

# Dunbar, Breitweiser

& COMPANY, LLP

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CERTIFIED PUBLIC  
ACCOUNTANTS  
202 North Center Street  
Bloomington, Illinois 61701-3995  
Phone 309-827-0348  
Fax 309-827-7858

December 27, 2011

Dear Client:

The world of taxes is constantly changing, and as a Firm we adapt to those changes in order to best serve our clients. We devote substantial resources to remain current on changes which continue to come at an accelerating pace. Some changes come in the form of new legislation, some in the form of expiring legislation, and some come from court decisions. Many come from new and updated Internal Revenue Service interpretations of existing tax law. Some changes are not with the tax laws themselves, but with the manner in which they are administered.

We are seeing and also hearing from our colleagues of an unprecedented aggressive approach by the IRS (and in some cases, states and municipalities) in utilizing penalties against taxpayers and tax preparers as a means of enforcing compliance with tax regulations. Perhaps more so than ever, you and we are in this together, sharing common objectives and common risks. In the past, many of these penalties were left to the discretion of the IRS examining agents, most of whom have over the years expressed great respect for our professional approach. But today many are automatically applied with little or no opportunity for taxpayers or their representatives to argue reasonable cause at the agent level of the IRS. While continuing to advocate pro-taxpayer, tax saving positions on behalf of our clients, we are implementing additional measures which we believe will enhance our level of due diligence and thereby help to minimize the threat of IRS penalties. Many of these will be administered internally and will not be outwardly apparent to our clients. A few will directly involve our clients and are included in this Tax Organizer package. We seek to minimize any added inconvenience, and we hope that these will require only a few extra minutes of your time as you prepare the information that you will send us for your tax return preparation:

1. **Tax Return Engagement Letters** – for years we have utilized engagement letters for financial statement engagements, consistent with the requirements of our professional standards. Many of our colleagues have also utilized them for tax engagements. Until now we have resisted including them as part of our tax engagements in order to avoid the additional administrative processes involved. But we feel the time has come to include

them as part of our tax engagements as well. The enclosed engagement letter is intended to clarify and document your responsibilities as the client, and our responsibilities as your tax preparer. Please read it and contact us with any of your questions, comments, or concerns.

2. **IRS Power of Attorney** - included in this packet is a sample IRS Form 2848, Power of Attorney and Declaration of Representative, which we ask you to review for your information. We request this form for three primary reasons:
  - a. The IRS has implemented a Transcript Delivery System which, with a signed Power of Attorney on file, we can access in order to view tax information that the IRS has already received, and which they will eventually match against what is reported on your tax return when it is filed. Having access to this information during the preparation of your tax return may enable us to avoid omissions which might otherwise lead to IRS notices, penalties, and interest. But we want to stress that having access to this IRS transcript information is no substitute to receiving complete tax information directly from you, as many times the transcripts are not yet complete when your tax return is being prepared because the IRS may not receive information from third party reporters until much later.
  - b. The IRS adheres to very strict policies of confidentiality. In the absence of a signed Power of Attorney they are prohibited from disclosing information regarding your tax return, even to the preparer of the return. Should any situation arise in which we need to communicate with the IRS, we would likely request this form at that time anyway. Having it in place and on file with the IRS now will enable us to respond more quickly should such a situation arise.
  - c. On an as needed basis we may request that you please provide authority for us to communicate with the IRS on your behalf. In such cases a Power of Attorney form will be prepared and separately mailed to you.

Note that the Power of Attorney does not authorize us to sign tax returns on your behalf or to receive or deposit your tax refunds. You may revoke the Power of Attorney at any time. Your Power of Attorney may contain more than one of our Firm's accountants. This is to assure that at least one will be available to communicate with the IRS should the need arise. All will operate under the supervision and direction of the partner or manager in charge of the preparation of your tax return. If you have any questions or concerns about the Power of Attorney, please contact us.

