

# Everything you MUST know about Engagement Letters

LG Brooks, EA, CTRS, NTPI Fellow

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**“EVERYTHING YOU MUST KNOW ABOUT  
ENGAGEMENT LETTERS”**

**by:**

**LG Brooks, EA, CTRS**

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ENGAGEMENT LETTERS: INTRODUCTION



- Critical in defining the scope of a tax engagement
- Representation and/or preparation
- Engagement Letters are legal agreements
- Delineates the terms and details of the engagement

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## When to Use an Engagement Letter



- Generally all Rep/Prep Engagements
- IRS Audits/Examinations
- Lien and Levy Actions
- TFRP Issues
- Innocent Spouse Issues
- Appeal Matters
- Tax Prep-Business & Individual

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## Effect of an Engagement Letter



- Prevents misunderstandings between the practitioner & client
- Provides clarification to office staff and other case assistants
- Defines the responsibilities of both the practitioner and client
- Minimizes disputes and discourages premature/unnecessary litigation

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## Drafting an Effective Engagement Letter



- Consider all related **ethical** guidelines
- Provide for **jurisdictional** guidelines and mandates
- **State law** requirements should be noted where applicable
- **Federal tax law** requirements to include Circular 230 provisions

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## Pre-acceptance Considerations



- Legal, ethical or jurisdictional issues
- Taxpayer's mental capacity
- Relationship considerations
- Inclusion/Exclusion of other or non-tax professionals
- Resolution of issues/time frames
- Fee requirements/arrangements

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## Scope of the Engagement

- Explain terms & objectives
- Outline & define scope limitations
- Discuss/document expected reliance of engagement information
- Explain the basis of additional or separate engagement letters

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## Confidentiality, Privilege & Disclosure Issues

- Address confidentiality
- The practitioner's duty to maintain privilege (IRC §7525)
- Dissemination of information criteria
- The effect & duty of privilege at the conclusion of the engagement
- Effect of a client's withdrawal from an engagement

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## Fees, Retainers & Billing Arrangements



- Fixed fee engagements
- Hourly service rates
- Contingent Fee Arrangements
- Value-based fees
- Minimum & maximum fee arrangements

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## Termination of the Engagement



- Actions or inactions that may invoke a termination
- Clients' remaining responsibility with respect to a terminated engagement
- Explanation of any potential adverse effects should be provided to client

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## Engagement Letter Language



- Keep it simple
- Language should be clear & concise
- Engagement should not include extensive “tax legal jargon” which may be confusing or even intimidating to the client
- Client should feel comfortable with the reading and language of the engagement letter

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## Disengaging or Disengagement Letter



- Terms of the original engagement letter are relative and pertinent
- Disengagement should be provided via a formal format
- The practitioner should be specific regarding the basis or reason(s) of the disengagement

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## Negative Engagement Letters



- Negative engagements should be utilized where clients are less than diligent in responding and/or returning documents and information
- Specific language of the “negative engagement letter” should create a “binding effect” in the absence of a client’s signature

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## Non-Engagement Letter



- A mere “verbal” response may not always be sufficient
- Taxpayers may “misread” the practitioners’ intention (are we engaged or are we not)
- Although not required, it may be prudent in some instances to formally document a “non-acceptance” issue

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## State Law Matters



- The practitioner should incorporate any state law provisions and/or requirements when drafting a formal engagement letter
- Various State law mandates should be considered when the practitioner and the client are located in different states

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## Federal Tax Matters



- Circular 230 provisions are relevant
- Treas. Reg. §10.37 “Requirements for Other Written Advice”
- Treas. Reg. §10.33(1)- “Best Practices for Tax Advisors”
- Treasury Decision 9375-”Guidance Necessary to Facilitate Electronic Tax Administration-Updating of Section 7216 Regulations”
- IRC §301.7216-3(a)(3)(iii)-”Disclosure & Use of Tax Return Information”

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LG Brooks is the Education Director of the American Society of Tax Problem Solvers (ASTPS) and the Senior Tax Resolution Consultant at Lawler & Witkowski CPAs. He is a nationally recognized tax resolution expert and speaker. He brings over 25 years of experience to his presentations and has worked and consulted on thousands of IRS tax resolution cases. LG received a Bachelor of Arts degree from Bishop College at Dallas, Texas in 1977. He is a Certified Tax Resolution Specialist and a Fellow of the National Tax Practice Institute (NTPI)

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## **Introduction**

Engagement Letters are critical in defining the scope and objectives of a tax representation and/or tax preparation engagement, between the tax practitioner and the potential client. In many respects, an engagement letter is typically considered a “legal agreement” or “written contract”, and delineates the terms, understandings, and details of the engagement as well as the responsibilities of each party to the contract. Another important issue that should be addressed by the engagement is the actual fee for services and additionally, the basis upon which professional fees will be determined. Since engagement letters generally define the scope and objectives of the engagement, a well written engagement will typically reduce the risk of misunderstandings related to the engagement, such as the time frame or duration of the engagement, professional fees, and the issues and/or tax years involved. The client’s concept of the engagement may be totally different from the practitioner’s concept and understanding of the engagement, therefore reducing the arrangement to writing also reduces the possibility of any risk to adverse exposure.

