



## PARTNERSHIP TAX RETURN ENGAGEMENT LETTER

January 3, 2022

Dear Client,

Spinelli CPA, PC is pleased to provide you with the professional services described below. This letter is to confirm our understanding of the terms of our engagement for the year ended December 31, 2022 for income tax services and clarify the nature and extent of the income tax services we will provide.

### Scope of Our Services

Our engagement is limited to performing the following services:

1. Prepare the federal and state partnership income tax returns.
2. Prepare any bookkeeping entries we find necessary in connection with preparation of the income tax returns.
3. Preparation of depreciation schedules.

We will rely upon the completeness and accuracy of the information and representations you provide to us to prepare your tax returns. We have not been engaged to and will not prepare financial statements. We will not audit or otherwise verify the data you submit to us, although we may ask you to clarify certain information.

We will prepare the above-referenced tax returns solely for filing with the Internal Revenue Service and state tax 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, state and local tax authorities regardless of the nature of the claim, including the negligence of any party, excepting claims arising from the gross negligence or intentional wrongful acts of Spinelli CPA, PC.

Our engagement does not include any procedures designed to detect errors, fraud, or theft or other wrongdoing. Therefore, our engagement cannot be relied upon to disclose such matters. In addition, we are not responsible for identifying or communicating deficiencies in your internal controls. You are responsible for developing and implementing internal controls applicable to your operations.

This engagement is limited to the professional services outlined above.

### CPA Firm Responsibilities

Unless otherwise noted, we will perform our services in accordance with the Statements on Standards for Tax Services ("SSTs") issued by the American Institute of Certified Public Accountants ("AICPA") and U.S. Treasury Department Circular 230 ("Circular 230"). It is our duty to perform services with the same standard of care that a reasonable tax return preparer would exercise in this type of engagement. It is your responsibility to safeguard your assets and maintain accurate records pertaining to transactions. We will not hold your property in trust for you, or otherwise accept fiduciary duties in the performance of the engagement.

*More than Accountants*

Spinelli CPA, PC

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Spinelli CPA, PC will not make any management decisions or perform management functions on your behalf.

We will use our judgment to resolve questions in your favor where a tax law is unclear, provided that we have a reasonable belief that there is substantial authority for doing so. If there are conflicting interpretations of the law, we will explain the possible positions that may be taken on your return. We will follow the position you request, provided it is consistent with our understanding of tax reference materials. Tax reference materials include but are not limited to, the Internal Revenue Code ("IRC"), tax regulations, Revenue Rulings, Revenue Procedures, Private Letter Rulings, court cases, and similar state and local guidance. If the IRS, state or local tax authorities later contest the position you select, additional tax, penalties, and interest may be assessed. You will be responsible for these amounts, as well as any professional fees, you may incur to respond to the tax authority.

This engagement does not include responding to inquiries by any governmental agency or tax authority. If your tax return is selected for examination or audit, you may request our assistance in responding to such an inquiry. If you ask us to represent you, and we agree, we will confirm this engagement in a separate written agreement.

### **Client Responsibilities**

You will provide us with a trial balance and other supporting data necessary to prepare your tax returns. You must provide us with accurate and complete information. Income from all sources, including those outside of the U.S., is required. The returns will be prepared solely from information provided to us without verification by us, although we may ask for clarification of certain information. 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.

You are responsible for maintaining adequate documentation to substantiate the accuracy and completeness of your tax returns. You are responsible for advising us of any changes in ownership so that it may be properly reflected on the tax returns. You should retain all documents that provide evidence and support for reported income, credits, deductions, and other information on your returns, as required under applicable tax laws and regulations. You represent that you have such documentation and can produce it if necessary, to respond to any audit or inquiry by tax authorities. 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 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 documentation and records required by the IRS and other tax authorities. At your written request, we are available to provide you with written answers to your questions on the types of supporting records required.

You are responsible for complying with tax filing requirements of any other country. You acknowledge and agree that we have no responsibility to raise these issues with you and that foreign filing obligations are not within the scope of this engagement.

You are responsible for the safeguarding of assets, the proper recording of transactions in the books of accounts, the substantial accuracy of the financial records, and the complete, full and accurate disclosure

of all relevant facts affecting the return(s) to us. You are responsible for adopting sound accounting practices and devising a system of internal controls.

