



**Partnership Income Tax Preparation
Engagement Letter**

(Date)

(Business Name)

Re: Engagement Terms between "Client" referenced above and John Lebbs CPA, PLLC

John Lebbs CPA, PLLC is pleased to provide Client ("you" or "your") with the professional services described below. This letter states the terms and conditions by which you have engaged John Lebbs CPA, PLLC (collectively, "firm," "we," "us," or "our"), its successors, and/or assigns to provide certain tax return preparation services. This letter and any other attachments incorporated herein (collectively, "Agreement") confirm our understanding of the terms and objectives of our engagement and the nature and limitations of the services we will provide. The engagement between you and our firm will be governed by the terms of this Agreement.

Services. We will prepare the following federal and state tax returns for the year ended December 31, 2020:

Form 1065	U.S. Return of Partnership Income
State(s)	State return(s) as required
Local	Local returns as required

We will not prepare any tax returns except those identified above without your written request and our written consent to do so. We will prepare your tax returns based upon information and representations that you provide to us. 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 ("IRS") and state and local tax authorities as identified above. Our work is not intended to benefit or influence any third party, either to obtain credit or for any other purpose. Under no circumstance will we respond to any request from banks, mortgage brokers, or others for verification of any information reported on these tax returns.

You agree to indemnify and hold our firm and its partners, principals, shareholders, officers, directors, members, employees, agents, or assigns 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 and state and local tax authorities regardless of the nature of the claim, including the negligence of any party.

We will prepare your federal and requested state and/or local income tax returns based solely on information provided and via tax documents and financial statements you submit. You represent that the information you are supplying to us is accurate and complete to the best of your knowledge and that you have disclosed to us all relevant facts affecting the returns.

Our services are not intended to determine whether you have filing requirements in other taxing jurisdictions than the one(s) you have informed us of. Our firm is available under the terms of a separate engagement letter to provide a nexus study that will enable us to determine whether any other state tax filings are required.

Our engagement does not include any procedures designed to detect errors, fraud, or theft. Therefore, our engagement cannot be relied upon to disclose such matters. This engagement is limited to the professional services outlined above.

2020 Partnership Income Tax Preparation Engagement Letter

www.johnlebbscpa.com

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.

Bookkeeping Assistance. We may deem it necessary to provide you with accounting and bookkeeping assistance solely for the purpose of preparing the income tax returns. These services will be performed solely in accordance with the AICPA Code of Professional Conduct. We will request your approval in writing before rendering these services. Additional charges will apply for such services.

Estimated Tax Payments. You may be required to make quarterly estimated tax payments. We will calculate these payments for the 2021 tax year based upon the information you provide to prepare your 2020 tax returns and have no obligation to update recommended payments after the engagement is completed. If you ask us to update your estimated tax payments, additional fees may apply.

Tax advice. Any advice we may provide is based upon tax reference materials, facts, assumptions, and representations that are subject to change. Tax reference materials include, but are not limited to, the Internal Revenue Code (“IRC”), tax regulations, Revenue Rulings, Revenue Procedures, private letter rulings and court decisions. We will not update our advice after the conclusion of the engagement for subsequent legislative or administrative changes or future judicial interpretations. To the extent we provide written advice concerning federal tax matters, we will follow the guidance contained in Circular 230, §10.37, Requirements for Written Advice.

Tax Planning Services. Our engagement does not include tax planning services. During the course of preparing the tax returns identified above, we may bring to your attention potential tax savings strategies for you to consider as a possible means of reducing your taxes in subsequent tax years. However, we have no responsibility to do so, and will take no action with respect to such recommendations, as the responsibility for implementation remains with you, the taxpayer. If you ask us to provide tax planning services, we will confirm this representation in a separate engagement letter.

Government Inquiries. 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, we will confirm this representation in a separate engagement letter.

Arguable Positions. We will use our judgment to resolve questions in your favor where a tax law is unclear, provided there is sufficient support 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 the Internal Revenue Code (“IRC”), tax regulations, Revenue Rulings, Revenue Procedures, private letter rulings and court decisions. If the IRS, state, or local tax authorities later contest the position taken, there may be an assessment of additional tax, penalties, interest, and professional fees. We assume no liability, and you hereby release us from any liability for such additional tax, penalties, interest, and professional fees.

Electronic Filing. Because of the number of returns we prepare, IRS regulations require us to file almost all tax returns electronically. To comply with this requirement, your return will be electronically filed.