This presentation will explore and discuss the professional and legal aspects of the use of engagement letters and this presentation will attempt to explain the use of engagement letters in the tax representation and tax preparation field and how the use of engagement letters also helps to promote the ethical and competent representation of clients.

In conclusion, although the use of engagements letters may not insulate the practitioner from a lawsuit, the well-drafted engagement letter may be the practitioner’s initial line of defense against any adverse claims made by a client, taxpayer and even an unrelated “third party”.

### **When to Use an Engagement Letter**

Generally, an engagement letter is recommended for use for all tax related engagements. The practitioner may utilize one engagement letter to address several types of services to be provided, or the practitioner may provide a separate engagement letter regarding each type of service to be rendered on behalf of the client.

The use of engagements related to tax related engagements, are typically for a specified issue, such as:

- ☐ Representation during an IRS Examination or Audit
- ☐ Request for a Collection Due Process Hearing
- ☐ Response to a CP-2000
- ☐ Representation in response to a Lien or Levy action
- ☐ Representation regarding a Trust Fund Recovery Penalty issue
- ☐ Representation concerning an Innocent Spouse issue
- ☐ Representation before the Appeals Division of the IRS

The areas listed above are merely a few of the professional type engagements that may be encountered which may require or should require the presentation of an engagement. Each specific area of practice noted above entails different professional, ethical, and legal issues, and the professional engagement letter should be drafted to address these issues.

For example, the language included in an engagement letter regarding an “Innocent Spouse” issue may possibly contain language to address “conflict of interest” issues, whereas a “Levy” action engagement usually does not. Therefore, it is feasible to draft a separate engagement letter for each professional service provided by the firm.

### **Effect of Engagement Letter**

Although engagement letters are generally recommended and utilized by most tax, accounting, and legal professionals, they should not be relied upon as an automatic “get out of jail card”. Typically, the use of an engagement letter decreases the potential of a dispute and/or disagreement and may even discourage litigation; however, engagement letters do not shield or immunize the tax practitioner from litigation. Nonetheless, the effect of an engagement should at the very least provide the following:

- ☐ Prevention of a misunderstanding between the practitioner and the client by memorializing the mutual understanding of the terms and conditions of the specific engagement
- ☐ Provides clarification to any staff and/or assistant counsel assigned to the engagement regarding which services are to be rendered and when to initiate the engagement
- ☐ Description and definition of the responsibilities of both the practitioner (and his or her staff) and those of the client, which has the effect of reducing any potential legal liability associated with the directives of the engagement

The engagement should be considered a contract for the performance of services by the practitioner, which is followed by the payment of those services by the client.

Since the engagement is a legal document/contract, the engagement letter should be drafted in a manner, which complies with all aspects of federal tax laws and regulations (discussed later in the presentation). Additionally, the engagement should be drafted in a manner to exclude or not extend to third parties, which may expand your exposure to legal liability as well as unintentionally expand the scope of the engagement.

### **Considerations for Drafting an Effective Engagement Letter**

Many professional organizations and websites offer free access to engagement letter profiles. Therefore, a practitioner is capable of obtaining various types of engagement letters for a myriad of engagements. However, the practitioner should exercise caution concerning the use of “canned” engagement letters. Although the majority of engagement letters offered on a free access basis are acceptable, they should always be thoroughly reviewed and significantly modified, if necessary, to conform to the policies and procedures of your particular practice or firm.

Other issues of concern regarding the use of these type documents are the practitioner should understand no individual form or document addresses all situations. The drafting of an engagement letter for your profession should include and consider the following:

- ☐ Ethical requirements (CPA’s, EA’s and Attorneys may be required to address different but similar ethical issues). The drafting of an engagement by a practitioner should encompass the ethical rules of their particular profession.
- ☐ Jurisdictional guidelines and mandates-Some states have specific requirements regarding the form and content of engagement letters. Specific thresholds are also established which determine when an engagement letter is “required” to be issued.
- ☐ Federal tax law requirements-The drafting of an engagement letter should consider the requirements of federal tax law matters such as the mandates of Circular 230, which governs all practitioners (as defined by §10.2(a)(5) of Circular 230). This section of Circular 230 (Cir. 230) specifically defines a practitioner as a) an Attorney, b) Certified Public Accountant (CPA) and c) an Enrolled Agent (EA).



In essence, the practitioner should not only utilize an effective engagement letter, but he or she should also understand the element of each provision of the engagement letter and the importance of such. An “Engagement Letter Checklist” may assist the practitioner with developing an effective engagement letter.