3. **Tax Organizer** – as the IRS tax code has evolved and as Congress increasingly uses it as a means of influencing the social and economic behavior of its citizens, the practice of preparing tax returns has also evolved from being almost completely centered on

numbers alone to requiring a great deal of narrative informational exchange between client and preparer. Many questions in the Tax Organizer are intended to identify opportunities which might help to reduce your tax liability. Others are for the purpose of supporting deductions and credits to which you are otherwise entitled, and reducing exposure to penalties. While it is impossible to ask every conceivable question which might be relevant to every tax situation, we have found that the Tax Organizer is the most efficient means of communicating the most common questions and beginning a meaningful discussion regarding matters specific to your tax return. Even if you have never utilized your Tax Organizer in the past, we ask that you read it, respond to the questions, provide the information requested, sign it, and return it to us with your other tax information. If you have any questions regarding the relevance of any section of the Organizer to your particular situation, please give us a call.

4. **Documentation** – the IRS has tightened documentation requirements for many deductions. These include (but are not limited to): records of your time spent in your trade or business or rental activity in order to determine the deductibility of losses from these activities under passive loss regulations; business use of automobiles; meals and entertainment; business travel and lodging expenses; cash and noncash charitable contributions; home office expenses; and gambling losses. For many of these, the IRS has very specific documentation requirements. In almost every case, estimates, even conservative ones, are not acceptable. We can provide you with guidance on how to achieve the best chance that your deductions will be sustained in the event of an IRS examination.

In spite of the fact that we prepare many large and complex tax returns every year, the vast majority of our clients do not encounter any type of IRS controversy. And we expect that to be the case in the future. But given the current posture of the IRS with respect to enforcement through the increased use of penalties, we believe that it is in your best interest that we put these procedures in place. We hope that you feel the same way.

Once again, if anything in this letter gives you cause for concern please simply pick up the phone and give us a call. We will be happy to provide further explanation and answer any questions that you have.

Respectfully,

  
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December 27, 2011

Dear Client:

This letter is to state and specify the terms of our engagement with you and to clarify the nature and extent of the services we will provide. In order to ensure an understanding of our mutual responsibilities, we ask all clients for whom returns are prepared to understand the following arrangements.

We will prepare your 2011 federal and required state income tax returns from information that you will furnish us. We will not audit or otherwise verify the data you submit, although it may be necessary to ask you for clarification of some of the information. We will furnish you with questionnaires and/or worksheets to guide you in gathering the necessary information. Your use of such forms will assist in keeping pertinent information from being overlooked. Also, completing those forms will assist us in making sure you are well served for a reasonable fee. You represent that the information you are supplying to us is accurate and complete to the best of your knowledge and that you have disclosed to us all relevant facts affecting the returns.

It is your responsibility to provide all the information required for the preparation of complete and accurate returns. It is our policy to keep records related to this engagement for 7 years. However, we do not keep any of your original records, so we will return those to you upon the completion of the engagement. When 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.

You should retain all the documents, canceled checks and other data that form the basis of income and deductions. 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.

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. We will

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. We will render such accounting and bookkeeping assistance as determined to be necessary for preparation of the income tax returns.

You should also know that IRS audit procedures will almost always include questions on bartering transactions and on deductions that require strict documentation such as travel and entertainment expenses and expenses for business usage of autos and computers. 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. If you have questions about these issues, please contact us.

We will use professional 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.

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 as a separate engagement.

In accordance with federal law, in no case will we disclose your tax return information to any location outside the United States, to another tax return preparer outside of our Firm for purposes of a second opinion, or to any other third party for any purpose other than to prepare your return without first receiving your consent.

The return(s) may be selected for review by the taxing authorities. 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. Any proposed adjustments by the examining agent are subject to certain rights of appeal. In the event of a tax examination, we will be available, upon request, to represent you. However, such additional services are not included in the fees for the preparation of the tax return(s).

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. 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 do not 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.

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

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. Your 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.

