



The CPA. Never Underestimate The Value.®

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January 2015

2015 Tax Filing Season-Change in Procedure

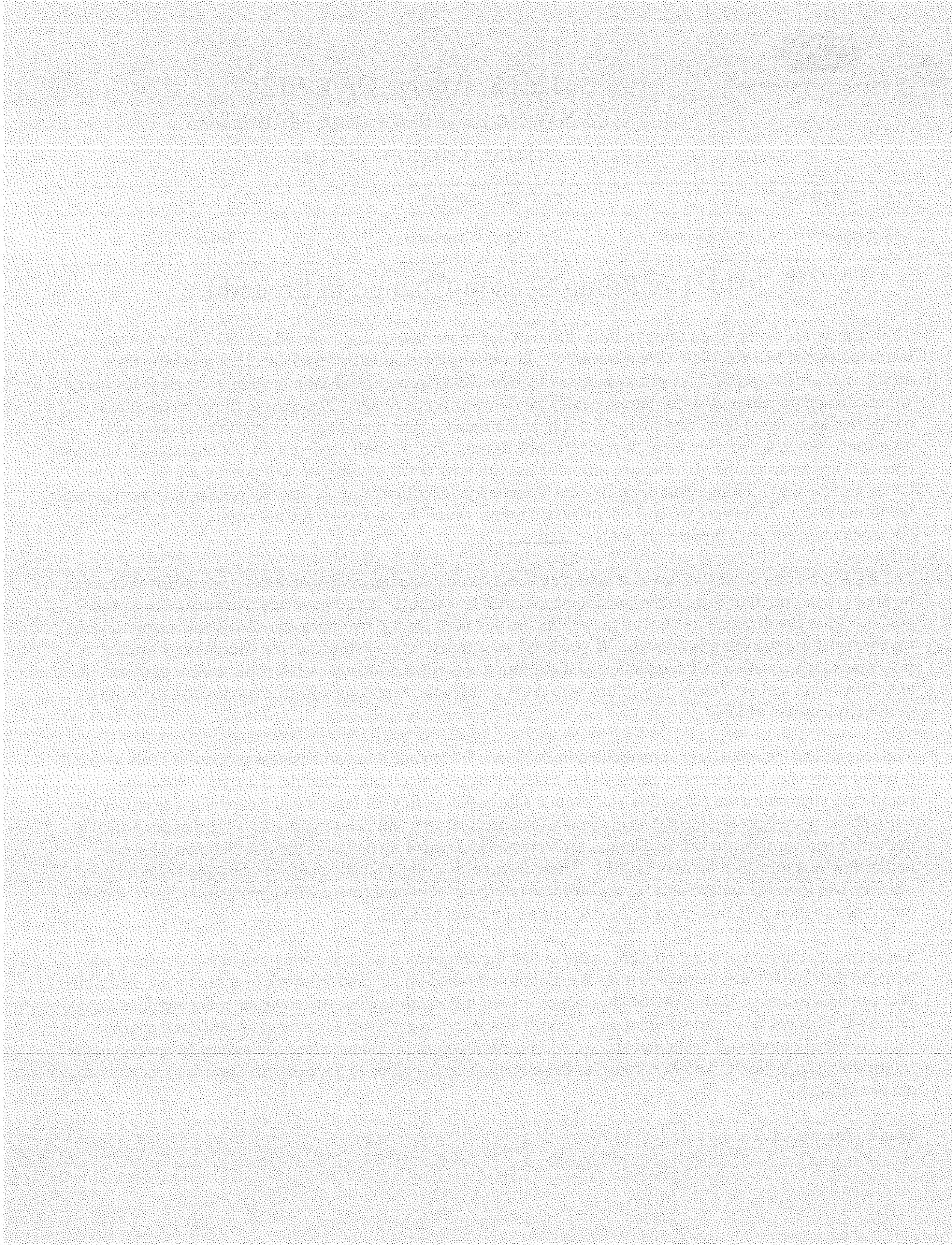
This year we are going to do things a little different due to tax law changes and additional filing requirements instituted by the IRS for 2014. We are sending you our engagement letter and a checklist regarding the affordable care act (ACA). As you must know by now the ACA requires health insurance coverage for every American and penalties exist for those people that failed to get coverage. This year until we receive these completed and signed documents we will not begin to prepare your return or take steps to send you a tax organizer. When we receive these documents back to our office we will send you the tax organizer or business checklist and instructions. If you have provided us with your email address we will pdf these forms to you. Other options for receiving your organizer are to come by our office or in the least favorite option we will mail the forms to you. This year we will not prepare a return where the checklists are not completed and the backup documentation for your business is not provided.

