



## Partnership Engagement Letter

### **Subject: Your Partnership Tax Return**

Thank you for selecting Franklin & Company, LLC to assist you with tax compliance for 2014. The purpose of this letter is to confirm the terms of our engagement and the services we will provide. You received this letter because we understand you are the person responsible for the tax matters of the partnership. If that is not correct, please tell us who the tax matters person is.

The responsibilities of tax preparers are changing rapidly as the IRS issues new regulations and increases enforcement of existing laws and regulations. Our responsibility is to assist our clients in preparing a complete and accurate tax return. Significant fines and sanctions are imposed by the Internal Revenue Service on preparers that do not perform diligently in executing their responsibilities.

### **We expect to perform the following services. Please check the appropriate boxes:**

- Prepare the Federal Form 1065 and the Florida Tangible Tax Return
- F1065 Florida Partnership Return (if required)
- Perform a limited amount of bookkeeping and analysis necessary for preparation of the income tax returns.

We are responsible for preparing only the returns you have checked above.

You are engaging us to prepare the above referenced tax returns from information you provide to us. We may ask for clarification of some information, but we will not audit or otherwise verify the data you submit, although we may ask you to clarify it or furnish us with additional data.

We have enclosed our "Tax Organizer" to help you gather information necessary for a complete return. Please use these forms to avoid overlooking important information. No work will commence until this engagement letter and the tax organizer are fully completed and returned.

Our work in connection with the preparation of your tax 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 income tax returns.

We will use our judgment in resolving questions where the tax law is unclear, or where there may be conflicts between the taxing authorities' interpretations of the law and other supportable positions. Unless you instruct us otherwise, we will apply the "realistic possibility of success" standard to resolve such issues in your favor where possible.



The law provides for a penalty to be imposed where a taxpayer makes a substantial understatement of his or her tax liability. For entities and individual taxpayers, a substantial understatement exists when the understatement for the year exceeds the greater of 10 percent of the tax required to be shown on the return or \$5,000. The penalty is 20 percent of the underpayment. 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) that the relevant facts affecting the item's tax treatment were adequately disclosed on the return. Because a Partnership is an entity whose tax attributes flow through to its partners, the penalty for the substantial understatement of tax relating to your corporate items may be imposed on the shareholder. You agree to advise us if you wish disclosure to be made in your returns or if you wish for 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.

We will use our professional judgment in preparing your returns. 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 explain 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 the Internal Revenue Service should later contest the position taken, there may be an assessment of additional tax plus interest and penalties. We assume no liability for any such additional penalties or assessments. 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 to you for any damages that occur as a result of ceasing to render services.

Management is responsible for proper recording of transactions in the accounts, safeguarding of assets, and substantial accuracy of the financial records. Because you have final responsibility for the tax return, you should review it carefully before you sign or forward any tax reporting information to the partners.

Our fees for these services will be computed at our standard rates and will be billed as the work progresses. If we have not received payment within 10 days of our invoice, all work will be suspended until your account is brought current. All fees for our services are personally guaranteed by the partners of the entity. Payment arrangements must be made prior to us starting your work if you will be unable to pay in full at time of completion. Our fees are not contingent on the outcome of the tax return. To the extent permitted by state law, an interest charge will be added to all accounts not paid upon completion of our work.

We provide you with a copy of your tax returns each year. Due to the time involved and costs associated with copying, emailing or faxing any additional copies of your tax return that you request, there will be a nominal fee. If you are requesting additional copies for someone other than yourself, an authorization form must be signed prior to us sending any copies to a third party (ex: banks, mortgage companies, etc.). The fee for any additional copies is \$20.00 per return per request. We retain copies of certain, but not all, records you supplied to us along with our work papers for your engagement for a period of three years. Any original records will be returned to you at the end of this engagement period and you should store them in a secure location. After three years, our work papers and engagement files will be destroyed as they are not a substitute for the original records.



By your signature below, you acknowledge and agree to this retention period that upon expiration of the three years, Franklin & Company, LLC shall be free to destroy our records related to this engagement period.

The fee does not include responding to Internal Revenue Service inquiries. A separate engagement letter will be executed if you wish us to respond to any IRS inquiries. The client understands that the tax preparer is not responsible for the Internal Revenue Service disallowance of doubtful deductions or deductions unsupported by adequate documentation or for resulting taxes, penalties, and interest.

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 Rules for 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 Rules for Professional Accounting and Related Services Disputes of the American Arbitration Association. 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.

