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Dear Friends and Clients,

Happy New Year and Welcome to the 2012 Tax Season!

We've made some big changes to improve the quality and efficiency of our tax preparation services for the 2012 tax season, namely:

- We've added a second conference room to accommodate more appointments with greater flexibility.
- We've hired an experienced CPA as our Tax Manager, which will increase our capacity.
- Having a third senior-level tax professional means that Maureen and I can be more available for appointments and questions.
- Our expanded service capacity means that we will have faster turn-around time on tax preparation, tax planning, and research services.
- We have gone paperless! This means we will be scanning your documents and returning all your originals to you, and we will offer the choice of paper or pdf for your client copy.

I've enclosed our standard ***engagement letter*** along with a ***tax organizer packet***, both of which are an important part of preparing your 2011 personal tax returns. The engagement letter is an agreement which simply confirms the arrangements and responsibilities involved in preparing your tax returns. The engagement letter also outlines our fee schedule and informs you of our minimum individual tax preparation fee structure.

The tax organizer booklet is meant to assist you in gathering the appropriate information necessary to prepare complete and accurate tax returns. From an economical viewpoint, a completed organizer will enable us to compile and review the tax return in a more efficient manner, and thus minimize the cost of preparing your returns. In response to increased IRS regulation and hefty fines imposed on tax preparers, we have implemented a policy whereby **we must receive your signature(s) on the organizer packet (page 2) and the engagement letter in order to process your tax return**. In addition, we are required to ask you all of the questions in the organizer and need to make sure that you address any relevant questions. Please note that the organizer may contain pages which do not apply to your situation, but please be sure to complete Forms 3, 3A and 4 of the organizer, which contain personal information and the electronic filing information. Please make sure that the organizer reflects your most recent address and contact information, correct social security number(s) and date(s) of birth. **Due to documentation requirements for charitable contributions, Form 15 must be completed and returned with your organizer package. Please be advised that we cannot include your donations without this form.**

For the period January 1, 2011 through June 30, 2011, the mileage rate for business use of vehicles was 51 cents per mile, medical and move-related mileage was 19 cents per mile and 14 cents per mile for service provided to charitable organizations. For the period July 1, 2011 through December 31, 2011, the mileage rate for business use of vehicles increased to 55.5 cents per mile, medical and move-related mileage increased to 23.5 cents per mile and the charitable rate remained at 14 cents per mile. **If you are eligible to deduct mileage, you must provide us with your total mileage information for each of these periods, including business, commuting, personal, medical, move-related, and charitable mileage.**

We are required to electronically file all individual tax returns, unless you specifically state in writing that you do not want to electronically file your return. Therefore, if you are strongly opposed to filing electronically, please be sure to indicate your choice on the enclosed engagement letter, then sign and return the engagement letter with your tax information. **As a reminder, if you file your tax returns electronically, it does not mean that you must also pay your taxes electronically.**

On the positive side, with electronic filing, if you are due a refund, you'll get your money much quicker. Also, the IRS has reported fewer errors on input and therefore, less erroneous notices when electronic filing is used. Our Firm will be responsible for tracking each and every tax return and managing the electronic filing process.

Please bear in mind that it is not necessary to transfer the numbers from your forms 1099, W-2 and K-1 onto the organizer; in fact, we enter that type of data directly from the actual tax forms. You should attach all form 1099s, W-2s, K-1 forms, excel spreadsheets and/or Quicken/QuickBooks (or other similar) reports to the organizer. These documents, if attached to or referenced in the organizer, will be incorporated by reference into our engagement. With electronic filing, we are required to input and review complete W-2 and 1099 information, including the employer/payer identification numbers prior to electronically filing the tax return. Please be sure to submit all **original W-2 and 1099 forms to us.**

Over the past 15 years, we have increased our minimum tax preparation fee on two occasions. The last time we increased our fee was about eight years ago to cover the incremental costs associated with the electronic filing requirements. This year, eight years later, in response to increased costs of technology, software, data security, and personnel, we are increasing our minimum tax preparation fee to $375. **However**, we are offering a $25 early bird discount for those clients who provide us with substantially all their information on or before March 17, 2012. To facilitate the early filing, we are opening up more days in late February to mid-March for appointments to provide greater flexibility for your schedule. We do not expect to raise our minimum tax preparation fees again in the near future.

Once you have gathered your tax information, please call for an appointment or if you feel that an appointment is unnecessary, simply mail your tax information with the signed engagement letter and the signed organizer to our office and be sure to include a telephone number or e-mail address where you can be reached. Our policy is to process all tax returns in the order that they are received, so if you have a specific deadline or other time constraint, please advise us as early as possible.

Taryn Delaney, our Administrative Assistant, will be coordinating the tax appointment calendar. Taryn can be reached at extension 10 or by e-mail at Taryn@smithsullivancpa.com. Unless otherwise requested, Taryn will be scheduling appointments in one-hour time blocks, so if you have a particularly complicated tax return, please be sure to let her know to block off additional time. We'll be scheduling appointments on Mondays through Fridays beginning on February 6, 2012 and Saturday appointments beginning with February 11, 2012. If you have deadlines imposed by college financial aid applications, please contact us immediately to schedule an early appointment.

Each year, as we approach the end of tax season, with only one or two weeks to go, we receive a staggering amount of tax returns to process, and while we scramble to accommodate all of our clients, we find it nearly impossible to accommodate everyone. Please understand that we will make every effort to complete each and every tax return; however, we cannot make guarantees for returns received after March 31, 2012, which is also the last day we can schedule appointments.

We're excited for this upcoming tax season and will continue to look for ways to improve and streamline our tax preparation services to minimize the turn-around time. Our goal is to work together as a team and to provide you with professional, yet cost effective, tax preparation and consultation. As always, we thank you for your business and your referrals, and we look forward to hearing from you soon.

Sincerely,

Linda M Smith CPA

Linda M. Smith, CPA
Managing Partner