You have the final responsibility for the accuracy of your tax return. We will provide you with a copy of your tax returns and accompanying schedules and statements for review prior to filing with the IRS, state and local tax authorities, as applicable. You agree to review and examine them carefully for accuracy and completeness. The tax returns will be electronically filed and you will be required to sign an e-file signature authorization form for us to electronically file the returns. In the event you do not wish to have your tax returns filed electronically, please contact our office. You will be responsible for reviewing the paper returns for accuracy, signing them and mailing them timely with the tax authorities. You are responsible for the timely distribution of Schedule K-1 to the shareholders, if applicable.

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.

### **Document Retention**

It is our policy to keep records related to this engagement for 5 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 expiration of the 5 year period, we are free to destroy our records related to this engagement.

### **Disclosure and Use of Taxpayer Information**

Should we receive any request for the disclosure of privileged information from any third party, including a subpoena or IRS summons, we will notify you. In the event you direct us not to make the disclosure, you agree to hold us harmless from any expense incurred in defending the privilege, including, by way of illustration only, our attorney's fees, court costs, outside adviser's costs, or penalties or fines imposed as a result of your asserting the privilege or your direction to us to assert the privilege.

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).

By your signature, you authorize us to transmit, update, and store information electronically and to transmit your information over the internet and agree that we shall have no liability of loss or damage to any person or entity resulting from any such transmissions, updates, or storage, including damages such as loss of revenue or anticipated profits, or disclosure or communication of confidential or proprietary information. If the Partnership has unique security needs, a discussion should be held with us before the engagement.

### **Fees and Billing**

Our rates for tax services are based on the complexity of the work to be performed, and our professional time required for the professional services at our standard billing rates for the personnel working on the engagement, plus out-of-pocket expenses. Hourly rates vary from \$75 to \$275 depending on the staff member providing the services. In addition, this fee depends upon the timely delivery, availability, quality,

and completeness of the information you provide to us. You agree that you will deliver all records requested and respond to all inquiries made by our staff to complete this engagement on a timely basis. You agree to pay all fees and expenses incurred whether or not we prepare the tax returns. All invoices are due and payable upon presentation. Amounts not paid within 30 days from the invoice date will be subject to a late payment charge of 1.5% per month (18% per year). If the account is turned over to an attorney or collection, an additional charge will be added to cover collection costs.

### **Termination and Dispute Resolution**

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 agree to compensate us for our time and out-of-pocket expenses through the date of our withdrawal.

### **Limitation of Liability**

The Partnership agrees that Spinelli CPA, PC and its personnel shall not be liable to the Partnership for any actions, claims, liabilities, costs, expenses, or losses alleged to arise from or actually arising or resulting from or relating to the services performed in this engagement for an aggregate amount in excess of the fees paid by the Partnership to Spinelli CPA, PC for this engagement. In no event shall Spinelli CPA, PC or its personnel be liable for consequential, special, indirect, incidental, punitive, or exemplary damages, costs, attorneys' fees and costs, and/or other expenses or losses (including, without limitation, lost profits and opportunity costs) alleged to arise from or actually arising or resulting from or relating to the services performed in this engagement.

The Partnership further agrees to indemnify and hold harmless Spinelli CPA, PC and its personnel from all actions, claims, liabilities, costs, expenses, or losses asserted or alleged by any person(s) and/or entity(ies) not a party to this agreement and further alleged to arise from or actually arising or resulting from or relating to the services performed in this engagement. These limitations on liability and indemnification provisions shall apply to the fullest extent of the law, whether in contract, statute, tort (such as negligence), or otherwise.

### **Agreement**

Thank you for choosing Spinelli CPA, PC. If the foregoing correctly sets forth your understanding of our tax engagement, please sign this letter in the space below and return it to our office. If you disagree with any of these terms, please notify us immediately. We value your business and are looking forward to working with you.

Sincerely,

*Spinelli CPA, PC*

Accepted By:

Partnership Name: \_\_\_\_\_

Member Name: \_\_\_\_\_

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

Date: \_\_\_\_\_



## Partnership / LLC Tax Return Organizer for 2022

January 3, 2023

### Partnership / LLC Clients

The due date to file a Partnership / LLC Tax Return with a December 31<sup>st</sup> year-end is March 15, 2023. We would like you to provide us with your tax information as soon after year-end as possible to enable us to complete your tax return by the due date.