The ACA is a comprehensive law that is implemented through the tax system and requires extensive reporting on your tax return. Our form is designed to accomplish two things. If you have health insurance coverage for you and all of the dependents on your tax return, we just need the top two lines completed and a signature on the form and the reporting is minimal. If you need to complete items below the first two lines we wanted to give you advance notice that completion of these forms is predicted by other CPA firms to take between one and three hours and our fee for any return with ACA compliance reporting will increase accordingly with a minimum increase of \$200.

The second change in tax law implemented in 2013 was for anyone that had business properties. This generally is rental properties and business assets and is reflected by a depreciation schedule. Last year when we completed your return we asked that you adopt a safe harbor policy for repairs and a capitalization policy (see our website www.arbowcpa.com). This year all business returns will need to provide a copy of this policy to our office and we will prepare an election for a change in accounting policy in their tax returns. This safe harbor law was effective January 1, 2014. These forms are predicted to take between one and two hours and our fees will increase accordingly, every business return or individual return with a rental or business should expect to see their preparation fee to increase by a minimum of \$200.

These two matters are of great concern to me in that the completion of these forms will at the very least add hours to the time it takes to prepare most tax returns and based on that and the work load facing my office this year requires a change to the way we do business. I felt it was fair to give you advance notice that fees for tax returns in all cases this year will increase. I also feel it is fair to give you advance notice that as preparation time increases output will be slower and we will be asking more of you to extend the date of filing of your tax return. My suggestion to you is to consider these matters as you agree to have our firm prepare your returns and act accordingly.

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Jana S. Arbow CPA is pleased to provide you with the professional services described below. This letter is to confirm our understanding of the terms and objectives of our engagement and the nature and limitations of the services we will provide. We will perform our services in accordance with the Statements on Standards for Tax Services issued by the American Institute of Certified Public Accountants.

Scope of Engagement

We will prepare the federal and state income tax returns for you for the year ended 2014.

We will not prepare any tax returns except those identified above without your written authorization to do so. We will not audit or otherwise verify the data you submit to us, although we may ask you to clarify some of the information.

Client Responsibilities

We will provide you with an income tax organizer to help you gather and document the information we will need to prepare your income tax returns. It is your obligation to complete the tax organizer.

You are responsible for determining your state or local tax filing obligations with any state or local tax authority, including, but not limited to, income, franchise, sales, use, and property taxes. If upon reading the completed tax organizer, it comes to our attention that you may have an obligation to file additional income tax returns, we will notify you of this in writing and ask you to contact us. If you ask us to prepare these returns, we will confirm this in a letter and detail the additional charges for this service.

The original filing due dates for you income tax returns are April 15th 2015 for federal and state. It may become necessary to apply for an extension of the filing deadline if there are unresolved tax issues or delays in processing, or if we do not receive all of the necessary information from you on a timely basis. If you are unable to complete and return the tax organizer with other required documentation by March 20th 2015 to allow for the timely preparation of your tax returns, you must contact us and request that we apply for an extension of the filing deadline on your behalf. Applying for an extension of time to file may extend the time available for a government agency to undertake an audit of your return or may extend the statute of limitations. Additionally, extensions may affect your liability for penalties and

interest or compliance with government or other deadlines. We will only file extensions for customers who have requested that we do so. If you have not contacted us by the due date of the return we will not file an extension on your behalf. If you need an extension filed please contact our office to make those arrangements. We are available to discuss this matter with you at your request at our regular hourly fee should the need arise.

Please note that any person or entity subject to the jurisdiction of the United States (includes individuals, corporations, partnerships, trusts, and estates) having a financial interest in, or signature or other authority over, bank accounts, securities, or other financial accounts having a value exceeding \$10,000 in a foreign country, shall report such a relationship. Filing requirements also apply to taxpayers that have direct or indirect control over a foreign or domestic entity with foreign financial account(s). For example, a corporate-owned foreign account would require filings by the corporations and by the individual corporate officers with signature authority. Failure to disclose the required information to the U.S. Department of the Treasury may result in substantial civil and/or criminal penalties.

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

In addition, the Internal Revenue Service under IRC Section 6038(a) requires information reporting with respect to certain foreign corporations (Form 5471) and describes the information required to be reported on this form, which is due when your income tax return is due, including extensions. Therefore, if you are an officer, director, or shareholder in a foreign corporation, you may be required to file Form 5471. IRC Section 6038(b)(1) provides for a monetary penalty of \$10,000 for each Form 5471 that is filed after the due date of the income tax return (including extensions) or that does not include complete and accurate information as defined under the regulations. By your signature below, you accept responsibility for informing us if you are an officer, director, or shareholder in a foreign corporation and you agree to provide us with the information necessary to prepare the appropriate Form 5471. We assume no liability for penalties associated with late filed Form 5471.

