

# Rumbold Tax Advisory

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## ENGAGEMENT LETTER – BUSINESS TAX PREPARATION

You have hired this firm to assist you with the preparation of your Federal and State income tax returns for your business entity (corporation, partnership, Limited Liability Company, etc). For the preparation of these returns, you will be charged a fee according to the types of returns we prepare and the complexity of those returns (forms and entries). You may also be charged a fee for consultation on tax planning or preparation and for accounting and bookkeeping work. An estimate of your fees will be given on request but you understand that an accurate estimate cannot be offered before all of your information is gathered and the tax return is completed. The fees are due and payable at the time your returns are completed. In some cases a retainer deposit may be necessary prior to providing services. We will supply you with one copy of each return and, if you choose not to have us E-file your returns, one copy of each return for filing.

As your tax professional, we will prepare the returns using information your business supplies and applying the tax law to the best of our ability. It is not our responsibility to verify your deductions or exemptions or audit your tax return. Should you be audited, the tax agency will require you to support your deductions. You agree that you have provided us with all requested documents and will answer all of our questions fully so that we can properly prepare your returns. If you are claiming a deduction for auto, travel, entertainment or other business expenses, you need to have written records to substantiate these deductions. You agree that you are responsible for keeping all documents (receipts, cancelled checks, and information statements) necessary for the preparation of your tax returns and copies of your tax returns for any possible future examination by the taxing authorities.

Please note that we will not determine the completeness or accuracy of the information supplied by the business and the assistance we do provide is not to be construed as an oversight function, in any respect, of the business's accounting system; therefore, there should be no reliance, stated or implied, by the business on the accuracy of the assistance we are to provide. As a result of our assistance, we may propose standard, adjusting, or correcting journal entries to your financial statements. The business, however, has final responsibility for reviewing the proposed entries and understanding the nature and impact of the proposed entries on the returns. Furthermore, it is the business's responsibility, once these entries have been agreed to, to post the entries to its accounting system in a timely manner.

Any additional services not referenced above will be considered "out of scope" of this engagement letter. Prior to the commencement of "out of scope" services, we will discuss the nature and extent of the work and provide a subsequent engagement letter that clarifies these services.

The timeliness of the business's cooperation is essential to our ability to complete this engagement. Specifically, we must receive sufficient information from which to prepare the returns within a reasonable period of time prior to the applicable filing deadline. Accordingly, if we do not receive this information from the entity, as noted above, by March 1 for partnership, S-corps or April 1 for C-corps, trust or estates, it may be necessary for us to pursue extensions of the due date of the returns, and we reserve the right to suspend our services or withdraw from this engagement.

Note: Information to prepare information returns (W-2, 1099-MISC, etc.) if included in this engagement is due to us by January 15 for filing on or before January 31. Extensions for these information return filing are not available and penalties may apply for late filings.

We reserve the right to charge priority fees for documentation supplied after the above due dates.

Various penalties and interest are imposed when taxpayers fail to pay the full amount of taxes owed by the filing due date without extensions. Furthermore, additional penalties and interest are imposed when taxpayers fail to remit the proper amount of subsequent year tax estimates. Based on information the business provides to us, we can assist in determining the correct amount of taxes owed for the current year and subsequent year tax estimates. The business acknowledges that any such penalties and interest that arise due to the underestimation of current year taxes owed or subsequent year tax estimates remitted is its own responsibility, and that we have no responsibility in that regard. If you would like information on the amounts or the circumstances of these penalties and interest, please contact us.

If you and/or your business entity have a financial interest in, or signature authority over, bank accounts, securities, or other financial accounts have a value exceeding \$10,000 in a foreign country at any time during the tax year, you are

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required to file Form 114a with the U.S. Department of the Treasury by April 15 for the prior tax year. Extensions of this deadline are permitted to October 15. Such filing requirements 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). For example, a corporate-owned foreign account would require filings by the corporation and by the individual corporate officers with signature authority. If you fail to disclose the required information to the U.S. Department of the Treasury, the failure to disclose may result in substantial civil and/or criminal penalties. You are responsible for providing our firm with all the information necessary to prepare Form 114a required by the U.S. Department of the Treasury.

Anything you tell us to prepare your tax return is confidential, but not protected by any attorney-client privilege. If at any time we feel that you require legal advice, we will advise you to consult with an attorney.

