



## Agreement for 2023 Partnership (LLC) Income Tax Preparation

Dear Client:

We will prepare the federal, state and local partnership tax returns for \_\_\_\_\_ for the year ended 2023 and we will advise you on income tax matters for which you specifically request our advice. This firm is responsible for preparing only the returns listed above.

You are confirming that you will furnish us with all the information required for preparing the returns. This includes, but is not limited to, providing us with the information necessary to identify (1) all states and foreign countries in which you “do business” or derive income (directly or indirectly); (2) all states and foreign countries in which you have employees (includes employees residing on a temporary basis); and (3) the extent of business operations in each relevant state and/or country. We will not audit or verify the data you submit, although we may ask you to clarify it or furnish us with additional information. You should retain all the documents, books, and records that form the basis of your income and deductions. The documents may be necessary to prove the accuracy and completeness of the returns to a taxing authority. If you have any questions as to the type of records required, please ask us for advice in that regard.

Please note the Internal Revenue Service (“IRS”) considers virtual currency (e.g., Bitcoin) and other digital assets (e.g., NFTs) as property for U.S. federal tax purposes. As such, any transactions involving cryptoassets or transactions that use or exchange virtual currencies are subject to the same general tax principles that apply to other property transactions. If you had any cryptoasset or virtual currency activity during the 2023 tax year, you may be subject to tax consequences associated with such transactions and may have additional foreign reporting obligations.

You agree to provide us with complete and accurate information regarding any transactions in cryptoassets or transactions using any virtual currencies during the applicable tax year. Please ask us for advice if you have any questions. If you require additional consulting services to evaluate the specific treatment of digital assets or virtual currency and we agree to perform such services, such services will be covered under a separate engagement letter.

The Bipartisan Budget Act of 2015 made significant changes to the IRS partnership audit rules effective for tax years beginning in 2018, although there are provisions to allow certain partnerships the ability to make an annual election to opt out. To ensure that our firm has the required documentation to support the LLC’s decision as to how to apply the partnership audit rules to your 2023 returns, we ask that you provide our firm with the name of your designated “partnership representative,” as well as your decision with respect to “*opting out*” of the

partnership audit rules if you are an eligible small partnership. If you have any questions regarding the application of the IRS partnership audit rules, please ask us for advice.<sup>1</sup>

We will use our professional judgment in preparing your returns. Given the magnitude of recent tax law changes including, but not limited to, modifications to certain economic tax relief provisions that were part of recent U.S. stimulus packages, as well as some new tax concepts introduced in the law, additional stated guidance from the taxing authorities and possibly from Congress in the form of technical corrections or revisions to certain income tax provisions may be forthcoming. We will use our professional judgment and expertise to assist you given the guidance as currently promulgated at the time our services are rendered. Subsequent developments issued by the applicable tax authorities may affect the information we have previously provided, and these effects may be material. Whenever we are aware that a possibly applicable tax law is unclear or that there are conflicting interpretations of the law by authorities (e.g., tax agencies and courts), we will share our knowledge and understanding of the possible positions that may be taken on your return. In accordance with our professional standards, we will follow whatever position you request, as long as it is consistent with the codes, regulations, and interpretations that have been promulgated.

If a taxing authority should later contest the position taken, there may be an assessment of additional tax, interest and penalties. We assume no liability for any such assessment of additional tax, penalties or interest. In the event, however, that you ask us to take a tax position that in our professional judgment will not meet the applicable laws and standards as promulgated, we reserve the right to stop work and shall not be liable for any damages that occur as a result of ceasing to render services.

The law provides for a penalty to be imposed where taxpayers make a substantial understatement of their tax liability. Taxpayers may seek to avoid all or part of the penalty by showing (1) that they acted in good faith and there was reasonable cause for the understatement, (2) that the understatement was based on substantial authority, or (3) there was a reasonable basis for the position taken on the return and the relevant facts affecting the item's tax treatment were adequately disclosed on the return. You agree to advise us if you wish disclosure to be made in your returns or if you desire us to identify or perform further research with respect to any material tax issues for the purpose of ascertaining whether, in our opinion, there is "substantial authority" for the position proposed to be taken on such issues in your returns.