You have final responsibility for the income tax returns. Check them carefully for accuracy before you sign them.

CPA Firm Responsibilities

We will prepare your returns based on your filing status (single, married filing jointly, married filing separately, head of household or qualifying widow[er] with dependent child, Oregon registered domestic partner) as reflected in your income tax returns for last year. If your marital status has changed, you want to change your filing status, or you have questions about your filing status, please contact us immediately.

Unless we are otherwise advised, you confirm that expenses such as meals, travel, entertainment, vehicle use, gifts, and related expenses for your business are supported by necessary records required by the Internal Revenue Service ("IRS"). At your request, we are unavailable to answer your questions and advise you on the types of records required.

We will use our judgment to resolve questions in your favor where a tax law is unclear if there is 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., IRS 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 current codes and regulations and their interpretations. If the IRS or state tax authorities should later contest the position taken, there may be an assessment of additional tax, interest, and penalties. We assume no liability for any such additional tax, interest, and penalties or other fees and assessments.

Our work in connection with your income tax returns does not include any procedures designed to discover fraud, thefts, or other irregularities, should any exist.

Our engagement does not include tax planning services, which are available as a separate engagement. During the course of preparing the tax returns identified above, we may bring to your attention certain available tax saving strategies (such as the use of itemized deductions or tax-deferred retirement accounts) for you to consider as possible means of reducing your income taxes in subsequent tax years. However, we have no responsibility to do so, and will take no action with respect to any such recommendations, as the responsibility for implementation remains with you, the taxpayer.

This engagement does not include responding to inquiries by any governmental agency or tax authority. If your tax return is selected for examination or audit, you may request that we assist you in responding to such inquiry. In that event, we would be pleased to discuss providing assistance to you under the terms of a separate engagement letter for that specific purpose.

Timing of the Engagement

We expect to begin the preparation of your returns upon receipt of the completed 2014 tax organizer and all tax documents requested either in the organizer or by our office. Our services will be concluded upon delivery to you of your 2014 tax returns for your review and filing with the appropriate taxing authorities.

Penalties

Federal, state and local taxing authorities impose various penalties and interest charges for non-compliance with tax law, including for example, failure to file or late filing of tax returns and underpayment of taxes. You as the taxpayer remain responsible for the payment of all taxes, penalties, and interest charges imposed by taxing authorities.

The law imposes a penalty equal to 20% of the underpayment of tax where taxpayers make a substantial understatement of their tax liability. An individual has a substantial understatement if the understatement for the year exceeds the greater of 10% of the tax liability or \$5,000. A taxpayer may qualify for the substantial authority exception by showing that he or she reasonably believes that the tax treatment of an item is more likely than not the proper tax treatment if:

- The taxpayer analyzes the pertinent facts and authorities and, in reliance on that analysis, reasonably concludes in good faith that there is a greater than 50% likelihood that the tax treatment of the item will be upheld if challenged by the IRS; or the taxpayer reasonably relies in good faith on the opinion of a professional tax advisor's conclusion that there is substantial authority on the tax treatment of an item.
- The relevant facts affecting the item's tax treatment were adequately disclosed on Form 8275 or 8275-R, attached to the return, and there was reasonable basis for the position.

You agree to advise us if you wish to disclose a tax treatment(s) on your return. You may request our assistance to identify or perform further research to ascertain if there is "substantial authority" for the position proposed to be taken on the tax items in your returns. If you so request, we would be pleased to discuss providing this additional service to you under the terms of a separate engagement letter.

The law also imposes substantial penalties on taxpayers and preparers for failure to disclose "reportable transactions." Reportable transactions are potentially abusive transactions identified by the IRS whose primary purpose is tax avoidance. You agree to advise us of any reportable transactions identified under tax law and regulations. You agree that it is solely your decision to disclose any reportable transactions in the returns that we prepare for you. You agree to pay all fees and expenses incurred if you do not permit us to complete the returns.

Privacy Disclosure Notice:

Your signature below grants the preparer above permission to send you a tax organizer, newsletters, tax planning documentation and other matters related to you. This also permits the preparer to utilize a third party software intermediary to process your e-file tax returns.

The tax return information that will be disclosed:

- Specific Tax advice or tax planning information for 2015
- Information from the preparation of your 2013 tax returns.
- The third party software intermediary will assimilate your 2014 tax return into the required format for electronic submission of your individual tax returns to the Internal Revenue Service and the appropriate state tax filing agency.

Federal law requires this consent form be provided to you. Unless authorized by law, we cannot use, without your consent, your tax return information for purposes other than the preparation and filing of your tax return.

You are not required to complete this form. If we obtain your signature on this form by conditioning our services on your consent, your consent will not be valid. Your consent is valid for the amount of time that you specify. If you do not specify the duration of your consent, your consent is valid for one year.