## **“Engagement Letter Checklist”**

- I. Issues to Consider Prior to Acceptance of an Engagement
  - a. Based upon your interview of and/or interaction with the client (or potential client) does there appear to be any legal, ethical, or jurisdictional observations that would affect the acceptance of this engagement?
  - b. Does it appear that all parties involved have adequate capacity to enter into the engagement?
  - c. Do any other advisory, client, or referral relationships exist that should be considered or evaluated concerning this engagement?
  - d. Are other professional expected to be involved with this particular engagement (such as lawyers, accountants, investment brokers, financial planners, etc.)?
  - e. Are the expectations of the client concerning the resolution and timing of the services to be performed reasonable and/or achievable?
  - f. Have the fee requirements and or fee arrangements been discussed and agreed upon?
  
- II. Identify, Explain & Define the Scope of the Engagement
  - a. Describe the terms, objectives, and any conditions of your professional services to be provided (representation, consulting preparation, etc.)
  - b. Outline and define the nature and consequences of any scope limitations, and attempt to secure the clients consent regarding this matter
  - c. Explain your expected reliance upon the information provided by the client during the engagement and explain any circumstances under which a practitioner may be required to verify a portion of or possibly all of the information provided by the client.
  - d. Establish the understanding that the practitioner will not be obligated to provide services outside of the scope delineated via the original engagement letter; and that any subsequent, different, or separate services require the execution of an additional or separate engagement letter.

- e. Secure Form 2848, “Power of Attorney” (scope note here as well).
- f. The practitioner should be specific regarding the type of tax involved (or penalty) and specify the tax year(s) and/or period(s).
- g. It may be prudent to include or mention any foreseeable timeframes or periods when the practitioner may not be available during the engagement. The practitioner should consider identifying any administrative and/or support personnel that should be consulted or contacted in the practitioner’s absence.

### III. Confidentiality, Privilege & Disclosure Issues

- a. Explain and document the practitioner’s duty of confidentiality and explain how confidential information should be conveyed to the IRS and/or any authorized third party.
- b. Explain and document the practitioner’s duty to maintain privilege under the law (IRC §7525). Explain how privilege may be waived (inadvertently and otherwise) and whether your firm requires a written waiver concerning these matters.
- c. Describe your firm’s practice of disseminating information to and/or communicating with the client, the advantages, and disadvantages of communication by facsimile, e-mail, cellular phones, instant messaging, and any other high technology device; and attempt to obtain the client’s consent regarding the use or limitation of any of the above.
- d. Provide an explanation that the duty of confidentiality and privilege continue to be in effect even subsequent to the completion and/or termination of the engagement.
- e. Consider providing an explanation of how, subsequent to the initiation of the engagement, the death or diminished capacity of the client may and/or will affect the disclosure of confidential information and/or disclosure of privileged information.

- f. Explain the effects and/or disadvantages of the client's withdrawal from an engagement (or the representative's withdrawal) and the duty to continue to preserve confidentiality and privilege.

#### IV. Fees, Retainers and Billing Arrangements

- a. The practitioner should initiate the issue of fees for professional services prior to the performance of any services.
- b. Any options regarding the basis of fees and billing arrangements offered by your firm should be discussed with the client (again prior to the performance of services). Options of services could range from the following:
  - ☐ Fixed fee engagements
  - ☐ Hourly rates for services (based upon the level of the practitioner assigned to the case) including out-of-pocket costs
  - ☐ Contingent fees (subject to IRS Notice 2008-43 and Cir. 230 §10.27.
  - ☐ Value-based fees, and/or
  - ☐ Minimum and Maximum fee arrangements
- c. Should a contingent fee be involved, as referenced above, obtain the client's formal consent.
- d. Provide a detailed overview of the firm's (or the practitioner's) billing and collection policies.
- e. Describe any factors that may cause a fee to be substantially different from an estimated fee previously provided to the client.
- f. Describe and explain who will be primarily responsible for payment of any third-party fees and expenses, such as attorney fees, accountant fees, etc.
- g. Also, verify the client's billing address and contact information. This seemingly simple information may be quite different from the client's actual billing and contact data. For example, although the taxpayer may be

married (or otherwise condemned) the taxpayer may not want the knowledge of a “delinquent tax liability” disclosed for fear of divorce, loss of employment, or any other adverse action. Inadvertent disclosure by remitting an invoice to the “wrong” address could prove to be costly.

V. Termination of the Engagement

- a. Provide in detail any event, occurrence, action, non-action, or circumstance that will have the effect of terminating the engagement. For example, the non-payment or late payment of fees and billings.
- b. Provide an explanation to the client of their responsibility regarding the payment of fees due at the time of termination of an engagement.
- c. Regarding retainers paid, inform the client if fees are or are not considered “earned” when received; and provide an explanation of your refund, rebate, or relinquishment of fees due to the termination of an engagement.
- d. Should the client wish to terminate the engagement, as stated earlier in Section III above, explain the duty of confidentiality and privilege with respect to the withdrawal or termination of an engagement.
- e. Describe the firm’s policies and procedures concerning withdrawals and terminations, such as revocation of the power of attorney, the disposition of the client’s records and original documents, etc.
- f. If the engagement is terminated or otherwise withdrawn from, attempt to provide the client with any potential adverse effects. For example, due to the lapse in time between acquiring another representative, the non-response to IRS administrative and legal notices; the potential to overlook any 15 day, 30-day or 90-day deadlines, the “unduly” delay in responding to or providing information to an Agent (IRS).

