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January 2022

2021 Business Tax Engagement Letter

This letter is to confirm and specify the terms of our engagement for the year ended December 31, 2021, to clarify the nature and extent of the services we will provide, and to confirm an understanding of our mutual responsibilities.

Engagement Objective and Scope

Our engagement is limited to performing the following services:

- a) Prepare the federal tax return with supporting schedules.
- b) Prepare any state income tax returns requested.
- c) Prepare the annual Maryland Personal Property Tax Return, if requested.
- d) Prepare any bookkeeping entries that we find necessary in connection with preparation of the income tax returns.
- e) Prepare and post any adjusting entries.

We will not prepare any tax returns other than those identified above, without your written request, and our written consent to do so. We will rely upon the completeness and accuracy of the information and representations you provide to us to prepare your tax returns. 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 applicable state and local tax authorities. Our work is not intended to benefit or influence any third party, either to obtain credit or for any other purpose.

You agree to indemnify and hold us 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, state and local tax authorities regardless of the nature of the claim, including the negligence of any party.

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. In addition, we are not responsible for identifying or communicating deficiencies in your internal controls. You are responsible for developing and implementing internal controls applicable to your operations.

This engagement is limited to the professional services outlined above.

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. It is your responsibility to safeguard your assets and maintain accurate records pertaining to transactions. We will not hold your property in trust for you, or otherwise accept fiduciary duties in the performance of the engagement.

We, in our sole professional judgment, reserve the right to refuse to take any action that could be construed as making management decisions or performing management functions on your behalf.

Arguable Positions

We will use our professional judgment to resolve questions in your favor where a tax law is unclear, provided that we have a reasonable belief that there is substantial authority 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 tax reference materials. Tax reference materials include, but are not limited to, the Internal Revenue Code (“IRC”), tax regulations, Revenue Rulings, Revenue Procedures, Private Letter Rulings, court cases, and similar state and local guidance. If the IRS, state or local tax authorities later contest the position you select, additional tax, penalties, and interest may be assessed. We assume no liability, and you hereby release us from any liability, including but not limited to, additional tax, penalties, interest, and related professional fees you may incur.

Bookkeeping Assistance

We may deem it necessary to provide you with accounting and bookkeeping assistance solely for the purpose of preparing the tax returns. These services will be performed solely in accordance with the AICPA Code of Professional Conduct.

Estimated Tax Payments

You may be required to make quarterly estimated tax payments. We will calculate these payments for the 2022 tax year based upon the information you provide to prepare your 2021 tax returns (the “safe harbor” rule). Updating recommended payments to more closely reflect your actual current year’s income is not within the scope of this engagement. If you would like us to provide this service, please let us know.

Tax Planning Services

Tax planning services are not within the scope of this engagement. 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 would like for us provide tax planning services, please let us know.

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, and we agree to represent you, we will confirm this engagement in a separate agreement.

Client Responsibilities

You will provide us with a trial balance and other supporting data necessary to prepare your tax returns. You must provide us with accurate and complete information. Income from all sources, including those outside of the U.S., is required.

Changes in Ownership

You are responsible for advising us of any changes in ownership so that it may be properly reflected on the tax returns.

Partnership or Limited Liability Company (LLC) Agreement, if Applicable

You should review your partnership (or LLC) agreement with your attorney to ensure that it addresses the significant changes to the partnership audit regime that generally apply to partnership returns filed after 2018. These changes include, but are not limited to the following:

- 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.

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 fail to 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. If you have updated your agreement, please provide a copy to our office.

Tax Basis Schedules (Form 1065 Filings)

The tax return may be required to disclose the partner’s capital account analysis as prepared on the tax basis method using the transactional approach. This analysis is necessary in order to determine the partner’s ability to deduct losses, calculate the gain on the sale of a partnership interest, and for other calculations. As a result, properly calculating the partner’s capital account is necessary for preparation of partner tax returns. Unless told otherwise, we will rely upon the historical balances disclosed on last year’s tax return. If these balances cannot be relied upon and you need us to prepare this analysis, please let us know.

Tax Basis Schedules (Form 1120S Filings)

The S corporation return discloses the historical and adjusted balances in the Accumulated Adjustment Account (AAA), Other Adjustments Account (OAA) and Accumulated Earnings and Profits (E&P). AAA, OAA and E&P, in addition to tax basis schedules for shareholders, are necessary in order to determine the shareholder’s ability to deduct losses, calculate the gain on the sale of an S corporation interest, and for other calculations. As a result, properly calculating these accounts is necessary for preparation of shareholder tax returns. Unless told otherwise, we will rely upon the historical balances disclosed on last year’s tax return. If these balances cannot be relied upon and you need us to prepare this analysis, please let us know.

Schedule K-1 Distribution

You are responsible for distributing a copy of the entity’s Schedule K-1s to each partner/member/owner, if applicable.

Client Responsibilities(Cont.)

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, deductions, and other information on your returns, as required under applicable tax laws and regulations. You represent that you have such documentation and can produce it, if necessary, to respond to any audit or inquiry by tax authorities. You agree to hold our firm harmless from any liability including but not limited to, additional tax, penalties, interest and professional fees resulting from the disallowance of tax deductions due to inadequate documentation.

We have a policy of retaining tax return files for seven years. However, we do not keep any of your original records, so we will return those to you upon the completion of the engagement. When records are returned to you, it is your responsibility to retain and protect the records for possible future use, including potential examination by governmental or regulatory agencies.

Personal Expenses

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

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. If upon review of the information you have provided to us, including information that comes to our attention, we believe that you may have additional filing obligations, we will notify you. You acknowledge that the scope of our services under this Agreement does not include any services related to your compliance with tax obligations other than those identified in the *Engagement Objective and Scope* section of this Agreement.

