CORPORATION TAX RETURN ENGAGEMENT LETTER

This letter is to confirm and specify the terms of our/my engagement with________________________(Name of corporation) for the year ended (____) and to clarify the nature and extent of the services we will provide. Also, by sending you this engagement letter we have assumed that you are the person responsible for the tax matters of the corporation. If this is not a correct assumption, please provide us with the name of the individual with whom this work should be coordinated.

Our engagement will be designed to perform the following services:

1. Prepare the federal and state income tax returns with supporting schedules from information that you will provide to us.

2. Perform any bookkeeping necessary for preparation of the income tax returns.

Our work in connection with the preparation of your income tax returns does not include any procedures designed to discover defalcations or other irregularities, should any exist. However, should I/we find any irregularities or unusual items we will bring them to your attention. If we discover any errors or omissions on a prior year return we will bring that to your attention.

We will use our judgment in resolving questions where the tax law is unclear, or where there may be conflicts between the taxing authorities' interpretations of the law and other supportable positions. Unless otherwise instructed by you, we will resolve such questions in your favor whenever possible.

Management is responsible for the proper recording of transactions in the books of accounts, for the safeguarding of assets, and for the substantial accuracy of the financial records. **You have the final responsibility for the income tax returns and, therefore, you should carefully review them before you sign and file them.**

Your returns may be selected for review by the taxing authorities. Any proposed adjustments by the examining agent are subject to certain rights of appeal. In the event of such governmental tax examination, we will be available, upon request, to represent you under a separate engagement letter for that representation..

The law provides various penalties that may be imposed when taxpayers understate their tax liability. If you would like information on these penalties, please contact us/me.

The filing deadline for the tax return is March 15, 2012. In order to meet this filing deadline, the information needed to complete the return should be received in this office no later than February 15, 2012.

If an extension of the time is required, any tax that may be due with this return must be paid with that extension. Any amounts not paid by the filing deadline may be subject to interest and late payment penalties.

Our fee for these services will be based upon the amount of time required at standard billing. All invoices are due and payable upon presentation.

This engagement letter does not cover the preparation of any financial statements. Any services related to the preparation of financial statements will be addressed in a separate engagement letter.

If the foregoing fairly sets forth your understanding, please sign the enclosed copy of this letter in the space indicated and return it to our/my office. However, if there are any additional returns you expect us to prepare, please inform us by noting so just below your signature at the end of the returned copy of this letter.

We appreciate this opportunity to work with you.

Sincerely,

James L. Beddow, CPA

Accepted By: ______________________________________

Title: ________________________

Date: ________________________

Comments or additional requests: ______________________________________

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<u>CORPORATION TAX ORGANIZER (1120, 1120S)</u>

Enclosed is an organizer that to assist in gathering the information necessary to prepare the current year tax returns.

The Internal Revenue Service matches information returns with amounts reported on income tax returns. A negligence penalty may be assessed where income is unreported. Accordingly, all Forms 1099, Schedules K-1 and other information returns reflecting amounts reported to the Internal Revenue Service should be submitted with this organizer.

For your convenience, there is an engagement letter enclosed which explains the services that I (we) will provide to the corporation. Please sign a copy of the engagement letter and return it in the enclosed envelope. Keep the other copy for your records.

Your corporate income tax returns are due on March 15, 2012. In order to meet this filing deadline, your completed tax organizer needs to be received no later than February 15, 2012. Any information received after this date may require an extension to be filed for this return.

If an extension of time is required, any tax that may be due must be paid with the extension. Any taxes not paid by the filing deadline may be subject to late payment penalties and interest when those taxes are actually due.

We look forward to providing services to you. Should you have any questions regarding any items, please do not hesitate to contact us.