Disclosure of Personal and Tax Information. We make all reasonable efforts to maintain the privacy of client personal and tax 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 expenses 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 because of your asserting the privilege or your direction to us to assert the privilege.

Electronic Communications. In connection with this engagement, we may communicate with you or others via email transmission. 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 and read only by the addressee. Therefore, we specifically disclaim and waive any liability or responsibility whatsoever for interception or unintentional disclosure 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 revenues or anticipated profits or disclosure or communication of confidential or proprietary information.

Examination of Returns. Your returns may be selected for examination or review by the taxing authorities. Any proposed adjustments by the examining agent are subject to certain rights of appeal. In the event of such government tax examination, we will be available upon request to assist you. If an examination occurs, we will represent you if you so desire; however, these additional services are not included in this engagement letter or our fee for preparation of your returns. We will confirm this engagement in a separate letter, which will address the additional fees to be incurred.

Conflicts of interest. If we, in our sole discretion, believe a conflict has arisen affecting our ability to deliver services to you in accordance with either the ethical standards of our firm or the ethical standards of our profession, we may be required to suspend or terminate our services without issuing our work product.

Client Responsibilities

You will provide us with a trial balance and other supporting data needed to prepare your tax returns. Income from all sources, including those outside of the U.S., is required. You must provide us with accurate and complete information. We rely upon the accuracy and completeness of both the information you provide in the trial balance and other supporting data you provide in rendering professional services to you.

Online Access to Information. To the extent you provide our firm with access to electronic data via a local or online database from which we will download your trial balance or other information, you agree that the data is accurate as of the date and time you authorize it to be downloaded.

Changes in ownership. You are responsible for advising us of any changes in ownership, including the death of a partner, so we can properly reflect those on the tax returns.

Partnership or limited liability company (LLC) agreement. You should review your partnership (or LLC) agreement with your attorney to ensure it addresses the significant changes to the partnership audit regime that will generally apply to partnership returns filed after 2018. These changes include, but are not limited to: replacement of a “tax matters partner” with a “partnership representative”; current partners being held responsible for tax liabilities of prior partners; the partnership being held responsible for remittance of additional tax rather than individual partners being taxed; and numerous elections or opt-outs that the “partnership representative” may make.

In addition, you should review your partnership or LLC agreement to ensure that it meets your goals for the transfer of ownership and distribution of income. Often, partnership agreements do not address the transfer of ownership or may require updating as circumstances change. A review of your partnership or LLC agreement is not within the scope of this engagement.

Tax basis schedules. You are responsible for maintaining tax basis schedules for partners or LLC members. If you ask us to prepare these schedules, we will confirm this service in a separate engagement letter.

Allocation of Partnership Income and Expenses. You are responsible for verifying the accuracy of both the allocation of partnership income per the terms of the partnership agreement and the partnership income calculations used in the preparation of the tax returns.

The Treasury Department has proposed new regulations under IRC §752, *Treatment of Certain Liabilities*, concerning transactions between partner and partnership, on the allocation among partners of partnership level debt and disguised sales under IRC §707, *Transactions Between Partner and Partnership*.

Partner Salaries. You acknowledge and confirm that you are responsible for determining the classification of your workers. A partner or LLC member who receives a guaranteed salary payment is not regarded as an employee of the entity for the purpose of withholding or Social Security taxes. Therefore, any additional fringe benefits a partner or LLC member receives are not subject to withholding. These fringe benefits may, however, be included in the income of the partner or LLC member. You are responsible for informing us of the total guaranteed payments, including fringe benefits, received by each partner or LLC member.

Schedule K-1 distribution. You are responsible for distributing a copy of the partnership or LLC's Schedule K-1s to each partner or member.

Documentation. You are responsible for maintaining adequate documentation to substantiate the accuracy and completeness of your tax returns. You should retain all documents that provide evidence and support for reported income, credits, and deductions on your returns, as required under applicable tax laws and regulations. You are responsible for the adequacy of all information provided in such documents. You represent that you have such documentation and can produce it if needed to respond to any audit or inquiry by tax authorities. You agree to hold harmless our firm and its partners, principals, shareholders, officers, directors, members, employees, agents, or assigns with respect to any additional tax, penalties, or interest imposed upon you by tax authorities resulting from the disallowance of tax deductions due to inadequate documentation.

Personal expenses. You are responsible for ensuring any personal expenses are segregated from business expenses. For example, meals, travel, vehicle use, gifts, and related expenses are required by the IRS and other tax authorities to be supported by records. At your written request, we are available to provide you with written answers to your questions on the types of supporting records required.