The “Engagement Letter Checklist” items noted may not cover all situations and should not be considered a “panacea” roadmap to the perfect engagement letter. However, the checklist is provided as a “guideline” for consideration of items that may affect a professional engagement. No single form is controlling, and other categories may be considered regarding the drafting of the engagement letter. Also, a well-drafted engagement should not, or better yet, cannot replace the experience and independent judgment of a professional practitioner. A client may seek an unusual or uncommon service. In these situations, the practitioner may be required to draft different or “new” provisions in an engagement letter to meet established ethical and legal standards.

### **Synopsis of the “Engagement Letter Checklist”**

In brief the engagement letter should address, at a minimum, the following issues:

- ☐ The purpose of the engagement (representation before the examination division of the IRS, representation before the collection division of the IRS, etc.) to include the specific tax years and/or periods
- ☐ The engagement specifically identifies the responsibilities of the client during the engagement and reiterate any specific client instructions
- ☐ Any known or pre-determined adverse conditions, situation or circumstances should be noted
- ☐ The practitioner should address exactly what he or she is prepared and willing to perform on behalf of the client, and the practitioner should address what he or she specifically will “not” perform on behalf of the client
- ☐ An understanding as to the reliance on facts and information provided by the client should be addressed
- ☐ The practitioner’s position regarding confidentiality and matters of privilege should be addressed
- ☐ Fees, billing rates, contingent fees and any estimates should be addressed in detail
- ☐ The clients’ contact and billing address should be verified
- ☐ The engagement should be signed, and a copy should be provided to the client

- ☐ If the engagement letter is mailed to the client, specific instructions should be provided requesting the return of the “signed” engagement along with the required retainer
- ☐ Any scope limitations should be clearly explained and documented, and
- ☐ Quantitative statements of “specific” adjustments or savings should be avoided!

### **Engagement Letter Language**

“Keep it simple”. The language of the engagement letter should be simple, clearly understandable, and devoid of any overbearing tax legal jargon. Clear and simple language should be less confusing to the client and certainly less intimidating. Typically, tax engagements are “high anxiety” situations. Simple language helps to diffuse any uncomfortable or apprehensible emotions.

### **Disengaging or Disengagement Letter**

There are times when a practitioner may conclude that the best or more appropriate course of action concerning an engagement is to “withdraw” or “disengage” from the case rather completing the engagement. However, when a practitioner decides to “disengage” from a professional engagement, the practitioner should be aware that exposure to liability may be incurred. An untimely withdrawal may cause the client to incur substantial damages to their business or may create an “unrecoverable” adverse situation to the client. If a practitioner is confronted with such a situation, the provisions of the “original” engagement are crucial as to the actions that are permitted to be taken based upon the client’s and the practitioner’s mutual agreement.

Whereas the original engagement letter (and any subsequent modifications thereto) is a “bilateral agreement” a “disengagement letter” is usually a unilateral revocation or cancellation of an agreement. Should an adverse situation develop during the course of an established engagement, the initial engagement should have included provisions for an appropriate response to such action, such as:

- ☐ Failure of the client to cooperate with the practitioner during the course of the engagement
- ☐ Failure of the client to respond to formal request or communications
- ☐ Failure to the client to provide crucial information, documentation and/or substantiation during the course of the engagement
- ☐ A previously unknown “conflict of interest” is determined during the engagement
- ☐ A conflict between ethical and legal obligations and the practitioner’s professional judgment or professional performance develops
- ☐ The client agrees to the withdrawal or disengagement, or most commonly
- ☐ The client simply refuses or neglects to pay



### **Negative Engagement Letters**

Although a properly signed and dated engagement letter is the more appropriate course of action, there are certain areas of practice regarding services where the client is less diligent in responding or returning engagement documents. For example, if a practitioner utilizes tax organizers to gather pre-tax season information and submits a “Preparation Engagement Letter” with the organizer for execution by the client, the practitioner “may” receive the organizer, but for some reason the client considers the enclosed engagement letter a novelty.

In these type situations, the practitioner should consider including language that purports to convert the terms of the engagement letter to a “binding document” even with the absence of a client signature. (See the “Negative Engagement” later in the presentation).