CORPORATION TAX ORGANIZER (1120, 1120S)
(EXPANDED VERSION)

Corporation Name ______________________ Tax Period ______________________

Address ______________________ Federal ID# ______________________

______________________ State ID# ______________________

Telephone: Fax# Email:

Provide a general ledger, trial balance, depreciation schedules, balance sheet, and profit and loss statement by activity. In addition, provide the following information:

	YES	NO	N/A
100) GENERAL INFORMATION			
101) If this is the first year we will prepare your tax return(s), provide the following from your files or your prior accountant:			
.1) Tax returns for the prior three years	____	____	____
.2) Depreciation schedules	____	____	____
.3) List of all investments	____	____	____
.4) All tax carryforward schedules, such as net operating losses, tax credits, charitable contributions, etc.	____	____	____
.5) Shareholder buy/sell agreement(s)	____	____	____
.6) Copies of rulings issued by the IRS or other tax authorities	____	____	____
.7) Copies of notices or changes to prior returns by the IRS or other tax authorities	____	____	____
.8) Copies of corporate documents, such as articles of incorporation and bylaws	____	____	____
S CORPORATION ONLY			
.9) A copy of the S Corporation approval.	____	____	____
.10) A list of all shareholders and provide the following information: (a) Name (b) Address (c) Tax ID# (d) Type of entity (e) Number of shares or percentage of ownership	____	____	____
.11) If the corporation was a C Corporation prior to making the S election, provide a copy of the schedule of net built-in gains and accumulated earnings and profits.	____	____	____
.12) Has the corporation elected a fiscal year end? If yes, provide a copy of Form 8716 and last Form 8752 filed.	____	____	____
.13) Does the corporation engage in more than one trade or business activity? If yes, provide details of each activity.	____	____	____
.14) Does the corporation engage in any rental activity? If yes, provide details.	____	____	____

102) Has the address on the prior year return changed? If so, furnish new address. ____ ____ ____

103) Has the corporation been notified of any changes to previous returns by any taxing authority? If yes, provide copies of all correspondence. ____ ____ ____

104) Has the corporation received any notices or correspondence from the IRS or any other tax agency? If yes, provide copies. ____ ____ ____

105) Please provide a schedule of ownership changed during the year, including dates and number of shares or percentage of ownership. ____ ____ ____

106) Have there been any changes to the shareholders' buy/sell agreement(s)? If yes, provide a copy(ies). ____ ____ ____

107) Has the corporation updated its minute book for the year? If yes, provide copies. ____ ____ ____

108) Provide the names and telephone numbers of the corporation's advisors:

	Name and Address	Telephone #	Fax #	E-Mail
Legal				
Bank				
Insurance				
Investment				

109) Describe the principal business activity of the corporation:
____

.1) Did the corporation purchase or sell a business or business segment during this year? If yes, provide a copy of contract or agreement. ____ ____ ____

.2) Did the corporation engage in any new activities during the year? If yes, describe new business on an attached sheet. ____ ____ ____

.3) Did the corporation discontinue operations this year? If yes, provide details. ____ ____ ____

110) Does the corporation have any of the following employee benefit plans? If yes, provide copies of plan documents.

.1) Qualified retirement plan(s)? ____ ____ ____
If yes, are we to prepare Form(s) 5500? ____ ____ ____
Are we to compute the contribution(s)? ____ ____ ____

.2) SEP or SIMPLE Plan? ____ ____ ____
If yes, are we to compute the contribution(s)? ____ ____ ____

.3) Cafeteria plan? ____ ____ ____
If yes, are we to prepare Form 5500? ____ ____ ____

.4) Non-qualified deferred compensation plan(s) or agreement(s)? ____ ____ ____
If yes, has the "one time only" filing with the Department of Labor been done? ____ ____ ____