Virtual currency. The IRS considers virtual currency (e.g., Bitcoin) as property for U.S. federal income tax purposes. As such, any transactions in, or transactions that use, virtual currency are subject to the same general tax principles that apply to other property transactions. If you had virtual currency activity during the tax year, you may be subject to tax consequences associated with such transactions and may have additional reporting obligations. You agree to provide us with complete and accurate information regarding any transactions in, or transactions that have used, virtual currency during the applicable tax year.

State and Local Filing Obligations. You are responsible for determining your tax filing obligations with any state or local tax authorities, including, but not limited to, income, franchise, sales, use, property, or unclaimed property taxes. You agree that we have no responsibility to research these obligations or to inform you of them. If we believe you have additional filing obligations upon review of the information you have provided to us or information comes to our attention, we will notify you of this responsibility in writing and ask you to contact us. If you ask us to prepare these returns, we will confirm this representation in a separate engagement letter. You acknowledge that any additional filing obligations are not within the scope of this engagement.

U.S. Filing Obligations Related to Foreign Financial Assets. As part of your filing obligations, you are required to report the maximum value of specified foreign financial assets, which include financial accounts with foreign institutions and certain other foreign non-account investment assets that exceed certain thresholds. You are also required to make certain information disclosures related to your foreign investments. You are responsible for informing us of all foreign assets owned directly or indirectly regardless of amount, so we may properly advise you regarding your filing obligations.

These assets include any ownership interests you directly or indirectly hold in businesses located in a foreign country and any assets or financial accounts located in a foreign country over which you have signatory authority. Based upon the information you provide, this information will be used to calculate any applicable foreign tax credits. We will also use this data to inform you of any additional filing requirements, which may include *FinCEN Form 114, Report of Foreign Bank and Financial Accounts* ("FBAR"). Failure to file required forms can result in significant civil and criminal penalties. The FBAR is not a tax return and we will not prepare one except on client request and after receipt of a signed *FBAR Addendum*. An additional fee will be required.

Failure to timely file required forms may result in substantial civil and/or criminal penalties. By your signature below, you agree to provide us with complete and accurate information regarding any foreign investments that, during the 2020 tax year, you had a direct or indirect interest in or over which you have signature authority. We assume no liability for penalties associated with the failure to file or untimely filing of any of these forms that we were not made aware of.

Foreign Filing Obligations. You are responsible for complying with the 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.

Termination of Services and Refunds. If we begin or complete your return and you then terminate the engagement, you will be invoiced and charged for work completed. This applies to tax returns that have been worked on but not yet provided to the client. We will not provide tax preparation refunds in situations where returns have been prepared regardless of whether the return has or has

not been filed. Termination prior to filing will result in original tax documents being returned to the client and a copy being retained by us. We will not provide a copy of the tax return whether in a complete or incomplete status if the engagement is terminated.

Tax Liability. The client is responsible for the payment of all taxes, penalties, and interest due.

Filing Deadlines. The filing due dates for your tax returns are March 15, 2021 for federal and March 15, 2021 for most states. Due to the high volume of tax returns prepared by our firm, the information needed to complete the tax returns must be received no later than February 22, 2021 so the returns may be completed by the original filing due dates. You understand and agree that should the required documentation not be received by the deadline, we may find it necessary to file an extension on your behalf. There is no additional cost for the extension.

Extensions. We work to complete returns as quickly as possible. If you are required to file an extension and we have all required documentation, we will complete your return as soon as possible. If an extension is required, you are required to pay estimated tax liability even though the return is not complete. If all documents are received prior to February 22, 2021, we may assist with the estimated tax payment. After February 22, 2021, we assume no responsibility to calculate the estimated payment. We may also ask you to sign an *Extension Addendum* if we have no documents and you want us to file your extension.

If an extension of time to file is required, any tax that may be due must be paid to the Internal Revenue Service with the extension. Any amounts not paid by the filing deadline are subject to interest and late payment penalties in addition to the taxes. You are responsible for making all required payments and notifying us of amounts paid in.

Tax Liability. The client is responsible for the payment of all taxes and penalties due.

Penalties and Interest Charges. Federal, state, and local tax authorities impose various penalties and interest charges for non-compliance with tax laws and regulations, including failure to file, late filing of returns, and underpayment of taxes. You, as the taxpayer, remain responsible for the payment of all tax, penalties, and interest charges imposed by tax authorities.