### **Non-Engagement Letter**

Periodically, it may be prudent for a practitioner to merely document a clients’ understanding that the practitioner will not accept a particular engagement or even agree to prepare a particular tax return on their behalf. A significant difference exists between accepting a formal engagement (formal execution of an engagement letter, execution of a valid POA, etc.) and merely making a documentation of a “client’s understanding”. Unless the client acknowledges the informal documentation in some type of manner (client’s initials, client’s signature on memo, require response to non-engagement via U. S. Mail or e-mail, facsimile, etc.) the practitioner assumes the risk of the client totally misunderstanding the practitioner’s intentions. One apparent danger is that the client may at some point in time “allege” that you actually agreed to handle the matter or provide the required representation. Depending upon the nature and severity of the discussion, it may be prudent to follow-up the discussion with a formal memo addressed to the client outlining your non-acceptance of the engagement.

## **Federal & State Engagement Letter Concerns**

### **State Matters**

This presentation was primarily designed to address the federal tax aspects related to the issuance and usage of engagement letters. However, although this presentation was not designed to address each individual State's requirements for engagement letter development, it is imperative that the active practitioner be aware of any State mandates regarding "engagement letters". For example, with regards to Attorneys, the Appellate Division of the Supreme Court of the **State of New York** has issued the following requirements concerning a "*Written Letter of Engagement*":

### **Part 1215 Written Letter of Engagement:**

#### **§ 1215.1 Requirements**

- a. Effective March 4, 2002, an attorney who undertakes to represent a client and enters into an arrangement for, charges or collects any fee from a client shall provide to the client a written letter of engagement before commencing the representation, or within a reasonable time thereafter (i) if otherwise impracticable or (ii) if the scope of services to be provided cannot be determined at the time of the commencement of representation. For purposes of this rule, where an entity (such as an insurance carrier) engages an attorney to represent a third party, the term "client" shall mean the entity that engages the attorney. Where there is a significant change in the scope of services or the fee to be charged, an updated letter of engagement shall be provided to the client.
- b. The letter of engagement shall address the following matters:
  1. Explanation of the scope of the legal services to be provided.
  2. Explanation of attorney's fees to be charged, expenses and billing practices; and, where applicable, shall provide that the client may have a right to arbitrate fee disputes under Part 137 of the Rules of the Chief Administrator.
- c. Instead of providing the client with the provisions of engagement, an attorney may comply with the provisions of subdivision (a) by entering into a signed written

retainer agreement with the client, before or within a reasonable time after commencing the representation, provided that the agreement addresses the matters set forth in subdivision (b).

#### § 1215.2 Exceptions

This section shall not apply to:

1. representation of a client where the fee to be charged is expected to be less than \$3000,
2. representation where the attorney's services are of the same general kind as previously rendered to and paid for by the client, or
3. representation in domestic relations matters subject to Part 1400 of the Joint Rules of the Appellate Division (22 NYCRR), or
4. representation where the attorney is admitted to practice in another jurisdiction and maintains no office in the State of New York, or where no material portion of the services are to be rendered in New York.

As amended April 3, 2002.

## **Federal Matters**

Concerning federal tax matters, the practitioner should be concerned with and aware of any statute or clause promulgated via Circular 230, Treasury Regulations, Treasury Decisions, the Internal Revenue Code, and current & past Case Law mandates, directly or even remotely related to the issuance of an engagement letter, such as the language stipulated via certain sections of Reg. §10.37 of Circular.230.

### **Reg. §10.37-Requirements for Other Written Advice**

(c) Standard of Review:

(1) In evaluating whether a practitioner giving written advice concerning one or more Federal tax matters complied with the requirements of this section, the Commissioner, or delegate, will apply a reasonable practitioner standard, considering all facts and circumstances, including but not limited to, **the scope of the engagement and the type and specificity of the advice sought by the client.**

### **Reg. §10.33(1)-Best Practices for Tax Advisors**

(a) Best Practices-Tax advisors should provide clients with the highest quality representation concerning Federal tax issues by adhering to best practices in providing advice and in preparing or assisting in the preparation of a submission to the Internal Revenue Service. In addition to compliance with the standards of practice provided elsewhere in this part, best practices include the following:

(1) Communicating clearly with the client **regarding the terms of the engagement.** For example, the advisor should determine the client's expected purpose for and use of the advice and should have a clear understanding with the client regarding the form and scope of the advice or assistance to be rendered.

**Treasury Decision (TD) 9375- “Guidance Necessary to Facilitate Electronic Tax Administration-Updating of Section 7216 Regulations**

**D. Obtaining Consent Through Engagement Letters [ Page 1065 ]**

Some commentators recommended that when the regulations require consent to disclose or use tax return information, tax return preparers should be permitted to obtain such consent from “large taxpayers”, such as large corporations, through an **engagement letter**. These commentators observed that it is ordinary business practice for tax return preparers and large taxpayers to negotiate and set the terms of the provision of services, including the preparation of income tax returns, in an **engagement letter**. This recommendation was adopted. Treasury and the IRS agree that requiring multiple, separate consents would impose a significant burden and could frustrate these taxpayers’ ability to comply with tax laws and other regulatory and reporting requirements. Internal Revenue Code (IRC) Section 301.7216-3(a)(3) has been modified to provide a set of requirements regarding the format and content of consents to disclose and use tax return information with respect to taxpayers filing income tax returns in the Form 1040 series, e.g., Form 1040, Form 1040NR, Form 1040A, or Form 1040EZ, and a separate set of requirements regarding the format and content of consents to disclose and use tax return information with respect to taxpayers filing all other returns.