We have the right to withdraw from this engagement, in our discretion, if you do not provide us with any information we request in a timely manner, refuse to cooperate with our reasonable requests or misrepresent any facts. Our withdrawal will release us from any obligation to complete your return and will constitute completion of our engagement. You are expected to compensate us for our time and out-of-pocket expenses through the date of our withdrawal.

We want to express our appreciation for this opportunity to work with you.

Respectfully,

DUNBAR, BREITWEISER & COMPANY, LLP

# Power of Attorney and Declaration of Representative

▶ Type or print. ▶ See the separate instructions.

Received by:

Name \_\_\_\_\_

Telephone \_\_\_\_\_

Function \_\_\_\_\_

Date     /     /

## Part I Power of Attorney

Caution: Form 2848 will not be honored for any purpose other than representation before the IRS.

### 1 Taxpayer information. Taxpayer(s) must sign and date this form on page 2, line 9.

Taxpayer name(s) and address  JOHN AND JANE DOE 123 MAIN STREET ANYTOWN USA	Social security number(s) 123-45-6789	Employer identification number
	987-65-4321	
	Daytime telephone number	Plan number (if applicable)

hereby appoint(s) the following representative(s) as attorney(s)-in-fact:

### 2 Representative(s) must sign and date this form on page 2, Part II.

Name and address ACCOUNTANT'S NAME 202 N. CENTER STREET BLOOMINGTON, IL 61701	CAF No. <u>XXXX-XXXXXX</u> Telephone No. <u>(309) 827-0348</u> Fax No. <u>(309) 827-7858</u> Check if new: Address <input type="checkbox"/> Telephone No. <input type="checkbox"/> Fax No. <input type="checkbox"/>
Name and address	CAF No. _____ Telephone No. _____ Fax No. _____ Check if new: Address <input type="checkbox"/> Telephone No. <input type="checkbox"/> Fax No. <input type="checkbox"/>
Name and address	CAF No. _____ Telephone No. _____ Fax No. _____ Check if new: Address <input type="checkbox"/> Telephone No. <input type="checkbox"/> Fax No. <input type="checkbox"/>

to represent the taxpayer(s) before the Internal Revenue Service for the following tax matters:

### 3 Tax matters

Type of Tax (Income, Employment, Excise, etc.) or Civil Penalty (see the instructions for line 3)	Tax Form Number (1040, 941, 720, etc.)	Year(s) or Period(s) (see the instructions for line 3)
INCOME	1040	2011

4 Specific use not recorded on Centralized Authorization File (CAF). If the power of attorney is for a specific use not recorded on CAF, check this box. See the instructions for Line 4. Specific Uses Not Recorded on CAF.

5 Acts authorized. The representatives are authorized to receive and inspect confidential tax information and to perform any and all acts that I (we) can perform with respect to the tax matters described on line 3, for example, the authority to sign any agreements, consents, or other documents. The authority does not include the power to receive refund checks (see line 6 below), the power to substitute another representative or add additional representatives, the power to sign certain returns, or the power to execute a request for disclosure of tax returns or return information to a third party. See the line 5 instructions for more information.

Exceptions. An unenrolled return preparer cannot sign any document for a taxpayer and may only represent taxpayers in limited situations. See Unenrolled Return Preparer on page 1 of the instructions. An enrolled actuary may only represent taxpayers to the extent provided in section 10.3(d) of Treasury Department Circular No. 230 (Circular 230). An enrolled retirement plan administrator may only represent taxpayers to the extent provided in section 10.3(e) of Circular 230. See the line 5 instructions for restrictions on tax matters partners. In most cases, the student practitioner's (levels k and l) authority is limited (for example, they may only practice under the supervision of another practitioner).

List any specific additions or deletions to the acts otherwise authorized in this power of attorney:  
.....  
.....  
.....

6 Receipt of refund checks. If you want to authorize a representative named on line 2 to receive, BUT NOT TO ENDORSE OR CASH, refund checks, initial here \_\_\_\_\_ and list the name of that representative below.

