or written termination by either party.

FOR THE FIRM

____
SIGNATURE

____
NAME AND TITLE

____
DATE

FOR THE CLIENT

____
SIGNATURE

____
NAME AND TITLE

____
DATE

If the return is a joint return, both spouses must sign. Electronic signature: the parties agree that this letter may be signed electronically. An electronic signature carries the same legal effect as a handwritten one under the federal Electronic Signatures in Global and National Commerce Act (15 U.S.C. §7001) and the Uniform Electronic Transactions Act as adopted in [State].

This sample U.S. tax preparation engagement letter is a compliance-conscious starting point. It is not legal advice and does not guarantee compliance with any specific state's laws, CPA or preparer board rules, professional standards, IRS regulations, or insurance requirements. Before use, the letter should be reviewed and adapted by a licensed attorney and, where appropriate, by a CPA or enrolled agent familiar with the engagement and governing state.