

Engagement Letter Addendum for Foreign Income or Assets

World-Wide Income: All income from all sources must be reported on a 1040 tax return either as a citizen or as a resident alien. Failure to report all income can result in substantial fines.

Non-Resident Alien: If you are a non-resident alien or on a special visa you might need to file a 1040NR if you have income from U.S. sources.

Wages/Contract Labor: Foreign wages and contract labor are taxable unless taxpayer qualifies for a foreign earned income exclusion. If you are self-employed, you are not exempt from Social Security and Medicare taxes.

Bank/Investment Accounts (non-retirement): Must be disclosed on Schedule B Statement of Interest and Dividend income even if no interest or dividends were earned during the year.

FIN CEN: Must be filed with the U.S Treasury by April 15 of the following year if there are investments from bank accounts, investment accounts, retirement accounts or any other investments of over \$10,000 during the year. A FIN CEN must also be filed if you are a signatory (signer) on a foreign account – either for a relative, your employer, as a volunteer, etc.

Form 8938: Must be filed with your U.S. tax return if you exceed the filing requirements. These requirements start at \$50,000 of assets at any time in a calendar year.

Form 3520: Taxpayers who own foreign trusts or have inheritances or gifts from foreign sources over \$100,000 must file Form 3520 by April 15th of the following year. Taxpayers who receive more than \$15,601 from a foreign corporation or partnership must also file this form.

Form 5471/5472: Owners of foreign corporation and shareholders of certain foreign corporations must file one of these forms with their tax return by the due date of the return.

Form 8865: Partners of foreign partnerships must file this form by the due date of the return.

Form 8621: Investors or owners of Private Financial Investment Companies (PFICs) must file form 8621 and elect which taxation method to use. PFICs generally apply to most foreign mutual funds, foreign corporations and many foreign retirement funds.

Penalties for failure to file any of these forms are steep. For example, the penalty for failure to file a FIN CEN can result in a 50% fine of the total account balance.

Foreign Address:

Total Foreign Investments: \$ _____

Interest/Income Earned: \$ _____

Reporting Requirements: Sch B FIN CEN 8938

Foreign Entity:

Trust/Gift/Inheritance	Partnership	Corporation	PFIC
3520/3520A	8865	5471/5472	8621

Wages Earned: \$ _____

Bona Fide Residence: residents and taxpayers of a foreign country? Y N

Physical Presence Test:

Dates to be used (must start or stop in current tax year) _____ to _____

of Days during this time period in US: _____

of Days out of country during in current tax year: _____

If this letter is in agreement with your understanding of this engagement, please sign below.

Client Signature Date Client Signature (if joint return) Date

Print Last Name

Print Last Name