We will be pleased to discuss this letter with you at your convenience. If the foregoing is acceptable to you, please sign the original copy of this letter in the space provided and return it to us with your completed Tax Organizer.

Thank you for your confidence in us.

Sincerely,  
FRANKLIN & COMPANY, LLC

John J. Franklin, Jr.

Accepted by \_\_\_\_\_

Title \_\_\_\_\_

Date \_\_\_\_\_

*Franklin & Company tax preparation fees are due upon completion of work and prior to delivery of work product.*



## 2014 Entity Tax Organizer

This Tax Organizer is designed to help you collect and report the information needed to prepare your 2014 corporate income tax return.

**Please make sure you provide the following information:**

- A copy of your 2013 tax return with detailed depreciation schedules (if we did not prepare it).
- Employer Copy D Form(s) W-3 and W-2.
- Employer Copy D Form(s) 1096 and 1099.

If you would like Franklin & Company, LLC to prepare Form(s) 1099 for 2014, we will need the following information for each subcontractor:

Name  
Address  
Social Security Number  
Total amounts of payments  
Type of payment (i.e. Rent, Nonemployee Compensation etc.)

**THE INFORMATION NEEDED TO PREPARE 1099 FORMS MUST BE RECEIVED INTO OUR OFFICE NO LATER THAN JANUARY 17, 2015.**

- Copies of all quarterly payroll tax returns (if we did not prepare them).
- A backup of your QuickBooks file including password (if applicable).
- All bank statements for 2014 for all corporate bank accounts.
- List of all loan balances for corporate debt as of December 31, 2014, and related interest for the entire year of 2014 (see loan detail sheet attached).
- Copies of all credit card and line of credit statements with charges summarized by expense category.
- If you have invested any personal money to the business in 2014, please provide details.
- List of any Fixed Asset additions in 2014. Please provide bill or contract.
- List of any Fixed Asset deletions in 2014. Please provide date of disposition and reason and amount sold for (if applicable).
- 2015 Tangible Property Tax bill and letter from the County Property Appraisers Office showing your access code (if we are preparing for you).
- All other information or notices you received, or any items you have questions about.

**IF YOU PROVIDE YOUR EMPLOYEES WITH HEALTH INSURANCE PLEASE COMPLETE PART I AND PART IV ATTACHED.**

Once all information is compiled please contact our office to schedule a time for Mr. Franklin to visit your location to review your QuickBooks file or other financial records, make necessary adjustments and to pick up the above listed information. All appointments need to occur prior to February 15, 2015 in order to meet related deadlines.



### 2014 Entity Tax Organizer (continued)

Legal name \_\_\_\_\_

d/b/a \_\_\_\_\_

Mailing address \_\_\_\_\_

State of incorporation \_\_\_\_\_

Contact name \_\_\_\_\_

Telephone number \_\_\_\_\_

Fax number \_\_\_\_\_

Cell number \_\_\_\_\_

Email address \_\_\_\_\_

Preferred method of contact     Home phone     Work phone     Cell phone     Email

Best time to contact \_\_\_\_\_

**SHAREHOLDERS** (if applicable): Provide explanation on back side of any changes, circumstances, date, and specifics of changes.

#### Shareholder information

Name \_\_\_\_\_ Name \_\_\_\_\_

Address \_\_\_\_\_ Address \_\_\_\_\_

Social Security Number \_\_\_\_\_ Social Security Number \_\_\_\_\_

Percentage owned \_\_\_\_\_ Percentage owned \_\_\_\_\_

Beg. of year \_\_\_\_\_ Beg. of year \_\_\_\_\_

End of year \_\_\_\_\_ End of year \_\_\_\_\_

.....