In 2018, a Supreme Court Ruling in South Dakota v. Wayfair, Inc. ("Wayfair") significantly impacted businesses that engage in out-of-state sales (i.e., remote sales). Wayfair opened the door for other states to redefine what is deemed to be "sufficient contact" from a physical presence standard, to a much broader standard that looks at a business's economic presence ("economic nexus") in a given state. How this may impact your business depends on the individual states from which you derive sales and whether they have adopted an economic nexus standard. As our engagement is limited to preparing the income tax returns specified above, our firm is not rendering any services designed to assess your sales and use tax risks and potential exposure to substantial ("**economic**") nexus. **By your signature below**, you understand and acknowledge that you are responsible for compliance with applicable rules associated with the collection and remittance of

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sales and use tax for the various states in which you do business. If you require our assistance to assess your sales and use tax exposure and how the Wayfair decision may impact your business, please let us know. Any additional services will be covered under a separate engagement letter.] If your business has employees working remotely in another locality, state and/or foreign country, even on a temporary basis, your company may be viewed as having “nexus” in that location for tax purposes. If a business is deemed to have “nexus” for that location, the business may be obligated to pay additional franchise, income, sales or use tax; payroll or other business tax; and to comply with other tax or reporting requirements. By your signature below, you understand that management is responsible for tracking the locations where company employees live and work and determining the tax compliance requirements in those respective locations. If you require our assistance to assess your potential tax exposure in locations other than your normal place of business where you may have employees residing, please let us know. Any additional services will be covered under a separate engagement letter.

**If you and/or your entity have a financial interest in, or signature authority over, any foreign accounts, you may be subject to certain filing requirements with the U.S. Department of the Treasury, in addition to the IRS. Filing requirements may also apply to taxpayers that have direct or indirect control over a foreign or domestic entity with foreign financial accounts, even if the taxpayer does not have foreign account(s). By your signature below, you agree to provide us with complete and accurate information regarding any foreign accounts that you and/or your entity may have had a direct or indirect interest in, or signature authority over, during the above referenced tax year. The foreign reporting requirements are very complex, so if you have any questions regarding the application of the U.S. Department of the Treasury and/or the IRS reporting requirements to your foreign interests or activities, please ask us for advice in that regard. Failure to disclose the required information to the U.S. Department of the Treasury and the IRS may result in substantial civil and/or criminal penalties. We assume no liability for penalties associated with the failure to file or untimely filing of any of these forms.**

Our work in connection with the preparation of the above referenced returns does not include any procedures designed to discover fraud, defalcations, or other irregularities, should any exist. We will render such accounting and bookkeeping assistance as we find necessary for preparing the returns.

Federal law has extended the attorney-client privilege to some, but not all, communications between a client and the client's CPA. The privilege applies only to non-criminal tax matters that are before the IRS or brought by or against the U.S. government in a federal court. The communications must be made in connection with tax advice. Communications solely concerning the preparation of a tax return will not be privileged.

In addition, the confidentiality privilege can be inadvertently waived if the contents of any privileged communication are discussed with a third party, such as a lending institution, a friend, or a business associate. We recommend that you contact us before releasing any privileged information to a third party. As an LLC, you need to be especially careful about privileged communications. If a communication is made in the presence of a member-employee who is not authorized to act or speak for the LLC in relation to the communication's subject matter, then the

communication will be deemed to be made in the presence of a third party and any privilege will be waived.

If we are asked to disclose any privileged communication, unless we are required to disclose the communication by law, we will not provide such disclosure until you have had an opportunity to argue that the communication is privileged. You agree to pay any and all reasonable expenses that we incur, including legal fees, that are a result of attempts to protect any communication as privileged.

Management acknowledges and understands that all individual members are responsible for submitting their individual K-1 and, if applicable, K-3 to their own tax preparers for inclusion with their individual tax returns.