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		YES	NO	N/A
	.5) Other benefit plans not described above?	____	____	____
111)	Did the corporation include taxable fringe/welfare benefits such as health insurance, group-term life insurance, educational assistance, non-accountable expense allowances and personal use of corporate vehicles in compensation on employees' Forms W-2 and, if applicable, subject such amounts to payroll taxes?	____	____	____
112)	At year end, did the corporation own, directly or indirectly, 50% or more of the voting stock of a domestic corporation? If yes, provide a copy of that corporation's current tax return.	____	____	____
	Ownership percentage: _______________			
113)	At year end did any corporation, individual, partnership, trust or estate own, directly or indirectly, 50% or more of the corporation's voting stock? If yes, provide the following information for all owners:	____	____	____
	.1) Name: ________________________________ Address: ________________________________ ________________________________ ID#: ________________________________ Ownership percentage: ____________________			
	.2) Was such owner a person other than a U.S. citizen?	____	____	____
114)	Do the shareholders owning 80% or more of this corporation own 80% or more of any other corporation(s)? If yes, provide a copy of the other corporate tax returns.	____	____	____
115)	Is this corporation a shareholder of any foreign corporation? If yes, identify each corporation.	____	____	____
116)	Is this corporation a partner in any foreign partnership? If yes, identify each partnership.	____	____	____
117)	Did this corporation own a disregarded entity for tax purposes at any time during the year? If yes, provide details.	____	____	____
118)	Did the corporation at any time during the year have an interest in a foreign bank account? If yes, provide details.	____	____	____
119)	Was the corporation the grantor or transferor to a foreign trust during the year? If yes, provide details.	____	____	____
120)	During this taxable year, did the corporation pay dividends? If yes, attach a schedule reflecting date declared, date paid, amount and form of payment (cash, other).	____	____	____

CORRORATION TAX ORGANIZER (1120, 1120S)
(EXPANDED VERSION)

YES NO N/A

121) Did one foreign person, at any time during the tax year, own directly or indirectly, 25% or more of the total voting power or value of all classes of stock of the corporation? If yes: ____ ____ ____

.1) Enter the percentage owned ______________
.2) Enter the owner's country ______________

122) List estimated income tax deposits below in order of date paid:

	Prior Year Overpayment Applied	1st Qtr.	2nd Qtr.	3rd Qtr.	4th Qtr.	Extension
FEDERAL						
Date Paid						
Amount	$					
STATE						
Date Paid						
Amount	$					

123) Provide a list of all entries in the general ledger relating to income taxes, including prepaid, liability and expense accounts. ____ ____ ____

124) Circle method of accounting for tax purposes:

Cash Accrual Other (Describe) _________________

125) Did the corporation establish any new general ledger accounts during the year? If yes, provide a list of each new account. ____ ____ ____

126) Did the corporation post any entries to the retained earnings account during the year? If yes, provide a list of all entries. ____ ____ ____

127) Provide copies of all federal and state payroll tax reports including Forms W-2/W-3, 940, 941. ____ ____ ____

128) Provide copies of Forms 1099/1096, 5500, 1042, 5471, 5472, 8865, 8858, and 8886 **filed by the corporation**. ____ ____ ____

129) Provide copies of Forms 1099, 5471, 5472, 8865, 8858, 8886, and Schedules K-1 **received by the corporation**. ____ ____ ____

130) Provide a schedule of interest and dividend income not included on Forms 1099. ____ ____ ____

YES NO N/A

131) Did the corporation have loans to/from shareholder(s) and other related parties during the tax year? If yes, provide a schedule indicating the amount of the loan, date of transaction, interest rate and payments. Also, provide a copy of the note if not previously provided. ____ ____ ____

132) Did the corporation refinance or restructure any outstanding debt this year? If yes, provide documentation. ____ ____ ____

133) Does the corporation do business in more than one state? If yes, list the states. ____ ____ ____

.1) Provide copies of supporting schedules reflecting inventory, real and personal property, rents, payroll, and sales by state. ____ ____ ____

.2) Provide a schedule showing any amounts for which there are known timing or tax treatment differences between federal and state reporting. ____ ____ ____

134) Can the Internal Revenue Service discuss questions about this return with the preparer? ____ ____ ____

135) How many additional paper copies of the return do you need? _______

136) Do you want an electronic copy of the return? ____ ____ ____

200) INCOME

201) Did the corporation receive interest and dividend income from the following sources? If yes, provide details. (Forms 1099-INT and 1099-DIV) ____ ____ ____

- U.S. agencies
- U.S. government
- Tax-exempt by state
- Tax-exempt private activity

