



Dear Client:

I hope you had a great Thanksgiving. Thank you for being a client, it is greatly appreciated. As we wrap up 2011, I wanted to touch base regarding the upcoming tax season.

Via feedback from the past half-dozen tax seasons, I have found that a minority of clients prefer the "form-based" approach to fees versus a fee based upon the amount of time, effort and expertise required for each tax return. The reason being is clients like to know, upfront, the actual cost of the tax return preparation and not have it fluctuate yearly. However, following this approach **always** results in higher fees. Since this does not fit my business model, I have shied away from this practice. Therefore, I will not engage in this practice and fees will continue to be time-based, since charging based upon time and effort is the most economical and fair way to price tax returns. However, I am going to institute a minimum fee this year, which is discussed below.

Fees Update

Upon market analysis, 99% of firms charge clients based upon the forms that are filed for the client and not the actual time and effort required. Therefore, I have found that my pricing is 30%-60% less than the competition. Their standard pricing is as follows:

- Form 1040 Individual Income Tax - \$150-\$200
- Schedule C Sole Proprietorship - \$75-200
- Schedule D Capital Gains & Losses - \$50-75 per page of activity
- Schedule E Supplemental Income (i.e. Real Estate rental) - \$50-\$75 per property.
- State Income Tax Return – generally there is no additional charge.

****The above list is meant as a sample and is not all inclusive.****

If a taxpayer filed all of the forms mentioned above at another firm, then his/ her tax preparation fee would be in the range of \$325-\$550.

Form 1040 and one state income tax return, collectively, will incur a **minimum** charge of \$175, effective for all filings. After that point, discounts will be calculated, if applicable. Time will accrue, as it normally would, in case a taxpayer's tax return time exceeds the minimum fee.

I will continue to not charge for fees, such as fees for e-filing, mailing, print, folders, etc.

The rate applied for tax return preparation will be \$125 per hour, which is all-encompassing.



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Property Tax Filings

If I file your personal income tax return, then the fee to file for the property tax refund will be \$35. Generally, the property tax return will be prepared and the fee will be incurred after the April 15 deadline as the information to prepare these returns is not available until April. Since not everyone qualifies for this refund, you will not be charged if I do not file the tax return. If you did not receive an invoice for the 2010 tax year property tax filing due to the filing occurring after the April tax season, then it will be included as part of the 2011 tax filing.

If I do not file your personal income tax return, then the minimum charge will be \$75 to file the property tax return, subject to hourly rates.

Discounts

As long as your account is current and has never been more than 60 days delinquent, a 5% discount will be applied for every return year I have prepared your tax return, including the current year, regardless of when the return was prepared. Thus, at a minimum, returning clients will receive an automatic 10% discount, subject to the above provision.

- Example #1, the 2011 total gross fee is \$200. Let's assumed that I have prepared the past four tax returns for the taxpayer. This would result in a 25% discount which equals to a net fee of \$150.00.
- Example #2, the taxpayer hadn't filed tax returns for tax years since 2006 but came to me this past summer to file tax years 2007-2010. If that taxpayer returns to me for 2011's tax filing, then the taxpayer would qualify for the 25% discount.

You will be given a \$25 account credit for every new successful referral, which is non-refundable, if referral credits exceed the incurred charge.

The 5% discount will be applied **after** any referral discounts are credited.

Due to time incurred for copying and scanning the documents, your account will not be charged \$25 if support is submitted electronically via fax or scan then email. If the information is scanned and emailed then please ensure it is legible before submitting it to me.



Information Submission

The following items should be included in all submissions to me. Tax preparation will not commence until all of the items are received.

- The source documents in electronic or hardcopy form.
- The minimum fee of \$175.
- The Engagement Letter signed by both taxpayers, if you are married.
- The Questionnaire.
- The Tax Organizer*

*Due to the low volume of people who complete the organizer, they will only be sent upon request. If you would like yours created and sent then please email me at tlamey@sagacitycpa.com. Thus, the Tax Organizer is optional.

If you are missing one or two items (i.e. a K-1 or a charitable receipt) but you have everything else then your submission will be considered complete and tax preparation will begin. However, please make me aware of any missing items and submit those as soon as possible.

Information Submission Manner

If you would like to schedule an appointment with me, then please email me: tlamey@sagacitycpa.com.

If you want to mail to me your tax documents, then feel free to do so anytime they are ready. Although, please email me when they are en-route, informing of such.

If you prefer to deliver your items, then you may do so, Monday-through Friday 8AM-5 PM or on weekends, as my schedule allows. Email me if you prefer a weekend delivery.

Delinquent Accounts

If you have a delinquent account, then please contact me to make arrangements, if we haven't already spoken.

Delinquent accounts do not qualify for discounts and under most circumstances will disqualify you from being able to use the services of Sagacity Tax & Accounting.



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Methods of Paying

PayPal – contact me if you would like to utilize PayPal

Check made payable to Sagacity Tax & Accounting

Credit card – in person only

Other Items

- If you have any questions before 2011 concludes then please contact me in case any items need to be resolved prior to 12/31/11.
- If you need to file Form 1099 for subcontractors then contact me so we may prepare the filing by 1/31/12.
- If you need to recalculate 2011 estimated tax payments due to changes in circumstances then we need to resolve this before the end of 2011; please contact me.
- If you are the owner of an S-Corp and you provide services to that S-Corp and we have not finalized your 2011 salary then please contact me as soon as possible.
- I hope to turnaround tax returns within a two-week period of receipt of the submission.
- April submissions are subject to automatic extensions.
- Landlords, don't forget to send to your tenants the 2011 MN CRPs by 1/31/12.
- Tenants, if you have not received your 2011 MN CRP by early February then contact your landlord.

Bottom Line

Loyalty is rewarded significantly in the pricing described above, as I have a great customer base and I want to reward those of you who have been a client year after year.

Even though on the surface pricing is increasing, due to the loyalty discounts many of you should not see much (if any) increase from last year fees, ceteris paribus.

Thank you for reading this letter and please have a great holiday season.

Best regards,

Tom