Management is responsible for the design, implementation, and administration of applicable policies that may be required under the Affordable Care Act or any state-specific health mandate. As Kirkey & Co., Inc. CPAs is not rendering any legal services as part of our engagement, we will not be responsible for advising you with respect to the legal or regulatory aspects of your company's compliance with the Affordable Care Act or any state-specific health mandate.

Kirkey & Co., Inc. CPAs will not be responsible for advising you with respect to classification of employees versus independent contractor status as part of our services. If you have any questions with such issues, we strongly encourage you to consult with legal counsel experienced in employment practice matters.

**Starting in 2024, the Corporate Transparency Act (“CTA”) mandates certain entities (primarily small and medium-size businesses) created in or registered to do business in the United States report information about their beneficial owners—the individuals who ultimately own or control a company—to the Financial Crimes Enforcement Network (“FinCEN”). Management is responsible for your entities’ compliance with the CTA, if applicable to its business, and for ensuring that any required reporting of beneficial ownership information is timely filed with FinCEN as required by the CTA.** As Kirkey & Co., Inc. CPAs is not rendering any legal services as part of our engagement, we will not be responsible for advising you regarding the legal or regulatory aspects of your company's compliance with the CTA, nor are we responsible for the preparation or submission of your beneficial ownership information reports to FinCEN. If you have any questions regarding your compliance with the CTA, including but not limited to whether an exemption may apply to your organization or to ascertain whether relationships constitute beneficial ownership under CTA rules, we strongly encourage you to consult with qualified legal counsel experienced in this area.

By your signature below, you understand and agree that management is responsible for the accuracy and completeness of the records, documents, explanations, and other information provided to us for purposes of this engagement. You have the final responsibility for the income tax returns and, therefore, you should review them carefully before you sign them. Our firm is not responsible for a taxing authority's disallowance of deductions or inadequately supported documentation, nor for resulting taxes, penalties, and interest.

Our fees for these services will be computed at our standard rates and will be billed as the work progresses. Invoices will be mailed monthly and are due when received. If we have not received payment within 30 days of our invoice, all work will be suspended until your account is brought current. Client acknowledges and agrees that in the event we stop work or withdraw from this engagement as a result of your failure to pay on a timely basis for services rendered as required by this engagement letter, we shall not be liable for any damages that occur as a result of our ceasing to render services.

Our fee does not include responding to inquiries or examination by taxing authorities. However, we are available to represent you. Our fees for such services are at our standard rates and would be covered under a separate engagement letter.

**Because of the importance of oral and written management representations to the effective performance of our services, <Client> releases and indemnifies our firm and its personnel from any and all claims, liabilities, costs and expenses attributable to any misrepresentation by management and its representatives.**

In connection with this engagement, we may communicate with you or others via email transmission. We take reasonable measures to secure your confidential information in our email transmissions. However, as emails can be intercepted and read, disclosed, or otherwise used or communicated by an unintended third party, or may not be delivered to each of the parties to whom they are directed and only to such parties, we cannot guarantee or warrant that emails from us will be properly delivered to and read only by the addressee. Therefore, we specifically disclaim and waive any liability or responsibility whatsoever for interception or unintentional disclosure or communication of email transmissions, or for the unauthorized use or failed delivery of emails transmitted by us in connection with the performance of this engagement. In that regard, you agree that we shall have no liability for any loss or damage to any person or entity resulting from the use of email transmissions, including any consequential, incidental, direct, indirect, or special damages, such as loss of sales or anticipated profits, or disclosure or communication of confidential or proprietary information.

We may from time to time and depending on the circumstances and nature of the services we are providing, share your confidential information with third-party service providers, some of whom may be cloud-based, but we remain committed to maintaining the confidentiality and security of your information. Accordingly, we maintain internal policies, procedures and safeguards to protect the confidentiality of your personal information. In addition, we will secure confidentiality terms with all service providers to maintain the confidentiality of your information and will take reasonable precautions to determine that they have appropriate procedures in place to prevent the unauthorized release of your confidential information to others. In the event that we are unable to secure appropriate confidentiality terms with a third-party service provider, you will be asked to provide your consent prior to the sharing of your confidential information with the third-party service provider. Although we will use our best efforts to make the sharing of your information with such third parties secure from unauthorized access, no completely secure system for electronic data transfer exists. As such, by your signature below, you understand that the firm makes no warranty, expressed or implied, on the security of electronic data transfers.