U.S. Filing Obligations Related to Foreign Investments

Based on the information you provide, you may have additional filing obligations including but not limited to:

- Ownership of or an officer relationship with respect to certain foreign corporations (Form 5471);
- Foreign-owned U.S. corporation or domestic disregarded entity (Form 5472);
- Foreign corporation engaged in a U.S. trade or business (Form 5472);
- U.S. transferor of property to a foreign corporation (Form 926);
- U.S. person with an interest in a foreign trust (Forms 3520 and 3520-A);
- U.S. person with interests in a foreign partnership (Form 8865);
- U.S. person with interests in a foreign disregarded entity (Form 8858); or
- Statement of specified foreign assets (Form 8938).

You are responsible for informing us of all foreign assets owned directly or indirectly, including but not limited to financial accounts with foreign institutions, other foreign non-account investments, and ownership of any foreign entities, regardless of amount. If upon review of the information you have provided to us, including information that comes to our attention, we believe that you may have additional filing obligations, we will notify you.

Client Responsibilities(Cont.)

U.S. Filing Obligations Related to Foreign Investments (Cont.)

Failure to timely file the required forms may result in substantial civil and/or criminal penalties. By your signature agreeing to these terms and conditions, you agree to provide us with complete and accurate information regarding any foreign investments in which you have a direct or indirect interest, or over which you have signature authority, during the above referenced tax year.

The foreign reporting requirements are very complex. If you have any questions regarding the application of the reporting requirements for your foreign interests or activities, please ask us and we will respond in writing. Only advice that is in writing may be relied upon. We assume no liability for penalties associated with the failure to file or untimely filing of any of these forms.

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.

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.

Ultimate Responsibility

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

You will be required to verify and sign a completed Form 8879 applicable to your tax return, and any similar state and local equivalent authorization form before your returns can be filed electronically.

In the event that you do not wish to have your 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.

Timing of the Engagement

Our services will conclude upon the earlier of:

- the filing and acceptance of your 2021 tax returns by the appropriate tax authorities and mailing or delivery of non-electronically filed tax returns (if any) to you for your review and your filing with the appropriate tax authorities,
- written notification by either party that the engagement is terminated, or
- one (1) year from the execution date of this Agreement.

Extensions of Time to File Tax Returns

Due to the high volume of tax returns prepared by our firm and ever increasing tax complexities, you must provide the information needed to prepare the tax returns no later than March 1, 2021. Failure to do so may result in the inability to complete your returns by the original filing due dates.

It may become necessary to apply for an extension of the filing deadline if there are unresolved issues or delays in processing, or if we do not receive all of the necessary information from you on a timely basis. Applying for an extension of time to file may extend the time available for a government agency to undertake an audit of your return or may extend the statute of limitations to file a legal action. All taxes owed are due by the original filing due date. Additionally, extensions may affect your liability for penalties and interest or compliance with governmental or other deadlines.

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 or 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.

Professional Fees

Our fees for these services will be based upon the amount of time required at standard billing rates plus out-of-pocket expenses. All invoices are due and payable upon receipt. You agree that you will deliver all records requested and respond to all inquiries made by our staff to complete this engagement on a timely basis. You agree to pay all fees and expenses incurred whether or not we prepare the tax returns.

You may terminate your engagement of our services at any time. Should you do so, however, you remain liable for all unpaid fees as discussed above. We reserve the right to withdraw from this engagement at any time because of unpaid fees, the guidance of our Professional Standards, or for any other reason. We will notify you in advance of any decision by us to withdraw and will take all reasonable steps to assist in the orderly transfer of your tax services.

Agreement

If the above fairly sets forth your understanding, please sign, date, and return to us the attached "Business Tax Preparation Acknowledgement Form". Please note you are affirming to us your understanding of, and agreement to, the terms and conditions of this engagement letter by any one of the following actions: returning the signed "Tax Preparation Acknowledgement Form"; sending your income tax information to us for use in the preparation of your returns; the submission of tax returns we have prepared for you to the taxing authorities; or the payment of our tax preparation fees.

We want to express our appreciation for this opportunity to work with you.

Very truly yours,



Mullen, Sondberg, Wimbish & Stone, PA
www.mswspa.com

PRIVACY POLICY

CPAs, like all providers of personal financial services, are now required by law to inform their clients of their policies regarding privacy of client information. CPAs have been and continue to be bound by professional standards of confidentiality that are even more stringent than those required by law. Therefore, we have always protected your right to privacy.

TYPES OF NONPUBLIC PERSONAL INFORMATION WE COLLECT

We collect nonpublic personal information about you that is either provided to us by you or obtained by us with your authorization.

PARTIES TO WHOM WE DISCLOSE INFORMATION

For current and former clients, we do not disclose any nonpublic personal information obtained in the course of our practice except as required or permitted by law. Permitted disclosures include, for instance, providing information to our employees and, in limited situations, to unrelated third parties who need to know that information to assist us in providing services to you. In all such situations, we stress the confidential nature of information being shared.

PROTECTING THE CONFIDENTIALITY AND SECURITY OF CURRENT AND FORMER CLIENTS' INFORMATION

We retain records relating to professional services that we provide so that we are better able to assist you with your professional needs and, in some cases, to comply with professional guidelines. In order to guard your nonpublic personal information, we maintain physical, electronic, and procedural safeguards that comply with our professional standards.

Please call if you have any questions, because your privacy, our professional ethics, and the ability to provide you with quality financial services are very important to us.