If you believe your tax return information has been disclosed or used improperly in a manner unauthorized by law or without your permission, you may contact the Treasury Inspector General for Tax Administration (TIGTA) by telephone at 1-800-366-4484, or by email at complaints@tigta.treas.gov.

Consent is valid until January 15, 2016

Fee and Billings

Our professional fee for the services outlined above is based upon the complexity of the work to be performed and our professional time to complete the work. Additionally, this fee is dependent on the availability, quality, and completeness of your records. You agree that you will deliver all records requested by our staff to complete this engagement on a timely basis. In the event your records are not submitted in a timely manner or they are incomplete or unusable, we reserve the right to charge additional fees and expenses for services required to correct the problem. If this occurs, we will contact you to discuss the matter and the anticipated delay in completing our engagement prior to rendering further services.

We will bill you for our professional fees, expenses, and out-of-pocket costs as of the date we deliver our work product to you. Payment is due upon delivery of the tax return. Please refer to our policies and procedures for more information.

Very Truly Yours,

Jana S. Arbow CPA

Accepted by:

Client Signature

Date:

Affordable Care Act

Yes

No

Was the taxpayer, spouse and dependent(s) covered by health insurance for the entire year with no gaps in coverage?

Did your health insurance have at least Minimum Essential Coverage? ACA Standards of Bronze level or higher or Catastrophic Insurance (under 30 years of age ONLY).

If you have answered yes to both of the preceding questions please stop here, sign and return the attached pages. If you have answered no to the preceding questions please continue answering the questions below and the accompanying worksheet.

What type of insurance did you have:

No Coverage

Employer-sponsored coverage, COBRA, Retiree Coverage.

Government insurance (Medicare, Medicare Advantage, Medicaid, Children's Health Insurance Program (CHIP), Tricare, VA, State high-risk pools, Insurance provided by Peace Corp, other.

Individual health coverage purchased directly from an insurance company.

Individual health coverage purchased through the Marketplace, Exchange or shop.

Individual health coverage provided through a student health plan.

Did the taxpayer, spouse or any dependents receive any Forms 1095-A, 1095-B, or 1095-C? Please provide copies.

Do you have an exemption certificate number (ECN)? Please provide copies.

2014 AFFORDABLE CARE ACT (ACA)

The following information about each household individual and your signature(s) are required to file your 2014 tax return.

Month of Coverage (if not covered all 12 months)											
J	F	M	A	M	J	J	A	S	O	N	D

Name of Covered Individual (Dependents can be on one line if all are on the same plan)	Health Care Program	Covered All 12 Months	Documents Required (provide to tax preparer)	J	F	M	A	M	J	J	A	S	O	N	D	
	<input type="checkbox"/> Exchange* <input type="checkbox"/> Non-Exchange♦ <input type="checkbox"/> Other* (see below) <input type="checkbox"/> No Insurance <input type="checkbox"/> Hardship Exempt	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>	<input type="checkbox"/> 1095-A <input type="checkbox"/> 1095-B (if received only) <input type="checkbox"/> 1095-C (if received only) <input type="checkbox"/> none <input type="checkbox"/> exemption certificate	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	<input type="checkbox"/> Exchange* <input type="checkbox"/> Non-Exchange♦ <input type="checkbox"/> Other* (see below) <input type="checkbox"/> No Insurance <input type="checkbox"/> Hardship Exempt	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>	<input type="checkbox"/> 1095-A <input type="checkbox"/> 1095-B (if received only) <input type="checkbox"/> 1095-C (if received only) <input type="checkbox"/> none <input type="checkbox"/> exemption certificate	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	<input type="checkbox"/> Exchange* <input type="checkbox"/> Non-Exchange♦ <input type="checkbox"/> Other* (see below) <input type="checkbox"/> No Insurance <input type="checkbox"/> Hardship Exempt	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>	<input type="checkbox"/> 1095-A <input type="checkbox"/> 1095-B (if received only) <input type="checkbox"/> 1095-C (if received only) <input type="checkbox"/> none <input type="checkbox"/> exemption certificate	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Other health care: Please circle one:

Medicare Medicaid TRICARE CHIP Veterans Health
 Employer Sponsored Other: _____

* Health care provided through the Health Insurance Marketplace (Exchange)
 ♦ Individually purchased through health insurance provider
 Must meet the ACA standards: Bronze level or higher OR Catastrophic Insurance (under 30 years of age ONLY)
 + Should receive Form 1095-A from State by January 31st

Please read and sign the following:
 The information provided is correct as to my knowledge. If any new information or mistakes are found,
 I will provide that information to my tax preparer to complete a correct tax return.

_____ / _____
 Taxpayer's Signature & Date Signed Spouse's Signature & Date Signed