

# CULPEPPER AND ASSOCIATES INC

Dear Taxpayer:

The purpose of this letter is to give you a brief understanding of IRS guidelines for proof of income and expenses, when preparing and/or amending tax returns.

We will prepare/amend your federal and state income tax returns from information which you provide us on worksheets of your own or on tax organizers provided by us as a substitute for your own worksheets. We will make no audit or other verification of the data you have submitted and we will perform tax preparation services under the assumption that all information you submit is true, complete and accurate.

**The Internal Revenue Service (“IRS”) requires taxpayers to maintain proper substantiation for all deductions claimed on tax returns. It is your responsibility to maintain that documentation, so that in case of future examination, the records may be provided. If you have any questions as to the type of records required, please ask for advice in that regard.**

Certain original information should be included with your worksheets, such as W-2 Forms, 1099 Forms, annual brokerage statements, Partnership K-1 Forms, escrow closing settlement statements, mortgage activity summaries, etc. As a result of tax law changes effective for 2006, we can no longer receive information from you via phone. All documentation you provide must be in written form and either handwritten, typed, emailed or faxed.

We will use our professional judgment in resolving questions of fact and of the application of the pertinent law. Where the law is unclear, or where there are conflicting interpretations of the law by applicable authorities, we will resolve such questions in your favor if there is reasonable justification for the position being taken.

You should note that the IRS provides for interest and penalties that may be imposed on you. Most of these penalties provide for assessment in the event of some wrongdoing or negligence on the part of the taxpayer. However, penalties may be imposed even though there is no fraud, negligence or willfulness on your part. The only way for both tax preparers and taxpayers to avoid certain penalties is to show that there was either "substantial authority" for the position taken or to make "adequate disclosure" on the return.

**Substantial authority requires that a tax position have a high likelihood of being sustained on its merits. You agree to inform us of any positions of which you are aware that may not meet the substantial authority threshold. When preparing your tax return, we will assess any such positions, as well as others that may come to our attention, and will inform you of any positions that may not meet the standard and for which we recommend you disclose on the tax return.**

**Although we will not take any position in your tax return for which we do not believe that there is substantial authority, our preparation of your tax return does not imply any form of**

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**assurance by us that there is substantial authority for any position taken, unless we specifically advise you to that effect.** We are not responsible for any later taxing authority disallowance of deductions, inclusion of additional income, or claim of inadequate supporting documentation, nor any resulting assessed taxes, interest or penalties.

During the year we will be available to answer your inquiries on specific tax matters, to consult with you on income and estate tax planning and to review contemplated transactions for tax implications. We also recommend that you schedule a tax planning meeting prior to each year end.

Your returns are subject to examination by the taxing authorities. In the event of an examination, you may be requested to produce documents, records or other evidence to substantiate the items of income and deduction shown on the tax returns. If items are resolved against you by the examining agent, you have certain rights of appeal. If an examination is scheduled, we are available to represent you if you so desire. Such representational services are not included in our fee for the preparation of your returns.

You are ultimately responsible for the tax returns. To this end, it is your responsibility to carefully examine and approve your completed tax returns before signing and mailing to tax authorities.

We look forward to providing you with exceptional tax preparation services and thank you for choosing our firm.

Sincerely,

*Christian C Culpepper*

Christian C. Culpepper  
President