**Enclosed is an engagement letter with the understanding of the tax services we are to provide to your company. Please read and sign the enclosed engagement letter and return to us with your information to prepare your tax returns. If you have any questions please call our office.**

If you use QuickBooks® as your accounting system, we would like access to the Quickbooks online or the Quickbooks Desktop accountants' copy if possible or a backup. This will enable us to obtain the necessary information for the tax return, and to make year-end adjusting entries for you. Please provide your Quickbooks® file on either a CD, thumb drive or upload your file through Quickbooks® to [kspinelli@spinelllicpa.com](mailto:kspinelli@spinelllicpa.com). **Please provide us with your company name, the QuickBooks® version you are using, as well as any user name and password needed to access the file.**

In addition to the QuickBooks® file, we will need:

1. Details of any changes in your operating agreement, ownership or allocations of profit or loss.
2. Changes in any address, email and telephone numbers of the business and of the partners / members.
3. Who is the best person to contact with accounting related questions?
4. Bank statements of all bank accounts as of December 31, 2022.
5. Value (at cost) of ending inventory, if any, as of December 31, 2022.
6. List of all new assets purchased during the year, including date of purchase and how they were paid, cash, loan, leased, etc. (include leased vehicles).
7. List of all assets sold or traded during the year, including date of sale, selling price and/or trade-in value.
8. Balances as of December 31, 2022 for all loans outstanding including date of loan, original amount borrowed, interest rate, number of payments, amount of monthly payment, and bank or organization borrowed from.
9. Did you receive a Payroll Protection Plan (PPP) Loan? If yes, have you applied for forgiveness and/or received forgiveness yet? Please provide documentation of the loan received and forgiveness applied for and received.
10. Did you receive any other grants or loans, such as Economic Injury Disaster Loan (EIDL)? If yes, please provide information.
11. Quarterly Payroll tax returns - Form 941, State unemployment, Federal unemployment, State withholding for the period January 1, 2022 through December 31, 2022.
12. Did you file for Employee Retention Tax Credits (ERTC)? If yes, please provide copies of any amended 941 returns filed.
13. If you use a vehicle or equipment for off-highway business use, we will need the number of gallons of gas or diesel fuel used in the year. There is a tax credit for federal taxes paid on fuel used in off-highway business use (if you paid the federal tax at the pump).
14. Sales and Meals Tax reports filed for the periods of January through December 31, 2022, if applicable.

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15. If your business performs services in multiple states we will need sales and wages broken down by each state.
16. Do you provide health insurance coverage to your employees? If yes, and you purchase it through the Federal Marketplace Exchange, then there may be a credit for health insurance premiums paid for your employees.
17. List of items any partner / member paid for the business, which was not reimbursed and not recorded in the books.
18. If you would like us to prepare the 2022 1099's for your company we will need the following information: recipients' name, address, social security number or FID number and the amount paid.
19. Did you start a 401K plan during the year for the business? If yes, please provide us the cost for the setup of the plan as there may be a tax credit for this on the tax return.
20. If you have a 401K plan please confirm that an annual 5500 report is filed every year. Please contact us if you need assistance.
21. Did the Corporation buy, receive, or sell any digital assets such as crypto currency?

If you are not using QuickBooks®, or not using all of the features of QuickBooks®, please be sure you provide us with the following, in addition to the above:

1. Trial balance, balance sheet and profit / loss statement for the year ended December 31, 2022.
2. Total sales for the year January 1, 2022 through December 31, 2022.
3. Total cash received for the year from all sources (i.e. sales, loans from banks, loans from partners / members, sales of equipment, etc). This should tie back to deposits made to the bank.
4. Total of all expenses paid for the year broken down by category (i.e. materials, supplies, taxes, wages, partner / member fringe benefits, partner / member distributions etc). We will also need a detailed breakdown of the taxes paid between sales tax, excise tax, property tax, payroll tax, federal corporate tax, state corporate tax and any other taxes paid. Meal expenses for the year should be separately stated.
5. Bank statements and reconciliations for December 31, 2022 for all business bank accounts.
6. List of all Accounts Receivable as of December 31, 2022 (i.e. money owed to you from sales that were not collected by December 31, 2022).
7. List of all Accounts Payable as of December 31, 2022 broken down by categories (i.e. bills for goods and services relating to the year ending December 31, 2022, not paid by December 31, 2022).

If you could provide the above information to our office as soon as possible, it would be greatly appreciated. We must complete the Partnership or LLC return before your personal return.

**If we have not received all your information or if we are unable to complete your business return by March 1, 2023, we will apply for an extension of time to file your return.** If you are a partnership or an LLC, your personal tax return will also require an extension if we are unable to complete your partnership tax return by April 15th. With the application for extensions, payments must be included to cover any tax liability. We are able to extend the time to file your return but not the time to pay the tax due. If we find it necessary to extend your tax returns, we will contact you. The extensions will be filed electronically for the Corporation. If you have any questions, please call me.

Thank you for choosing Spinelli CPA as your tax advisor. We value your business and are looking forward to working with you.

Sincerely,

*Spinelli CPA, PC*