

1099 ENGAGEMENT LETTER

The IRS requires that business owners file a Form 1099-Misc & 1099-NEC by January 31st for every individual or non-corporate LLC that you paid over \$600.00 for trade or business services during the year. If you pay a lawyer corporation for trade or business services, they must also receive the form. Failure to file this form could result in a penalty that could be as much as \$1000 per each omitted, late, or incorrect 1099-Misc & 1099-NEC. The 1099-Misc & 1099-NEC must be provided to the taxpayer by January 31st or those penalties will apply. The problem you may encounter is those sub-contractors that do not want you to issue them one, so make sure you get them to fill out a W-9 form before you issue them a payment. In Montana, each sub-contractor must also hold a Worker's Compensation Exemption to be considered self-employed and a copy of the current exemption form must be held in your company files.

Because the penalties are so severe, we want to be very clear on the services we are providing, and what is expected from you.

1. This letter confirms the services you have asked our firm to perform and the terms under which we have agreed to do that work. Please read the letter carefully because it is important to both our firm and you that you understand what you can and cannot expect from our work. In other words, we want you to know the limitations of the services you have asked us to perform. If you are confused at all by this letter or believe we have misunderstood what you need, please call us before you sign it.

2. This engagement letter represents the entire agreement regarding the services described herein and supersedes all prior negotiations, proposals, representations, or agreements, written or oral, regarding these services. It shall be binding on the heirs, successors and assigns of you and us. The Internal Revenue Service imposes penalties on taxpayers, and on us as return preparers, for failure to observe due care in reporting for income tax returns. In order to ensure an understanding of our mutual responsibilities, we ask all clients for whom we prepare tax returns to confirm the following arrangements. We will prepare the returns from information which you will furnish to us. It is your responsibility to provide all the information required for the preparation of complete and accurate returns. We will furnish you with any questionnaires and/or worksheets that you request to guide you in gathering the necessary information. Your use of such forms will assist us in keeping our fee to a minimum. The extent we render any accounting and/or bookkeeping assistance, it will be limited to those tasks we deem necessary for preparation of the returns.

Tax Preparer Responsibilities

3. We will prepare your Federal Form 1099 and 1096 **SOLELY** from information you furnish us. We will not audit, review, compile or otherwise verify the data you submit although we may ask you to clarify some of the information. We are not responsible for the preparation of any forms or schedules except Forms 1099 for individuals for whom you provide us a written summary in a separate format as listed below. **If you have forms or payees other than those specifically listed, we will not be preparing those forms unless specifically requested by you, in writing in a separate engagement letter, to prepare those forms. Any other required services, forms or other actions on our part require a separate engagement letter. In the absence of written communication from us documenting such services, our services will be limited to and governed by the terms of this engagement letter.**

Taxpayer Responsibilities

4. In order to timely file your Forms 1099 in agreement with this letter you must provide us, **IN WRITING**, a complete list of payees by January 15th, as follows, **for each payee:**

Payee Name

Payee Address

Payee City, State, Zip

Payee Federal ID Number (obtained by you on Form W-9)

Amount paid during the year in which we are preparing the form 1099 for non-employee compensation

Amount paid in Rent

5. If you are in doubt whether to issue a 1099, the safest treatment is to issue the form.

Other Items

6. Our fee to prepare the 1099s and 1096 forms solely for the payees listed in writing by you on a separate page will be a separate fee from other business services provided.
7. It is your responsibility to maintain the records, forms, documents, Form W-9 and copies necessary to file the 1099 and 1096 Forms.
8. We will rely solely, without independent verification on the information you provide to us in writing under item 4 above to prepare your Forms 1099 and 1096.
9. It is our policy to keep records related to this engagement for three years after which they are destroyed. **However, we do not keep any original client records, so we will return those to you at the completion of the services rendered under this engagement. When records are returned to you, it is your responsibility to retain and protect your records for three years for possible future use, including potential examination by any government or regulatory agencies.**
10. In recognition of the relative risks and benefits of the agreement to both the client and the accounting firm, the client and the accounting firm have discussed and have agreed on the fair allocation of risk between them. As such, the client agrees, to the fullest extent permitted by law, to limit the liability of the accounting firm to the client for any and all claims, losses, costs, and damages of any nature whatsoever, so that the total aggregate liability of the accounting firm to the client shall not exceed the accounting firm's total fee for services rendered under this agreement. The client and the accounting firm intend and agree that this limitation apply to any and all liability or cause of action against the accounting firm, however alleged or arising, unless otherwise prohibited by law. Both parties agree that there is a one-year limitation period to bring a claim against us for errors and omissions. The three-year period will begin upon the date of the tax professional's signature on the tax returns covered by this engagement letter.

We appreciate the opportunity to serve you. Please date and sign the enclosed copy of this letter to acknowledge your agreement with and acceptance of your responsibilities and the terms of this engagement. It is our policy to initiate services after we receive the executed engagement letter. If any provision of this agreement is declared invalid or unenforceable, no other provision of this agreement is affected, and all other provisions remain in full force and effect.

Sincerely,

Mary Lemons, EA, ABA

Client or Business Name

Tax Year

I (We) have read the above terms of the engagement letter and agree with the terms of the engagement letter and agree with the terms of this engagement.

Client Signature

Date