

**Engagement Agreement for Partnership, Corporation & Schedule C (SMLLC) Tax Preparation**

Management Accounting is pleased to provide your company with the professional services described below. This letter confirms our understanding of the terms and objectives of our engagement and the nature and limitations of the tax services we will provide. The engagement between you and our firm will be governed by the terms of this letter.

Our engagement will be designed to perform the following services:

- Prepare the December 31, 2023, federal and requested state income tax returns with supporting schedules from information that you will provide to us. Please complete Exhibit 1 on the last page of this letter to list the states that you did business in during the year.
- Propose any adjusting journal entries that we find necessary in connection with preparation of the income tax returns.

\*This engagement does not cover the preparation of any tax returns not listed above, financial statements, tax planning, estimating, audit representation, or consultations outside of tax season. If we are to provide any of the services in the preceding sentence, they will be covered under a separate engagement which will be billed at an hourly rate of \$300 per hour, unless otherwise stated or agreed upon.

We will prepare the above referenced tax returns solely for filing with the Internal Revenue Service (IRS) and applicable state authorities. Our work is not intended to benefit or influence any third party, either to obtain credit or for any other purpose. You agree to indemnify and hold us harmless with respect to any and all claims arising from the use of the tax returns for any purpose other than filing with the IRS and state tax authorities regardless of the nature of the claim, including the negligence of any party.

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. However, should we find any irregularities or unusual items, we will bring them to your attention. If we discover any errors or omissions on a prior year return, we will bring them to your attention as well. We will be happy to prepare appropriate amended returns as a separate engagement.

We will use our 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.

We will not directly respond to any request from banks, mortgage brokers or others for verification of any information reported on these tax returns without prior authorization. If this information is needed, please contact our office for the specific authorization forms to be completed.

Tax planning services are not within the scope of this engagement. During the course of preparing the tax returns identified above, we may bring to your attention potential tax savings strategies for you to consider as a possible means of reducing your taxes in subsequent tax years. However, we have no responsibility to do so, and will take no action with respect to such recommendations, as the responsibility for implementation remains with you, the taxpayer.

**You are responsible for the proper recording of transactions in the books of account, the safeguarding of assets, the substantial accuracy of the financial records, and the full and accurate disclosure of all relevant facts affecting the returns to us.** You are also responsible for maintaining tax basis schedules

for shareholders. The tax returns will be prepared solely from information provided to us without verification by us. **You have the final responsibility for the returns and, therefore, you should review them carefully before you sign and file them.** You agree to hold our firm harmless from any liability including but not limited to, additional tax, penalties, interest, and professional fees resulting from the disallowance of tax deductions due to inadequate documentation.

You are responsible for assuming all management responsibilities and for overseeing any services we provide by designating an individual, preferably within senior management, who possesses suitable skill, knowledge, or experience. In addition, you are responsible for evaluating the adequacy and results of the services performed and accepting responsibility for the results of such services.

You are responsible for ensuring that personal expenses, if any, are segregated from business expenses and that expenses such as meals, travel, vehicle use: gifts and related expenses are supported by necessary records required by the IRS and other tax authorities. At your request, we are available to provide you with answers to your questions on the types of supporting records required.

You are responsible for determining the appropriate salary or wage to pay shareholders. If the IRS determines that the S-corporation made distributions in lieu of an appropriate shareholder salary or wage, the IRS may reclassify the payments. As a result of the reclassification, the shareholder and S-corporation may be responsible for employment taxes on the reclassified amounts in addition to penalties and interest. You agree to hold our firm harmless with respect to any liability, including but not limited to, additional tax, penalties, interest, and professional fees resulting from changes to the S-corporation shareholder salaries and wages.

You acknowledge and confirm that you, in consultation with other professional advisors, as needed, are responsible for determining the correctness of any worker classification. Payroll tax withholding and related employer payroll tax implications result from this determination. We recommend obtaining a signed contract and signed Form W-9, Request for Taxpayer Identification Number and Certification, from all independent contractors. You should also issue a Form 1099- NEC, Nonemployee Compensation, to all unincorporated independent domestic contractors to whom you pay \$600 or more for services. At your request, we are available to provide answers to your questions regarding this requirement. Also, at your request we can prepare and provide 1099-NECs. Our fee to prepare 1099-NECs is \$20 per 1099-NEC.

You are responsible for advising us of and providing us documentation for any changes in ownership, including the death of a shareholders so we can properly reflect those on the tax returns.