Name of representative to receive refund check(s) ▶

- 7 Notices and communications.** Original notices and other written communications will be sent to you and a copy to the first representative listed on line 2.
- a If you also want the second representative listed to receive a copy of notices and communications, check this box . . . . .
- b If you do not want any notices or communications sent to your representative(s), check this box . . . . .

**8 Retention/revocation of prior power(s) of attorney.** The filing of this power of attorney automatically revokes all earlier power(s) of attorney on file with the Internal Revenue Service for the same tax matters and years or periods covered by this document. If you do not want to revoke a prior power of attorney, check here . . . . .

**YOU MUST ATTACH A COPY OF ANY POWER OF ATTORNEY YOU WANT TO REMAIN IN EFFECT.**

**9 Signature of taxpayer(s).** If a tax matter concerns a joint return, both husband and wife must sign if joint representation is requested, otherwise, see the instructions. If signed by a corporate officer, partner, guardian, tax matters partner, executor, receiver, administrator, or trustee on behalf of the taxpayer, I certify that I have the authority to execute this form on behalf of the taxpayer.

**▶ IF NOT SIGNED AND DATED, THIS POWER OF ATTORNEY WILL BE RETURNED.**

-----  
 Signature Date Title (if applicable)  
 -----  
 JOHN DOE  -----  
 Print Name PIN Number Print name of taxpayer from line 1 if other than individual

-----  
 Signature Date Title (if applicable)  
 -----  
 JANE DOE  -----  
 Print Name PIN Number

**Part II Declaration of Representative**

**Caution:** Students with a special order to represent taxpayers in qualified Low Income Taxpayer Clinics or the Student Tax Clinic Program (levels k and l), see the instructions for Part II.

Under penalties of perjury, I declare that:

- I am not currently under suspension or disbarment from practice before the Internal Revenue Service;
- I am aware of regulations contained in Circular 230 (31 CFR, Part 10), as amended, concerning the practice of attorneys, certified public accountants, enrolled agents, enrolled actuaries, and others;
- I am authorized to represent the taxpayer(s) identified in Part I for the tax matter(s) specified there; and
- I am one of the following:
  - a Attorney—a member in good standing of the bar of the highest court of the jurisdiction shown below.
  - b Certified Public Accountant—duly qualified to practice as a certified public accountant in the jurisdiction shown below.
  - c Enrolled Agent—enrolled as an agent under the requirements of Circular 230.
  - d Officer—a bona fide officer of the taxpayer's organization.
  - e Full-Time Employee—a full-time employee of the taxpayer.
  - f Family Member—a member of the taxpayer's immediate family (for example, spouse, parent, child, brother, or sister).
  - g Enrolled Actuary—enrolled as an actuary by the Joint Board for the Enrollment of Actuaries under 29 U.S.C. 1242 (the authority to practice before the Internal Revenue Service is limited by section 10.3(d) of Circular 230).
  - h Unenrolled Return Preparer—the authority to practice before the Internal Revenue Service is limited by Circular 230, section 10.7(c)(1)(viii). You must have prepared the return in question and the return must be under examination by the IRS. See Unenrolled Return Preparer on page 1 of the instructions.
  - k Student Attorney—student who receives permission to practice before the IRS by virtue of their status as a law student under section 10.7(d) of Circular 230.
  - l Student CPA—student who receives permission to practice before the IRS by virtue of their status as a CPA student under section 10.7(d) of Circular 230.
  - r Enrolled Retirement Plan Agent—enrolled as a retirement plan agent under the requirements of Circular 230 (the authority to practice before the Internal Revenue Service is limited by section 10.3(e)).

**▶ IF THIS DECLARATION OF REPRESENTATIVE IS NOT SIGNED AND DATED, THE POWER OF ATTORNEY WILL BE RETURNED.** See the Part II instructions.

Designation—Insert above letter (a–r)	Jurisdiction (state) or identification	Signature	Date
B	IL		