We rely on the accuracy and completeness of the information you provide to us in connection with the preparation of your tax returns. Failure to disclose or inadequate disclosure of income or tax positions may result in the imposition of penalties and interest charges.

Receipt of Notices from Tax Authorities. Please immediately provide any tax notices or letters received to our offices. In preparing your returns, we are not responsible for a taxing authority's assessment of underpayment penalties or interest where this action results from erroneous, incomplete, inaccurate, or misrepresented information provided by you to us. We have no ability to audit your information or search for correct data.

Fees & Legal Matters

Fees. Our fee for services will be based upon the extent of the tax forms required for us to properly file your tax return. If additional services are provided which were not originally contemplated under this engagement but were imperative to the completion of the tax return(s) under this engagement, you are authorizing us to perform said services and bill appropriately for the time and/or schedules provided. All invoices are due and payable upon completion of the tax returns under this engagement. If you are paper filing or require us to ship your return to you, we will not release or ship your return to you until payment for our services has been received. All shipping costs will be the responsibility of the client. If we provide other services to you, we reserve the right not to begin processing your return until payment for all services rendered has been received.

Timing of the Engagement. We expect to begin our services upon receipt of your December 31, 2020 trial balance and other supporting data agreed to above. If your return is electronically filed, our services will conclude upon the earlier of the filing and acceptance of your 2020 tax returns by the appropriate tax authorities; written notification by either party that the engagement is terminated; or one year from the execution date of this Agreement. If your return is filed by mail, our services will conclude upon the earlier of delivery to you of your 2020 tax returns for your review and filing with the appropriate tax authorities; written notification by either party that the engagement is terminated, or one year from the execution date of this Agreement.

Paragraph Titles The paragraph titles used in this agreement are for convenience of reference only and will not be considered in the interpretation or construction of any of the provisions thereof.

Jurisdiction. Notwithstanding anything contained herein, both firm and client agree that regardless of where the client is domiciled and regardless of where this Agreement is physically signed, this Agreement shall have been deemed to have been entered into at the offices of John Lebbs CPA, PLLC located in Pima County, Arizona, USA, and Pima County, Arizona, USA, shall be the exclusive jurisdiction for resolving disputes related to this engagement. This engagement shall be interpreted and governed in accordance with the Laws of Arizona.

Dispute Resolution. If a dispute arises out of or relates to this contract or engagement letter, or the breach thereof, and if the dispute cannot be settled through negotiation, the parties agree first to try in good faith to settle the dispute by mediation administered by the American Arbitration Association under *Accounting and Related Services Arbitration Rules and Mediation Procedures* before resorting to arbitration, litigation, or some other dispute resolution procedure. The costs of any mediation proceeding shall be shared equally by all parties.

Ultimate Responsibility. You have final responsibility for your income tax returns. We will provide you with a copy of your income tax returns and accompanying schedules and statements for review prior to filing with the IRS and state and local tax authorities. You agree to review and examine them carefully for accuracy and completeness.

You will be required to verify and sign a completed Form 8879-PE, *IRS e-file Signature Authorization for Form 1065*, and any similar state and local equivalent authorization forms before your returns can be filed electronically. This is your authorization for us to file your return on your behalf. Under no circumstances will we submit any return without completed authorizations.

In the event you do not wish to have your income tax returns filed electronically, please contact our firm. Additional procedures will apply. You will be responsible for reviewing the paper returns for accuracy, signing them, and filing them timely with the tax authorities.

We appreciate the opportunity to be of service. Please date and execute the enclosed copy of this Agreement and return it to us to acknowledge your acceptance. We will not initiate services until we receive the executed Agreement.

Very truly yours,



John Lebbs, CPA

The undersigned hereby authorizes John Lebbs CPA, PLLC and all its representatives, agents, and employees to furnish my/our full and complete personal financial information and documents as necessary to those personnel connected with preparing and reviewing my/our federal and/or state tax return(s), amendments or other tax services which are required/requested.

Agreed to and accepted by:

Signature

Print Name

Date

Signature

Print Name

Date

IRS CIRCULAR 230 DISCLOSURE

In order for us to comply with certain U.S. Treasury regulations, unless expressly stated otherwise, any U.S. federal tax advice that may be contained in this written or electronic communication, including any attachments, is not intended or written to be used, and cannot be used, by any person for the purpose of (i) avoiding any tax penalties that may be imposed by the Internal Revenue Service or any other U.S. federal taxing authority or agency or (ii) promoting, marketing, or recommending to another party any transaction or matter addressed herein.