Under **IRC §301.7216-3(a)(3)(iii)**, for tax return preparers providing tax return preparation services to taxpayers who do not file an income tax return in the Form 1040 series, a consent to use or a consent to disclose may be in any format, **including an engagement letter to a client**, as long as the consent complies with requirements of **IRC §301.7216-3(a)(3)(i)**.

**Other Federal Issues-For Discussion**

- (1) U. S. Court of Appeals, 7<sup>th</sup> Circuit, United States of America, Petitioner-Appellee v. BDO Seidman
- (2) Estate of Bessie I. Mueller-Deceased, John S. Mueller, Personal Representative v. Commissioner

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**December 3, 2021**

Mark & Brigitte Mummy  
2020 Wolfman Lane  
Munster, TX 75104

**Engagement Letter**

Mark & Brigitte:

This letter confirms our meeting of December 3, 2021, in which you consulted **Tom Catt, EA, CPA, CTRS of Wei, Cheatem & Howe, CPAs** who agreed to represent you before the *Audit (Examination) and Appeal Divisions* of the Internal Revenue Service (IRS) relating to the audit of your **2018 & 2019** Individual Federal Income Tax Returns.

You agree to retain this firm to represent you before the IRS relating to the above currently proposed tax deficiencies. **Tom Catt will have primary responsibility for your account.** Other professional and support staff may assist him, as requested, to work on your account. Unless your case is a fixed fee engagement, you will be billed at the hourly rate of each staff member that actually assists on your account.

**Terms of the Agreement:**

The initial retainer of **\$ 2,500.00** is a minimum fee to be applied toward your *estimated case* fee of **\$ 5,000.00**, and expenses, costs, and other professional services. (The collection case will be handled at no additional charge). “*Expenses and costs*” shall include, but not limited to photocopying at **\$.17 per page**, mileage at **\$.60 per mile**, fax charges of **\$20 per transmission**, postage, filing fees, and IRS imposed user fees advanced. Although this retainer is considered earned in full upon receipt, and is not refundable, initial fees will be applied against it. You understand that you will be billed no less than monthly for all fees and costs, and you agree to pay all charges upon receipt of billings. If we are not paid within 10 days of billing, we reserve the right to cease all work and/or terminate our services. You may terminate this agreement without cause by giving written notice to Wei, Cheatem & Howe. Termination will not affect the clients’ responsibility to pay for services rendered to the date of termination.

In the event you fail to communicate with this office and this condition continues for ten business days, we reserve the right to terminate our services. You acknowledge that financial statements may be required to be submitted to the IRS regarding negotiation of payment arrangements. You agree to promptly supply any & all requested information and make appropriate financial disclosures as and when we request them.

Our agreement is limited to administrative hearings and administrative practice before the Internal Revenue Service. **Our services do not include any litigation in any state or federal court.**

We agree to take all steps deemed by us to be advisable in any matter, including negotiation, compromise, and settlement. You acknowledge that:

- 1) We have made no guarantees of any kind regarding vulnerability to any audit, successful termination of any audit or conference.
- 2) We have made no guarantees of any kind regarding negotiations, or installment payment arrangements, or compromises of tax liability.
- 3) We have made no representations regarding the seizure of any realty or personal property.
- 4) We have made no representations as to the imposition or release of any jeopardy or termination assessments.
- 5) We have made no guarantees regarding the filing of any tax liens or levies.
- 6) We have made no representations that our services will result in relieving you of any liability for taxes, interest, and/or penalties.
- 7) All expressions relative to the foregoing are matters of our professional opinion only.

In the event an Offer-in-Compromise (Offer) is considered or a request for a Collection Due Process Hearing, additional fees may apply. Also, in the event a request for a “Collection Due Process” (CDP) hearing is submitted, in order to compromise any federal or state tax liability, you acknowledge that the mere submission of a CDP (and an OIC) **extends the statute of limitations for the IRS’s collection of any tax liability** by the period during which the CDP or OIC is pending. In the event your case is processed by the IRS Compliance Center or Automated Collection Services, you acknowledge that we have informed you that IRS personnel at such offices have the authority and ability to enforce collection by levy and distraint virtually without warning.

If this agreement accurately summarizes your understanding of our engagement, please sign, and return with your retainer, a copy of this letter. The additional copy is for your records. Please feel comfortable bringing any of your concerns about the progress of your case or about our procedures to our attention at any time.