202) Did the corporation sell any stocks, bonds, or securities during the year? If yes, furnish Form(s) 1099-B and complete the following OR provide brokerage account statements including realized gain or loss reports or provide transaction slips for purchases and sales. ____ ____ ____

Description of Securities Sold	Date Acquired	Cost or Basis Plus Selling Expenses	(Trade Date) Date Sold	Total Sales Price

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YES NO N/A

203) Did the corporation own securities that became worthless or have loans that became uncollectible during the year? If yes, provide details. ____ ____ ____

204) Did the corporation sell or dispose of any assets used in its business? If yes, provide a schedule listing: ____ ____ ____

- Description of asset sold (Form HUD-1 for real estate)
- Date sold
- Sales price
- Selling expenses
- Date acquired
- Original cost or basis
- Depreciation claimed in prior years

205) Provide detail of all items greater than $________ in the miscellaneous income account. ____ ____ ____

Description	Amount

206) Did the corporation make any sales qualifying for the installment method of reporting? If yes, attach a copy of the agreement, a schedule of the payments received, and the beginning of year contract balance. Provide amortization schedule, if available. ____ ____ ____

207) Were there any sales or exchanges during the year between the corporation and a shareholder or other related party? If yes, provide a detailed schedule. ____ ____ ____

208) Did the corporation engage in any bartering activity during the year? If yes, provide a schedule of all such activities. ____ ____ ____

209) Did the corporation have any foreign sales? If yes, provide sales by country and amount. ____ ____ ____

300) DEDUCTIONS

301) Provide information for corporate officers and directors:

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YES NO N/A

Name	Title	Social Security Number	% Time Devoted to Business	% Stock Owned Common	% Stock Owned Preferred	Compensation

302) Is the corporation a fiscal year Personal Service Corporation (PSC)? ____ ____ ____

.1) If yes, provide the following information:

Name of Officer/Shareholder	Compensation from Beg. of Fiscal Year to End of Calendar Year	Compensation from Beg. of Subsequent Calendar Year to End of Fiscal Year	Total Compensation

.2) Provide a copy of an approved election (Form 8716) if not previously provided. ____ ____ ____

303) Do the Uniform Capitalization Rules under §263A related to items such as inventory and construction apply? If yes, provide copies of all schedules supporting the calculation of the amount of general and administrative expenses required to be capitalized in ending inventory or associated with self-constructed assets. ____ ____ ____

304) Provide details for calculating the domestic production activities deduction. ____ ____ ____

305) List charitable contributions made or accrued during the year by organization, date and amount. NOTE: You need to have written acknowledgment from any charity to which individual donations of $250 or more were made during the year. You must have receipts or bank records for all cash contributions.

.1) Did the corporation have an accrued charitable contribution at year end? If yes, provide a copy of minutes authorizing contribution. ____ ____ ____

.2) Did the corporation make a charitable contribution of inventory or property? If yes, provide details. Provide appraisal and donee confirmation if the value exceeds $5,000. ____ ____ ____

YES NO N/A

306) Did the corporation make political contributions during this tax year? If yes, enter amount $_________. ____ ____ ____

307) Did you incur any expenses to influence legislation and "lobbying?" If yes, provide a schedule of "lobbying expenses" and indicate to which accounts these expenses were posted. ____ ____ ____

308) Was any computer equipment donated to educational institutions? If yes, provide details. ____ ____ ____

309) Does the corporation pay life insurance premiums (other than group-term life) for officers of the corporation? If yes, provide the following for each policy: ____ ____ ____

- Face amount
- Premium paid
- Insured
- Cash surrender value at year end
- Policy owner
- Loan balance at year end
- Beneficiary
- Interest paid on policy loan
- Type of policy
- Loans to pay premiums

____ ____ ____

To which general ledger accounts have the payments been posted?
____
____

310) Did the corporation purchase life insurance on any employee after 08/17/06? If yes, have employees been notified and annual information reports filed? ____ ____ ____

311) Did the corporation pay penalties/fines during the tax year? If yes, list amount(s) and indicate the reason for the penalty/fine. ____ ____ ____