Name \_\_\_\_\_ Name \_\_\_\_\_

Address \_\_\_\_\_ Address \_\_\_\_\_

Social Security Number \_\_\_\_\_ Social Security Number \_\_\_\_\_

Percentage owned \_\_\_\_\_ Percentage owned \_\_\_\_\_

Beg. of year \_\_\_\_\_ Beg. of year \_\_\_\_\_

End of year \_\_\_\_\_ End of year \_\_\_\_\_



## 2014 Entity Tax Organizer (continued)

### 2014 QUESTIONS

- |  | YES                      | NO                       |
|--|--------------------------|--------------------------|
| 1. Only expenditures that are business related are deductible as business expenses.<br>Did you disclose to me in writing any personal expenses included in the business records you provided to me?<br>If <b>YES</b> , attach statement. | <input type="checkbox"/> | <input type="checkbox"/> |
| 2. Did you report the value of any barter arrangements in 2014?<br>If <b>YES</b> , attach statement.   | <input type="checkbox"/> | <input type="checkbox"/> |
| 3. Do you have receipts for all expenditures?  | <input type="checkbox"/> | <input type="checkbox"/> |
| 4. Have you reported all revenue in the business records you provided to me?   | <input type="checkbox"/> | <input type="checkbox"/> |
| 5. Was any debt in the name of the corporation forgiven by the creditor or restructured?<br>If yes, provide details.   | <input type="checkbox"/> | <input type="checkbox"/> |
| 6. Did the company make any payments in 2014 that would require filing of Form 1099?<br>If "Yes" did the company file or will it file required Forms 1099?   | <input type="checkbox"/> | <input type="checkbox"/> |
| 7. Does your business use cell phones?<br>If yes, of your total bill for your business, what is the percentage used for business purposes? _____   | <input type="checkbox"/> | <input type="checkbox"/> |

### FIXED ASSETS

Please provide a list of all fixed assets purchased in 2014.

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## 2014 Entity Tax Organizer *(continued)*

### VEHICLES

Please provide a list of all vehicles **TITLED IN THE BUSINESS** that were owned in 2014 and details if any were purchased, sold, traded or transferred. Attach related purchase/sale/loan/lease documents with a clear explanation of what occurred. Only vehicles titled in the business are deductible in the business. Otherwise, business mileage reimbursements apply.

| Vehicle Make/Model | VIN | Disposal Details if Applicable |
|--------------------|-----|--------------------------------|
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## 2014 Entity Tax Organizer *(continued)*

### LOANS AND CREDIT CARDS

Credit cards should not be used for both personal and business purposes. All too often credit cards are paid by the business when the card has been used also for personal expenditures. In this case all credit card payments have to be separated between business and personal. Business related charges must be detailed by type of expense in your corporate books and records.

#### **Business Related Loans and Credit Cards for Year 2014 Tax Reporting**

The character of a loan determines its tax treatment. Loans in the name of the Corporation are treated in a different manner than loans in the name of a shareholder. The same pertains to credit cards. List Corporate cards. Also, list credit cards that are in your personal name, but are used for business purposes. In the books and records you provide to us, make sure that all credit card payments during 2014 are allocated between business and personal.

| Bank or Credit Card Institution | Last 4 digits of Acct# | Debtor (Corporate or Personal) | Type of Debt (i.e. Mortgage, Credit Line, Credit Card) | Beginning of Year Balance | End of Year Balance | Year 2014 Interest |
|---------------------------------|------------------------|--------------------------------|--|---------------------------|---------------------|--------------------|
|                                 |                        |                                |  |                           |                     |                    |
|                                 |                        |                                |  |                           |                     |                    |
|                                 |                        |                                |  |                           |                     |                    |
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**Part I Worksheet 1. Information needed to complete Line 1a and Worksheets 2 and 3**

If you need more rows, use a separate sheet and include the additional amounts in the totals below.

| Individuals Considered Employees | Employee Hours of Service | Employee Wages Paid |
|----------------------------------|---------------------------|---------------------|
| 1.                               |                           |                     |
| 2.                               |                           |                     |
| 3.                               |                           |                     |
| 4.                               |                           |                     |
| 5.                               |                           |                     |
| 6.                               |                           |                     |
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| 21.                              |                           |                     |
| 22.                              |                           |                     |
| 23.                              |                           |                     |
| 24.                              |                           |                     |
| 25.                              |                           |                     |
| Totals:                          |                           |                     |



**Part IV Worksheet 4. Information needed to complete Lines 4 and 5 and Worksheet 7**

If you need more rows, use a separate sheet and include the additional amounts in the totals below.

| <b>Enrolled Individuals Considered Employees</b> | <b>Employer Premiums Paid</b> | <b>Employer State Average Premiums</b> | <b>Enrolled Employee Hours of Service</b> |
|--|-------------------------------|--|---|
| 1.   |                               |  |   |
| 2.   |                               |  |   |
| 3.   |                               |  |   |
| 4.   |                               |  |   |
| 5.   |                               |  |   |
| 6.   |                               |  |   |
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| 15.  |                               |  |   |
| 16.  |                               |  |   |
| 17.  |                               |  |   |
| 18.  |                               |  |   |
| 19.  |                               |  |   |
| 20.  |                               |  |   |
| 21.  |                               |  |   |
| 22.  |                               |  |   |
| 23.  |                               |  |   |
| 24.  |                               |  |   |
| 25.  |                               |  |   |
| Totals:  |                               |  |   |