**IMPORTANT NOTE: Generally a business tax return is not required to include a balance sheet if total receipts and total assets at the end of the year are both less than \$250,000 (assets less than \$1,000,000 for a partnership or LLC). However, a balance sheet is highly recommended as it forms the starting point for calculating shareholder, partner or member basis. Basis is a determinant of allowing losses for a partnership, LLC or S-corporation. The inclusion of a balance sheet and tracking of basis require additional fees for preparation of your tax return. Without the tracking of owners' basis, it will not be possible to determine the allowance of losses or gain for pass-through income or loss on the sale or dissolution of the business.**

Tax law is sometimes unclear and subject to different interpretation. A position taken on your tax return may be disputed by the tax authorities even though it meets the standards for tax return positions described in the Federal Regulations. We will take a position favorable to your interests whenever the facts and circumstances justify it, but not without your prior consultation. We are not responsible for any tax, interest or penalties that may be assessed as a result of a position taken which is successfully challenged by the tax authorities. We require that aggressive positions be disclosed to the taxing authorities on the appropriate form.

In the event we are required to respond to a subpoena, court order or other legal process for the production of documents and/or testimony relative to information we obtained and/or prepared during the course of this engagement, the business or owner(s) agrees to compensate us for the time we expend in connection with such response, and to reimburse us for all of our out-of-pocket costs incurred in that regard.

In the event that we become obligated to pay any judgment or similar award, the company agrees to pay any amount in settlement, and any costs incurred as a result of any inaccurate or incomplete information that the company provided to us during the course of this engagement. The company agrees to indemnify us, defend us, and hold us harmless against such obligations, agreements, and/or costs.

The business agrees that any dispute that may arise regarding the meaning, performance or enforcement of this engagement will, prior to resorting to litigation, be submitted to mediation, and that it will engage in the mediation process in good faith once a written request to mediate has been given by either party to the engagement. Any mediation initiated as a result of this engagement shall be administered by a law firm specializing in the mediation process, not associated with either party, and selected by us, according to its mediation rules. Any ensuing litigation shall be conducted within the County of Orange, California, according to California law. The results of any such mediation shall be binding only upon agreement of each party to be bound. The costs of any mediation proceeding shall be shared equally by the participating parties.

Any litigation arising out of this engagement, except actions by us to enforce payment of our professional services, must be filed within one year from the completion of the engagement, notwithstanding any statutory provision to the contrary. In the event of litigation brought against us, any judgment the company obtains shall be limited in amount, and shall not exceed the amount of the fee charged by us, and paid by the company, for the services set forth in this engagement letter.

This engagement letter is contractual in nature, and includes all of the relevant terms that will govern the engagement for which it has been 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 of the parties.

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This agreement covers only the preparation of your business income tax returns. We are not hired to represent you in an audit of any business tax return or for the collection of any tax that might be due. If you wish representation before any of the tax agencies, a separate agreement will be prepared and a separate fee arrangement will be quoted.

This agreement does not cover any business engaged in the cannabis marketplace; cultivation, manufacture, distribution, retail or otherwise. If you operate such a business, a separate engagement agreement will be provided.

If you do not pay the fee or your check is returned for insufficient funds and we have to take collection action to collect my fees, any and all costs of collection, including any attorneys' fees that we incur, will be added to the final amount to be collected. Any fees outstanding at the time you pick up your return shall be charged a finance fee of 1.5% per month after 15 days.

If, after full consideration and consultation with counsel if so desired, the business agrees to authorize us to prepare the tax returns pursuant to the terms set forth above, please execute this letter on the line below designated for signature by an officer, and return this executed letter to this office along with all supporting documentation requested therein. The business should keep a copy of this fully executed letter for its records. If this firm does not receive from the business this letter, in fully executed form, but receives supporting documentation requested therein, then such receipt by this office shall be deemed to be evidence of the business's acceptance of all of the terms set forth above and we will commence with the tax return preparation process.

Tax and Information Returns: \_\_\_\_\_

Include balance sheet even if assets and income are below limitation?  Yes  No

Track shareholder(s) basis?  Yes  No

I have read and agree to the terms of this engagement agreement.

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

\_\_\_\_\_  
Officer Signature

\_\_\_\_\_  
Title

\_\_\_\_\_  
Date

\_\_\_\_\_  
Printed Name

I personally attest that I have the authority to sign this engagement agreement as the officer noted above.

\_\_\_\_\_  
Officer Signature

\_\_\_\_\_  
Date

  
John Rumbold for Rumbold Tax Advisory