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Mark and/or Brigitte Mummy

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*Wei, Cheatem & Howe, CPAs*  
**Tom Catt, EA, CPA, CTRS**

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Date

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Date

**Wei, Cheatem & Howe, CPAs, PC**

**California Office:**

1040 Skid Row Parkway  
Los Angeles, CA 90201

(972) 223-9897 voice

**Dallas Office:**

1120 Hard Times Boulevard  
Dallas, Texas 75201

(972) 223-2636 facsimile

Website: [www.wch.cpas.com](http://www.wch.cpas.com)

E-mail: [tc@wch.cpas.com](mailto:tc@wch.cpas.com)

**December 6, 2021**

Blue Ox Mortgage, Inc.  
ATTN: Mr. Paul Bunyon  
4444 S. Lumber Jack Rd.  
Dallas, TX 75232

**ENGAGEMENT LETTER-Contingent Fee Basis**

Paul:

This letter confirms the basis of our meeting December 6, 2021, in which you consulted with **Tom Catt**, regarding **representation before the Internal Revenue Service (IRS)** related to delinquent employment tax liabilities **concerning the filing of an Offer-in-Compromise for** Form 940EZ for the period ended December 31, 2020, and Form 941 for the periods ended June 30, 2020, and December 31, 2020.

You agreed to retain this firm to represent you before the Collection Division of the Internal Revenue Service (IRS) relating to the above referenced **employment tax** issues. **Tom Catt** will have primary responsibility for your case. Other licensed professionals and support staff may assist him, as requested, to work on your tax matters. We have concluded to accept your case on a **“contingent fee basis”**. This means that our professional fee will be based directly upon any “tax liability” savings we are able to obtain regarding this matter (plus reimbursement of expenses and out-of-pocket costs). The contingent fee factor will be **20% of any actual “tax liability” reduction** based upon our representation before the IRS.

The following are terms of this engagement and compensation regarding our services:

The initial retainer of **\$4,000** is a minimum fee, to be applied toward your contingent case fee, and expenses, costs, and other professional services. *“Expenses and costs”* shall include, but not limited to photocopying at ***\$.19 per page***, mileage at ***\$.57 per mile***, fax charges of ***\$25 per transmission***, postage, travel & hotel costs, *legal filing fees*, and any *IRS imposed user fees advanced*. Although this retainer is considered earned in full upon receipt, and is not refundable, initial fees will be applied against it. You understand that you will be billed no less than **\$250 monthly** for all *“Expenses & administrative overhead costs”*; and *you agree to pay all charges upon receipt of billings*. If we are not paid within 10 days of billing, we reserve the right to cease all work and/or terminate our services. You may terminate this agreement without cause by giving written notice to *Tom Catt, EA, CPA, CTRS*. Termination will not affect the clients’ responsibility to pay for services rendered to the date of termination.



The actual and ultimate fee will be based upon the final report issued by the appropriate IRS Division disseminating the conclusion and/or results of the tax case requests and assertions and the terms of this engagement.

In the event you fail to communicate with this office and this condition continues for ten business days, we reserve the right to terminate our services. You acknowledge that financial statements may be required to be submitted to the IRS regarding negotiation of payment arrangements or any other merits of this case. **You agree to promptly supply any & all requested information and make appropriate financial disclosures as and when we request them.**

Our agreement is limited to administrative hearings and administrative practice before the Internal Revenue Service. **Our services do not include any litigation in any state or federal court.**

**We agree to take all steps deemed by us to be advisable in any matter, including negotiation, compromise, and settlement. You acknowledge that:**

We agree to take all steps deemed by us to be advisable in any matter, including negotiation, compromise, and settlement. You acknowledge that:

- 1) We have made no guarantees of any kind regarding vulnerability to any audit, successful termination of any audit or conference.
- 2) We have made no guarantees of any kind regarding negotiations, or installment payment arrangements, or compromises of tax liability.
- 3) We have made no representations regarding the seizure of any realty or personal property.
- 4) We have made no representations as to the imposition or release of any jeopardy or termination assessments.
- 5) We have made no guarantees regarding the filing of any tax liens or levies.
- 6) We have made no representations that our services will result in relieving you of any liability for taxes, interest, and/or penalties.
- 7) All expressions relative to the foregoing are matters of our professional opinion only.

In the event a Collection Due Process Hearing Request, (CDP), is made in order to present arguments regarding any federal or state tax liability, you acknowledge that the mere submission of a CDP extends the statute of limitations for the IRS' collection of any tax liability by the period during which the CDP hearing is pending.

If this agreement accurately summarizes your understanding of our engagement, **please sign, and return with your retainer, a copy of this letter**. The additional copy is for your records. Please feel comfortable bringing any of your concerns about the progress of your case or about our procedures to our attention at any time.

