

Barbara Kelley CPA
PO Box 170
Ballentine, SC 29002-0170
803-233-6437
barbara@barbarakelleycpa.com

January 16, 2023

Client Business Name: _____ Business Entity Type: _____

We are pleased to confirm and specify the terms of our engagement with you and to clarify the nature and extent of the services we will provide regarding the preparation of your 2022 income tax returns. This letter and any attachments confirm our understanding of the terms and objectives of our engagement and the nature and limitations of the services we will provide. This engagement between you and our firm will be governed by the terms of this Agreement.

We will prepare your 2022 Federal and state income tax returns from information you furnish to us. This engagement pertains only to the 2022 tax year, and our responsibilities do not include preparation of any other tax return years that may be due to any taxing authority. Our engagement will be complete upon delivery of the completed returns to you. Unless you authorize electronic filing of your returns, you will be solely responsible to file the returns with the appropriate taxing authorities. You agree to indemnify and hold us harmless with respect to 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.

It is your responsibility to supply all the information required to prepare complete and accurate returns. We will provide questionnaires and worksheets to help you gather the necessary information. Using these forms helps control the cost of preparing your returns. You must provide the information needed to prepare your returns by **February 10, 2023**, to complete your returns without requesting an extension of the filing deadline. NOTE: Even with an extension of time to file, all taxes owed are due by the original due date.

This engagement does not include any procedures designed to detect errors, fraud, or theft. We will not audit or otherwise verify the data you submit, but we may ask you to clarify some information. If accounting or bookkeeping services are necessary to prepare complete and accurate tax returns, we will advise you in writing before services are performed. These services will be performed in accordance with the AICPA Code of Professional Conduct, and we will bill you for the time required for these services. You agree to pay for those required services.

We will perform our services in accordance with the Statements on Standards for Tax Services issued by the American Institute of Certified Public Accountants and U.S. Treasury Department 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. You are responsible for maintaining an adequate and efficient accounting system, for safeguarding assets, for authorizing transactions, and for retaining supporting documentation for those transactions. These may be necessary to prove the accuracy and completeness of the returns to a taxing authority. You are responsible for your income tax returns, and **YOU MUST REVIEW THEM CAREFULLY BEFORE** you sign them or authorize electronic filing.

We retain engagement documentation for four (4) years, after which time we will securely destroy the contents of our engagement files. If we obtain your original records during the engagement, please pick up your tax documents upon completion of the engagement. If you receive correspondence from any government agency regarding an income tax return we prepared, please forward a copy to us.

The tax law imposes various penalties when taxpayers understate their tax liability. You acknowledge that any such understated tax, and any imposed interest and penalty thereon, are your responsibility, and that we have no responsibility in that regard. Pursuant to applicable U.S. Treasury Regulations, we must advise you that any tax advice included in this communication is not intended or written to be used, and cannot be used, by a recipient to avoid penalties imposed on the recipient by any governmental taxing authority or agency.

Your returns may be selected for review by the taxing authorities. Any proposed adjustments by the examining agent are subject to certain rights of appeal. In the event of a government tax examination, we will be available upon request to represent you and will render additional invoices for the time and expenses incurred. If we are required to respond to a subpoena, court order or other legal process to produce documents and/or testimony relative to information we obtained and/or prepared during this engagement, you agree to compensate us for the time we expend on such response and to reimburse us for all out-of-pocket costs incurred in that regard.

This firm is required by law to inform clients of our privacy policy. We do not disclose any nonpublic client information obtained during our practice except as required or permitted by law. Permitted disclosures include providing information to our employees and, with your written approval, to unreleased third parties to whom you request that we provide certain information on your behalf. This includes the transfer of information over the Internet and online back-up services. We only use established, reputable companies that have demonstrated adequate commitment to safeguarding data. Our firm, as well as other CPA firms, participates in the AICPA's peer review program. Under this program, our system of quality control is subjected to a peer review by a team of certified public accountants approved by the state administering entity. As part of this peer review, the team will review samples of our work. It is possible that the work we perform for you may be selected for this review. If it is, the team is bound by professional standards to keep all your information confidential. You will not be charged for this review.

