

1120S - S CORPORATION TAX RETURN ENGAGEMENT LETTER

Subject: Preparation of Your S Corporation Tax Returns

Thank you for selecting Lam Tax Service, LLC. to assist _____ with tax compliance for 2023. 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 corporation. If that is not correct, please tell us who that person is so that we can coordinate return preparation work with the correct party.

We expect to perform the following services:

- ◆ Prepare the federal, state, and local income tax returns with supporting schedules.
- ◆ Perform a limited amount of bookkeeping and analysis necessary for preparation of the income tax returns.

Our work in connection with preparation of your income tax returns does not include procedures to verify your representations, discover defalcations, or other irregularities.

We must 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. We will apply the "more likely than not" reliance standard to resolve such issues in order to avoid penalties that might be assessed against us as return preparers. You agree to honor our decisions regarding disclosure of return positions to avoid or mitigate penalties.

Penalties of as much as \$200,000 can be imposed on the corporation for failing to disclose participation in "reportable transactions," that is, certain arrangement the IRS has identified as potentially abusive. We will insist that all such transactions be properly disclosed.

The law also includes penalties that may be imposed when taxpayers simply understate their tax liability. If you would like information about those penalties, please call this office. Because an S corporation is an entity whose tax items are generally reported by its shareholders, any penalty for substantial understatement of tax relating to S corporation items will be imposed at the shareholder level.

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 returns, you should review them carefully before you sign and file them and send tax reporting information to the shareholders.

Our fee for the services described will be based on the time required at standard billing rates plus out-of-pocket expenses. All invoices are due and payable upon presentation. To the extent permitted by state law, an interest charge will be added to all accounts not paid within thirty (30) days.

We retain copies of records you supply to us along with our work papers for your engagement for a period of seven years. After seven years, our work papers and engagement files are destroyed. All of your original records will be returned to you at the end of this engagement. Because our working papers and files are not a substitute for the original records, you should store them in a secure place.

To affirm that this letter agrees with your understanding of the terms of our engagement, please sign the enclosed copy in the space indicated and return it in the envelope provided.

We appreciate your confidence in us.