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Tom Catt, EA, CPA *for*  
**Wei, Cheatem & Howe, CPAs**

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Paul Bunyon *for*  
**Blue Ox Mortgage, Inc.**

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**Date**

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**Date**

**Wei, Cheatem & Howe, CPAs, PC**

**California Office:**

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**E-mail:** [tc@wch.cpas.com](mailto:tc@wch.cpas.com)

**December 8, 2021**

Winter Technical Group, Inc.  
ATTN: Jack Frost, President  
2141 S. Snow Street  
Blizzard, TX 77117

**ENGAGEMENT LETTER-Employment Tax Liability Matters**

Dear Jack:

This letter confirms our office conference which occurred December 8, 2021, in which you consulted with **Tom Catt of Wei, Cheatem & Howe, CPAs.**, regarding **representation before the Internal Revenue Service (IRS)** related to the various employment tax matters ranging from tax years 2018 through 2020. The issues involve Forms 940, 941, W2 and Civil Penalty Assessments under **IRC §6721** (W2/W3-Intentional Disregard) for Hunter Technical Group, Inc. We will also verify that the appropriate legal procedures have been followed when assessing the **IRC §6672** (Trust Fund Recovery Penalty) against the officers of the corporation. Exception: This agreement does not include representing the officers before the collection function should the corporation fail to pay the trust fund taxes.

You agree to retain Tom Catt to represent you, before the collection function of the Internal Revenue Service (IRS), relating to the above **employment tax law** issues. Tom Catt will have primary responsibility for your case. Other professional and support staff may assist him, as requested, to work on your tax matters.

The following are terms of this engagement and compensation regarding our services:

The initial retainer of **\$7,500** is a minimum fee, to be applied toward your total case fee of **\$15,000**. "Expenses and costs" shall include, but not limited to photocopying at **\$.15 per page**, mileage at **\$.40 per mile**, fax charges of **\$ 4 per transmission**, postage, travel & hotel costs, *legal filing fees*, and any *IRS imposed user fees advanced*. Although this retainer is considered earned in full upon receipt, and is not refundable, initial fees will be applied against it. You understand that you will be billed no less than monthly for all "case fees" and "expenses and costs" and, *you agree to pay all charges upon receipt of billings*. If we are not paid within 10 days of billing, we reserve the right to cease all work and/or terminate our services. You may terminate this agreement without cause by giving written notice to Tom Catt. Termination will not affect the clients' responsibility to pay for services rendered to the date of termination.

The actual and ultimate fee will be based upon the final report issued by the appropriate IRS Division disseminating the conclusion and/or results of the tax case requests and assertions and the terms of this engagement.

In the event you fail to communicate with this office and this condition continues for ten business days, we reserve the right to terminate our services. You acknowledge that financial statements may be required to be submitted to the IRS regarding negotiation of payment arrangements or any other merits of this case. **You agree to promptly supply any & all requested information and make appropriate financial disclosures as and when we request them.** As your representatives, we are partially responsible for the accuracy of the information provided to the Internal Revenue Service. All financial statements or other information given must be complete and accurate. Failure to provide accurate information in a timely manner may result in enforcement action by the IRS. If it is found that inaccurate information is deliberately submitted to this office, we will immediately remove ourselves from the case due to the penalties the IRS could enforce upon us as representatives. Our agreement is limited to administrative hearings and administrative practice before the Internal Revenue Service. **Our services do not include any litigation in any state or federal court.**

**We agree to take all steps deemed by us to be advisable in any matter, including negotiation, compromise, and settlement. You acknowledge that:**

**We agree to take all steps deemed by us to be advisable in any matter, including negotiation, compromise, and settlement. You acknowledge that:**

- 1) We have made no guarantees of any kind regarding vulnerability to any audit, successful termination of any audit or conference.
- 2) We have made no guarantees of any kind regarding negotiations, or installment payment arrangements, or compromises of tax liability.
- 3) We have made no representations regarding the seizure of any realty or personal property.
- 4) We have made no representations as to the imposition or release of any jeopardy or termination assessments.
- 5) We have made no guarantees regarding the filing of any tax liens or levies.
- 6) We have made no representations that our services will result in relieving you of any liability for taxes, interest, and/or penalties.
- 7) All expressions relative to the foregoing are matters of our professional opinion only.

In the event a Collection Due Process Hearing Request, (CDP), is made in order to present arguments regarding any federal or state tax liability, you acknowledge that the mere submission of a CDP extends the statute of limitations for the IRS' collection of any tax liability by the period during which the CDP hearing is pending (as well as the submission of an Offer-in-Compromise regarding the statute of limitations).

If this agreement accurately summarizes your understanding of our engagement, **please sign & date, and return with your retainer, with a copy of this letter.** The additional copy is for your records. Please feel comfortable bringing any of your concerns about the progress of your case or about our procedures to our attention at any time.

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**Jack Frost, President**  
Winter Technical Group, Inc.

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**Tom Catt, EA, CPA, CTRS**  
Wei, Cheatem & Howe, CPAs

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**Date**

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**Date**