This engagement letter is contractual and includes all the relevant terms that will govern the engagement for which it was prepared. The terms of this letter supersede any prior oral or written representations or commitments by or between the parties. Any material changes or additions to the terms set forth in this letter will only become effective if evidenced by a written amendment to this letter, signed by all the parties.

Our fees for this engagement are not contingent on the results of our service. Our fees for this engagement will be based on several factors including, but not limited to, the time spent as well as the complexity of the services we will perform. In addition, you agree to reimburse us for any out-of-pocket costs incurred during the performance of our services. Our fees and costs will be billed upon delivery of completed returns and are due upon receipt.

If you agree to authorize us to prepare your business income tax returns pursuant to the terms set forth above, please execute this letter on the lines below designated for your signatures and return the executed letter to this office along with a completed copy of the tax questionnaire, worksheets, and pertinent supporting documentation. We will not initiate services until we receive this executed agreement. Thank you for your attention in this matter, and please contact us with any questions that you may have.

We appreciate this opportunity to work with you.

Very truly yours,

BARBARA KELLEY CPA

Accepted By:

Business Name

Business Address

Authorized Signature

Date

ANNUAL ACCOUNTING POLICY ELECTION

For years beginning 01/01/2022 and 01/01/2023, we elect to treat the following as expenses:

1. Amounts paid for property that costs \$2,500 or less, unless property is considered inventory, land, rotatable, temporary and standby emergency spare parts that the business elects to capitalize; rotatable and temporary spare parts that the business accounts for using the optional method under Regulation Section 1.263 (a)-1(f) or the direct or allocable indirect costs of property that is produced or acquired for resale, and

2 Amounts paid for property that costs more than \$2,500 and that qualifies as expense under applicable IRS Regulations.

Authorized Signature

Date

BUSINESS NAME: _____ DATE: _____

CONTACT NAME(S): _____ EMAIL: _____

Business address for tax return: _____

Business telephone: _____ Alternate telephone: _____

YES **NO** Please check the appropriate box and provide details/documents for all items marked "yes."**GENERAL INFORMATION**

- Business Type: ___ Corporation ___ Partnership ___ Limited Liability Company ___ Sole Proprietorship
- Did you change business name, address, phone or email since prior year tax return was filed?
- Did your business bank account or routing number change? Provide voided check.
- In what county or counties is your business located? _____
- Did you make changes to the business by-laws or operating agreement? Provide copy of current documents.

OPERATING INCOME / EXPENSE INFORMATION

- Provide copies of QuickBooks file and/or Financial Statements (Profit and Loss and Balance Sheet), or other worksheets or bank statements showing details of all business transactions for the year.
- Did the business have rental income/expenses from business-owned real estate property? Provide details.
- Are the business expenses substantiated by adequate records?
- Did the business engage in bartering income? If so, provide details of both sides of barter transactions.
- Provide number of employees and copies of Forms W-2 and W-3 for Employees.
- Provide copies of Forms 1099-NEC and/or Forms 1099-MISC for Independent Contractors.
- Provide copies of all Forms 1099-K, 1099-MISC, 1099-NEC for business income
- Provide copies of all Forms 1099-DIV, 1099-INT, reported under business name
- Provide copies of all Forms K-1 from Partnerships, S Corporations, Estates, or Trusts reporting income to the business.