Account	Description	Amount

312) Did the corporation acquire any assets during the tax year? If yes, provide a schedule of assets purchased, including the date placed in service and a copy of the purchase invoice. Include any trade-in information. Include Form HUD-1 for real estate transactions. ____ ____ ____

313) Does the corporation wish to use accelerated depreciation methods? ____ ____ ____

314) Does the corporation wish to elect first year Section 179 expense? ____ ____ ____

	YES	NO	N/A
315) Does the corporation own or lease any passenger vehicles? If yes, provide the following information for each vehicle (note certain exceptions may apply for companies with more than five vehicles):	____	____	____

- Vehicle description
- Date placed in service
- Total miles
- Business miles
- Average daily round trip commuting distance
- Commuting miles
- Other personal miles

	YES	NO	N/A
.1) Does the corporation have evidence to support the claimed business use?	____	____	____
If yes, is the evidence written?	____	____	____
.2) Were the vehicles available for personal use during off-duty hours?	____	____	____
.3) Were the vehicles used primarily by a more than 5% owner or related person?	____	____	____
.4) Is another vehicle available for personal use?	____	____	____
.5) Provide a copy of the lease for any leased vehicles. If not available, provide the following:	____	____	____

- Date of lease
- Fair market value at inception
- Term of the lease
- Lease payments

316) Regarding corporate policy for vehicles:

	YES	NO	N/A
.1) Does the corporation maintain a written policy that prohibits all personal use of vehicles, <u>including</u> commuting, by employees?	____	____	____
.2) Does the corporation maintain a written policy that prohibits personal use of vehicles, <u>excluding</u> commuting, by employees?	____	____	____
.3) Does the corporation treat all use of vehicles by employees as personal use?	____	____	____
.4) Does the corporation provide more than five vehicles to employees and retain the information received from employees concerning the use of the vehicles?	____	____	____
.5) Does the corporation require or maintain copies of vehicle logs?	____	____	____

CORPORATION TAX ORGANIZER (1120, 1120S)
(EXPANDED VERSION)

	YES	NO	N/A
317) Are computers or other listed property used by employees for personal purposes? If "yes, complete the following:	____	____	____

Description	Date Placed in Service	Business Use %	Cost or Basis

	YES	NO	N/A
.1) Does the corporation have evidence to support the business use claimed?	____	___	____
.2) If yes, is evidence written?	____	___	____
318) Did the corporation have any meal and/or entertainment expenses? If yes, provide details by account posted.	____	___	____
319) Did the corporation pay any club dues? If yes, provide details by account posted.	____	___	____

320) List all items in the miscellaneous expense account greater than $__________.

Description	Amount

	YES	NO	N/A
321) Will all compensation-related accruals (including vacation pay) be paid within 2½ months of year-end? If no, provide details of unpaid amounts.	____	___	____
322) Are there any unpaid expenses to shareholder(s) at year-end? If yes, provide detail.	____	___	____
323) Provide copies of certification for employees of target groups and associated wages paid qualifying for Work Opportunities Credit.	____	___	____

Provide detail of health insurance paid for employees.

400) S CORPORATIONS ONLY

	YES	NO	N/A
401) Have fringe benefits paid on behalf of more than 2% shareholders (including, but not limited to medical, life insurance, disability, housing, etc.) been included in the shareholder's compensation and subjected to payroll taxes if applicable? Indicate to which accounts these amounts have been posted. Note these rules also apply to relatives of shareholders owning greater than 2% of the stock.	____	___	____

	YES	NO	N/A
402) Did the corporation pay medical insurance premiums for employees? If so, please a schedule of the employees receiving benefits, the total cost of the benefit for for each employee and amounts paid by the employee. This is to be used to calculate the employer Small Business Health Care Tax Credit.	_____	_____	_____
403) Did the corporation hire any individual after February 3, 2010 and before January 1, 2011 that had been unemployed for at least 60 days prior to hiring and that completed 52 weeks of employment in 2011? This is to be used to calculate The New Hire Retention Credit.	_____	_____	_____

