

Should you have any questions or need additional guidance, contact our office at 970-949-5383.



VAIL TAX & ACCOUNTING
Beyond The Bottom Line

DEAR BUSINESS CLIENT,

Tax filing season is here! Please provide us with the following information necessary to complete your 2021 business tax filing and return to our offices by Monday, **February 14th**. This year's due date of your business tax return is Tuesday, **March 15^h**. Any business information received after 2/14 may require us to place your tax filing on an automatic 6-month extension to allow us proper time for accurate filing.

- Read, sign & date the enclosed **Engagement Letter & attached worksheets** (for IRS required capitalization policy, affirmation of expenses, business vehicle mileage deduction & home office deduction, if applicable) *Tax preparation cannot begin until these essential documents are signed & returned to us. If any of the enclosed worksheets are not applicable to your business, write your business name in the blank but draw a line through the form so we know the blank form was intentional.*
- Accountant's Copy of **QuickBooks File** or accountant's invitation to your QBOOnline account after you have completed your bookkeeping tasks for 2021. For assistance, contact Sara at 970-949-5383 ext. 5 or sfahrney@vailbooks.com
- If you do not maintain the above requested QuickBooks file, please provide your 2021 monthly **bank & credit card statements** from all business accounts (with copies of checks or check register)
- If you are a new client, **copy of 2020 return**, including **depreciation schedules**
- Loan statements** and/or paperwork from new loans or refinances if any in 2021
- Payroll quarterly returns**, *if not prepared by Vail Tax & Accounting*
- Updated year-end Inventory cost valuation, *if applicable.*
- All other **supporting documents** that you believe are necessary to report 2021 income or deductible expenses

The more complete & organized your information, the easier it is to process your return, which is reflected in your preparation fee. Thank you for your continued business. We look forward to working with you again this year!

2021 BUSINESS Engagement Letter

From: Vail Tax & Accounting
111 Swift Gulch Road
PO Box 5940
Avon, CO 81620
970-949-5383

(PLEASE READ, SIGN AND RETURN)

This letter is to confirm and specify the terms of our engagement with you for the year ended December 31, 2021 and to clarify the nature and extent of the tax services we will provide. Please read this letter carefully because it is important to both our firm and you that you understand what you can and cannot expect from our work.

SERVICES TO BE PROVIDED

We will prepare your Federal and Colorado tax returns and any related schedules for the calendar year 2021. Our work in connection with the preparation of the tax return(s) does not include any procedures designed to discover defalcations or other irregularities, should any exist. The returns will be prepared solely from information provided to us. We will not audit or review or otherwise verify the data you submit although we may ask you to clarify some of the information. We are responsible for preparing only the returns listed, specifically in this letter. You are responsible for meeting any foreign country and other reporting requirements.

We will use our judgment to resolve questions in your favor where a tax law is unclear or if there is a reasonable justification for doing so. Whenever we are aware that a possibly applicable tax law is unclear or that there are conflicting interpretations of the law by authorities (e.g., tax agencies and courts), we will explain the possible positions that may be taken on your return. We will follow whatever position you request, so long as it is consistent with the codes and regulations and interpretations that have been promulgated. If the IRS should later contest the position taken, there may be an assessment of additional tax plus interest and penalties. We assume no liability for any such additional penalties or assessments.

If during our work, we discover information that affects prior-year tax returns, we will make you aware of the facts. However, we cannot be responsible for identifying all items that may affect prior-year returns. If you become aware of such information during the year, please contact us to discuss the best resolution of the issue. We will be happy to prepare appropriate amended returns which will be billed separately from the preparation of this year's tax returns.

The IRS permits you to authorize us to discuss, on a limited basis, aspects of your return for one year after the return's due date. You consent to such a discussion is evidenced by checking a box on the return. Unless you tell us otherwise, we will check that box authorizing the IRS to discuss your return with us.

CLIENT RESPONSIBILITIES

We have provided you with an information checklist and several documents requesting specific information. Completing these forms will assist us in making sure you are well served for a reasonable fee. In providing this information to us, you represent that the information you are supplying is accurate and complete to the best of your knowledge and that you have truthfully disclosed to us all income and other relevant facts affecting the returns. You further represent that you have provided us true, correct and complete information and have maintained written documentation supporting all amounts, including logbooks and receipts. We will not audit or otherwise verify the information you give us; however, we may ask for additional clarification of some information.

You should retain all the documents, receipts, canceled checks, and other data that form the basis of income and deductions for a minimum of seven years. These 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.

You will contact us immediately if you discover additional information that will lead to a change in your return, or if you receive any letters from the IRS, state or local taxing authorities.