It is our policy to keep records related to this engagement for 7 years. However, Kirkey & Co., Inc. CPAs does not keep any original client records, so we will return those to you at the completion of the services rendered under this engagement. It is your responsibility to retain and protect your records (which includes any work product we provide to you as well as any records that we return) for possible future use, including potential examination by any government or regulatory agencies. Kirkey & Co., Inc. CPAs does not accept responsibility for hosting client information; therefore, you have the sole responsibility for ensuring you retain and maintain in your possession all your financial and non-financial information, data and records.

By your signature below, you acknowledge and agree that upon the expiration of the 7-year period, Kirkey & Co., Inc. CPAs shall be free to destroy our records related to this engagement.

If any dispute arises among the parties hereto, the parties agree to first try in good faith to settle the dispute by mediation administered by the American Arbitration Association under its applicable rules for resolving professional accounting and related services disputes before resorting to litigation. The costs of any mediation proceeding shall be shared equally by all parties.

Client and accountant both agree that any dispute over fees charged by the accountant to the client will be submitted for resolution by arbitration in accordance with the applicable rules for resolving professional accounting and related services disputes of the American Arbitration Association, except that under all circumstances the arbitrator must follow the laws of Ohio. Such arbitration shall be binding and final. **IN AGREEING TO ARBITRATION, WE BOTH ACKNOWLEDGE THAT IN THE EVENT OF A DISPUTE OVER FEES CHARGED BY THE ACCOUNTANT, EACH OF US IS GIVING UP THE RIGHT TO HAVE THE DISPUTE DECIDED IN A COURT OF LAW BEFORE A JUDGE OR JURY AND INSTEAD WE ARE ACCEPTING THE USE OF ARBITRATION FOR RESOLUTION.** The prevailing party shall be entitled to an award of reasonable attorneys' fees and costs incurred in connection with the arbitration of the dispute in an amount to be determined by the arbitrator.

We appreciate the opportunity to be of service to you and believe this letter accurately summarizes the significant terms of our engagement. If you have any questions, please let us know.

If the foregoing is acceptable to you, please complete and sign the following Addendum, as well as sign the original copy of this letter in the space provided, and return both documents to us in the enclosed envelope.

Very truly yours,

*David R. Kirkey, CPA, CFP*

David R. Kirkey, CPA, CFP  
Kirkey & Co., Inc. CPAs

**Accepted:**

\_\_\_\_\_  
Client Representative

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

\_\_\_\_\_, 2024  
Date

**Addendum to Engagement Letter**

To ensure that Kirkey & Co., Inc. CPAs has the required documentation in our files to support \_\_\_\_\_’s decision as to how to apply the partnership audit rules to your 2023 income tax return, we request that you complete and sign the form below, and return a copy of this with your signed engagement letter.

**Name of Designated *Partnership Representative*:**

\_\_\_\_\_

Are you a small partnership (with 100 or fewer eligible partners\*)?

\* Note: Each S-Corporation shareholder counts as a partner for purposes of the “100 or fewer eligible partners” rule. Eligible partners are individuals, C-Corporations, S-Corporations, and estates of deceased partners.

\_\_\_\_\_ **YES** \_\_\_\_\_ **NO**

If you responded **YES** to the above question, this indicates that your LLC may elect to “*opt out*” of the partnership audit rules by making an annual election on a timely filed Form 1065. Please indicate below if you would like our firm to make this “*opt out*” election on your behalf:

\_\_\_\_\_ **YES:** I/We **do** want to “*opt out*” of the partnership audit rules.

\_\_\_\_\_ **NO:** I/We **do not** want to “*opt out*” of the partnership audit rules.

**CLIENT ACKNOWLEDGMENT:**

By your signature below, you acknowledge and agree that you have the ultimate responsibility for decisions related to the application of the audit rules to your LLC.

\_\_\_\_\_  
Client Representative

\_\_\_\_\_  
Date