PURCHASES, SALES, INVESTMENT & DEBT INFORMATION

- Did the business acquire new or additional interests in any other business (Partnerships, Corporations, Limited Liability Companies) during the 2022 tax year?
- Did the business purchase new or used assets with a unit cost of \$2,500 or more?
If so, provide copies of receipts, bills of sale, loan financing documents, etc.
- Did the business sell or exchange any assets used in the trade or business or rental property?
If so, provide copies of receipts, bills of sale, loan financing documents, etc.
- Did the business retire any business assets? If so, provide description of assets and date(s) retired.
- Did business receive installment income from property that was sold before 01/01/2022? If so, provide all documents.
- Did the business acquire or dispose of any digital assets (bitcoin, etc.) during the year? If so, provide statements.
- Did the business acquire or dispose of any stock during the year? If so, provide investment statements.
- Did the business receive foreign income or pay foreign income taxes during the year, directly or indirectly?
(investment accounts, partnerships or foreign employers)
- Did the business have financial interests in or signature authority over foreign financial accounts (banks, securities or broker accounts) located in a foreign country?
- Did the business receive distributions from, or was it a grantor or transferor for a foreign trust during the year?
- If the business has secured or unsecured loans, or credit card debt provide copies of year-end statements that show business name, listed guarantors, total principal balance owed, total interest paid, interest rate, and maturity date.
- Did the business incur new debt or refinance any existing business loans? If so, provide details and related copies.
- Did you have business loans/credit card debts canceled (forgiven) this year? If so, provide Form(s) 1099-A or 1099-C.

RETIREMENT INFORMATION

- Did the business have a retirement plan (401(k), SIMPLE IRA, SEP, etc.) in place? If so, provide plan documents.
- Provide details of retirement contributions the business made for each eligible employee in 2022.
- Does the business plan to contribute in 2023 to a retirement plan by due date of tax return for 2022 tax year?

Continued on next page

BUSINESS NAME: _____

YES **NO** Please check the appropriate box and provide details/documents for all items marked "yes."

HEALTH INSURANCE INFORMATION

- Did the business pay for qualifying health care insurance for employees?
Provide total after-tax premiums paid for each employee for:
Health Insurance _____ Dental Insurance _____ Vision _____ Other _____
Long-term care premiums: Employee _____ Employee's spouse _____
- Medicare premiums paid/reimbursed outside of Social Security Benefits withholding _____
- Contributions to: Health savings account (HSA) _____ Archer MSA _____ Medicare MSA _____

OTHER INFORMATION

- Did the business have an annual business meeting? (required for S Corporations). Provide copy of minutes.
- Provide bank documentation for any 2020 PPP loan amounts repaid in 2022 tax year.
- Provide bank documentation for any EIDL funds repaid to include total interest paid and year-end balance.
- Did you receive correspondence from the State or the IRS? If yes, provide copy.
- Do you authorize this firm to discuss your income tax return(s) with IRS and State tax agencies?
- Do you have previous years of tax returns that are either unfiled or filed with unpaid balances due?
- Did you make cash or noncash charitable contributions? If yes, provide receipt(s).
- Did the business incur a casualty or theft loss or receive condemnation awards during the year?
Provide proof of Presidentially Declared Disaster Zone and details of loss and insurance reimbursements.
- Did the business enter into new markets or provide new products to the public? If so, provide details.
- Did the business file the required business licenses for tax year 2022?
- Did the business file the required business personal property tax return(s) for tax year 2022?
- Did the business make any Federal or state estimated income tax payments? Provide amounts and dates paid.

VEHICLE INFORMATION

NOTE: It is the responsibility of the business owner to maintain these records and make available upon IRS request. Because of IRS preparer penalties, we are unable to estimate or calculate business use or total mileage for you.

- Does the business have business-use vehicles?
- Provide the following information for each business vehicle:

	<u>Vehicle 1</u>	<u>Vehicle 2</u>
Vehicle year / make / model		
Total business miles 01-01-2022 to 06-30-2022		
Total business miles 7-1-2022 to 12-31-2022		
Total personal miles 01-01-2022 to 12-31-2022		
Total miles for all purposes 01-01-2022 to 12-31-2022		

List separately for each vehicle the total of actual expenses paid for each vehicle in 2022:
 Gas/Oil _____ Repair/Maintenance _____ Insurance _____
 Lease/Loan Payments _____ Loan Interest/Finance Charges _____ Other _____
 Notes: _____

HOME OFFICE INFORMATION

- Did you utilize an area of your home as your principal business location?
- Please request our Home Office Worksheet and provide direct and indirect expenses.

COMMENTS / QUESTIONS