The Internal Revenue Code and regulations impose preparation and disclosure standards with non-compliance penalties on both the preparer of a tax return and on the taxpayer. These standards differ and are higher for return preparers than taxpayers. To avoid exposure to these penalties, it may be necessary in some cases to make certain disclosures to you and/or in the tax return concerning positions taken on the return that don't meet these standards. Accordingly, we will discuss tax positions that may increase the risk of exposure to penalties and any recommended disclosures with you before completing the preparation of the return. If we conclude that we are obligated to disclose a position and you refuse to permit the disclosure, we reserve the right to withdraw from the engagement and you agree to compensate us for our services to the date of withdrawal. Our engagement with you will terminate upon our withdrawal.

TAX EXAMINATIONS

You understand that taxing authorities may examine the returns and that penalties may be imposed on returns that are late, underpaid, or incorrect. In the event of an audit, you may be requested to produce documents, records, or other evidence to substantiate the items of income and deduction shown on a tax return. As such, you should know that IRS audit procedures will almost always include questions on bartering transactions and on deductions that require strict documentation such as **charitable contributions, travel and meal expenses and expenses for business usage of**

vehicles. In preparing your returns we rely on your representations that we have been informed of all bartering transactions and that you understand and have complied with the documentation requirements for your expenses and deductions including charitable contributions, travel & meal expenses and expenses for business usage of vehicles. We are not responsible for disallowed deductions, or the inclusion of additional unreported income or any resulting taxes, penalties, or interest. If you have questions about these issues, please contact us.

Any proposed adjustments by the examining agent are subject to certain rights of appeal. Our standard tax preparation fee does not include responding to inquiries or examination by taxing authorities. However, we will be available, upon request, to represent you. ***You understand that you will be charged an additional fee if we are asked to assist or represent you in a tax examination or inquiry.***

You understand that, in the event of a preparer error, you are responsible for additional tax that may be due, but our responsibility is to pay for any penalty that the IRS, state or local taxing authorities may assess.

COMPENSATION

Fees for our tax return preparation services are based upon the appropriate market rate for the level and value of services rendered. Our hourly rates for tax preparation are \$250 per hour. Special data entry rates for QuickBooks preparation are offered at \$75 per hour. Accounting fees are offered at \$150 per hour. Our bill for this engagement will be due and payable upon completion of these returns and additional services will not be performed until the bill for these services is paid in full.

If payment is not received when due, we reserve the right to suspend or terminate our work due to non-payment. The suspension or termination of our work may cause you to fail to meet deadlines imposed by creditors, governments, or other third-parties or may result in adverse consequences and is a proper consequence of nonpayment of our invoices. In the event that our work is suspended or terminated as a result of nonpayment, you agree that we will not be responsible for your failure to meet government and other filing deadlines, or for penalties or interest that may be assessed against you resulting from your failure to meet said deadlines. Additionally, if we elect to terminate our services for nonpayment, our engagement will be deemed to have been completed upon written notification of termination, even if we have not completed the services contemplated in this engagement. You will be obligated to compensate us for all time expended and to reimburse us for all out-of-pocket expenditures through date of termination.

RECORD RETENTION

In accordance with our firm's current document retention policy, we will retain our work papers and your tax returns for your engagement for *seven years*. We will provide you a copy of the depreciation schedules and tax returns and other pertinent work papers that should be a part of your books and records. If you should need replacements, we will provide additional copies at our standard rates. All your original records will be returned to you. After seven years, our work papers and files will no longer be available. Physical deterioration or catastrophic events may shorten the time during which our records will be available. The working papers and files of our firm are not a substitute for the original records of your company. When any records are returned to you, it is your responsibility to retain and protect the records for possible future use, including potential examination by governmental or regulatory agencies. It is agreed and understood that in connection with the performance of this engagement that the work papers prepared by us shall remain the property of our firm.

PRIVILEGED INFORMATION

Should we receive any request for the disclosure of privileged information from any third party, including a subpoena or IRS summons, we will notify you. In the event you direct us to not make the disclosure, you agree to hold us harmless from any expenses incurred in defending the privilege, including, by way of illustration only, our attorney's fees, court costs, outside advisor's costs, or penalties or fines imposed because of your asserting the privilege or your direction to us to assert the privilege.

We appreciate the opportunity to serve you, and look forward to a continuing, mutually satisfying relationship.
Very truly yours,

Vail Tax & Accounting

PERSONAL GUARANTEE

If a client is a corporation or other entity, any person executing this agreement on its behalf personally guarantee its performance of this contract and payment of our fees.

Accepted by: _____ Date: _____
(Signature)

Printed Name: _____ Name of business: _____

Did you make any payments in 2021 that would require you to file Form(s) 1099? YES / NO

If "Yes", did you or will you file all required Form(s) 1099? YES / NO

Repairs & Capitalization Policy

For Taxpayers Without an Applicable Financial Statement (AFS)

(as defined by Reg. 1.263(a)-1(f)(4))

In 2015, the IRS increased the de minimis threshold of deductible repairs, maintenance and small asset purchases to \$2,500 per item. With the adoption of the below de minimis policy, businesses may deduct the first \$2,500 of repairs, maintenance and small purchases but require items costing more than the \$2,500 de minimis to be subjected to up to 20 additional tests regarding a 12-month usage life, betterments, adaptations and restorations. We hereby state that we have applied these tests to all repairs, maintenance and equipment and have appropriately determined whether the expenses are properly classified as expendable items or as capitalized items.