The IRS considers virtual currency (e.g. Bitcoin) as property for U.S. federal income tax purposes. As such, any transactions in or transactions that use virtual currency are subject to the same general tax principles that apply to other property transactions. If you had virtual currency activity during the tax year, you may be subject to tax consequences associated with such transactions and may have additional reporting obligations. You agree to provide us with complete and accurate information regarding any transactions in or transactions that have used virtual currency during the applicable tax year.

**Federal and state tax authorities impose various penalties and interest charges for non-compliance with tax laws and regulations, including failure to file or late filing of returns, and underpayment of taxes. You, as the taxpayer, remain responsible for the payment of all tax, penalties, and interest charges imposed by tax authorities.**

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.

The returns 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 the 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 returns and will be billable at \$300/hour.

It is our policy to keep records related to this engagement for seven 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. By signing this engagement letter, you acknowledge and agree that upon the expiration of the seven year period, we are free to destroy these records.

It may become necessary to apply for an extension of the filing deadline if there are unresolved issues or delays in processing, or if we do not receive all of the necessary information from you on a timely basis. Applying for an extension of time to file may extend the time available for a government agency to undertake an audit of your return or may extend the statute of limitations to file a legal action. **Filing for an Extension extends your time to file. However, all taxes owed are due by the original filing deadline. Additionally, extensions may affect your liability for penalties and interest or compliance with government or other deadlines. It is not the responsibility of our firm to assume an extension is needed. You are responsible for contacting our office to confirm that we will need to file an extension for you in advance of the original filing deadline.**

In an effort to avoid any misunderstanding that may arise under the terms of this agreement, or as to the nature, quantity, or quality of any services rendered, we both agree, if we are unable to reach an agreement, such misunderstanding shall then be resolved in accordance with the arbitration procedures promulgated by the American Arbitration Association. Please be assured that our goal is to develop a clear understanding with the client and establish a rapport whereby any misunderstandings are minimized.

We have the right to withdraw from this engagement 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 agree to compensate us for our time and out-of-pocket expenses through the date of our withdrawal.

**Unless otherwise stated, your return will be filed electronically only after we have received your final payment and signed authorization to file.** If you chose not to e-file your returns with our office, you will be solely responsible to file the returns with the appropriate taxing authorities.

Our services will conclude upon the earlier of:

- The filing and acceptance of your December 31, 2023 tax returns by the appropriate tax authorities and mailing or delivery of non-electronically filed tax returns (if any) to you for your review and filing with the appropriate tax authorities.

- Written notification by either party that the engagement is terminating, or
- One year from the execution date of this letter.

Fees for our service will be billed at the appropriate rate for the level and value of services rendered, plus administrative fees. All invoices are due and payable upon presentation. AGAIN, your return will not be filed until your tax preparation invoice has been paid in full. A service charge of 1.5 percent per month will be assessed on any unpaid balance 30 days past due. This is an Annual Percentage Rate of 18 percent. This agreement may be terminated by either of us at any time. In the event this arrangement is terminated, you agree to be responsible for all fees and charges incurred through the date of termination.

You agree to accept and monitor communications from our office via email, phone, Constant Contact, SmartVault, and the automated messaging sent from our CRM Software throughout this engagement.

You understand that you must provide Management Accounting with your businesses EIN Letter, any and all formation documents, and an up to date Operating Agreement including ownership summary to Management Accounting before we can prepare your current year tax return.

\*New for 2024, starting 1/1/24, almost all small businesses will have a new filing requirement. The Beneficial Ownership Information report and it is filed with FinCEN (the Financial Crimes Enforcement Network that is part of the U.S. Treasury department). It will require businesses to report the name, address, EIN, and state of registration for the business and the name, date of birth, address, and license or passport number for each owner that owns 25% or more. And for individuals that qualify as "company applicants". The report requires an image of the driver's license or passport. Management Accounting is not responsible for filing this report. However, we can provide this service for you as a separate engagement. Please reach out for more information about this reporting requirement or to contract us to provide this service to your business.

If the foregoing fairly sets forth your understanding, please sign this letter in the space indicated and return it to our office. We want to express our appreciation for this opportunity to work with you.

Sincerely,

Bob Langworthy, MBA, EA

Jason Albaugh, CPA

Business Name: \_\_\_\_\_

Authorized Signature: \_\_\_\_\_ Date: \_\_\_\_\_

Name: \_\_\_\_\_ Title: \_\_\_\_\_

Exhibit 1 – State Filings

Please list all states you did business during the tax year

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