We hereby adopt for book and Federal income tax purposes the following policy regarding capitalization expenses for the year beginning January 1, 2021. In accordance with Internal Revenue Service Code Sections 167 and 168 and related Regulations we have determined that amounts whose individual cost (including tax, installation and delivery costs) does not exceed \$2,500 will be deducted as incurred as an operating expense. Amounts exceeding this dollar limit will be examined individually to better determine if their use or purpose requires capitalization under the betterment, adaptation or restoration rules used by the Internal Revenue Service and will be capitalized or expensed as incurred as a result of the application of those rules.

Signature

Title

Date

Company Name: _____

2021 Tax Year: Affirmation of Expenses

Prior to 2018, a business could deduct up to 50 percent of entertainment expenses directly related to the active conduct of a trade or business or, if incurred immediately before or after a bona fide business discussion, associated with the active conduct of a trade or business.

The 2017 Tax Cuts & Jobs Act eliminated the deduction for any expenses related to activities generally considered entertainment, amusement, or recreation.

In 2021, Taxpayers may deduct 100 percent of the cost of business meals if the taxpayer (or an employee of the taxpayer) is present, the food or beverages are not considered lavish or extravagant and are provided by a restaurant. The meals may be provided to a current or potential business customer, client, consultant, or similar business contact.

Estimation of expenses is not allowed under Section 274(d) of the Internal Revenue Code. Therefore, a taxpayer must under that provision “substantiate by adequate records or sufficient evidence corroborating his own statement” all expenditures for travel and meals to obtain a deduction or credit.

I (we) affirm that I (we) have substantiation as required by Section 274(d) of the Internal Revenue Code and that the amounts reported to you for travel and meals by me(us) meet the business definition described above.

Signed: _____ Date: _____

Company Name: _____

2021 Summary of Vehicle Information

Company Name: _____

If you kept an auto mileage log to substantiate business miles, you may be able to deduct a portion of automobile expenses or mileage (whichever is higher) as a business expense. Using your written mileage log, please fill out the following worksheet. *If a written mileage log was not kept, draw a line through this form and leave blank. You cannot deduct any vehicle expenses.*

	Vehicle 1	Vehicle 2
Description of Vehicle (Year & Make)		
Date Placed in Service (if this is a new year, enclose purchase documents)		
Name of Driver		
Odometer Reading - Beginning of Year		
Odometer Reading - End of Year		
Total Miles Driven This Year		
Total Business Miles		
Total Commuting Miles		
Total Other Personal Miles (non-commuting)		
Was the vehicle available for personal use?	Yes <input type="checkbox"/> No <input type="checkbox"/>	Yes <input type="checkbox"/> No <input type="checkbox"/>
Was another vehicle available for personal use?	Yes <input type="checkbox"/> No <input type="checkbox"/>	Yes <input type="checkbox"/> No <input type="checkbox"/>
Does an adequate record exist to justify business miles?	Yes <input type="checkbox"/> No <input type="checkbox"/>	Yes <input type="checkbox"/> No <input type="checkbox"/>
Is the record/evidence written?	Yes <input type="checkbox"/> No <input type="checkbox"/>	Yes <input type="checkbox"/> No <input type="checkbox"/>

I declare that I have examined this information, and to the best of my knowledge and belief it is true, correct and complete.

 Signature Title Date

General substantiation rules: The following elements of auto expenditures must be substantiated by adequate records or by sufficient evidence: (a) the amount and date of each separate expenditure, (b) the mileage and date of each use, and (c) the business purpose of each expenditure and use. Adequate records or sufficient evidence may include account books, diaries, logs, receipts, paid bills, trip sheets, expense reports.

**Deduction for Business Use of Your Home
For Tax Year 2021**

Company Name:

Part of your home used for business:

Total square feet of entire home:

Total square feet of area used exclusively for business:

Annual rents paid if home is not owned:

In 2013, the Internal Revenue Service introduced a Simplified Method for claiming a home office deduction for Sole Proprietors. This Simplified Method allows a deduction to be taken without having to claim depreciation expense on a personal residence (which may need to be claimed as taxable income when the residence is sold). If you are eligible to claim a home office deduction and own your home, we will be claiming the Simplified Method on your personal tax return, Schedule C.

Indirect Expenses (for non-Schedule C Filers) - Enter total expense for entire home

Condominium Association Dues	
Insurance	
Utilities	
Snow Removal	
Repairs & Maintenance	

I declare that I have examined this information, and to the best of my knowledge and belief it is true, correct and complete.

Signature Title Date