

**KEYSTONE FINANCIAL SOLUTIONS**  
**47 Marchwood Road, Suite 2-G, Exton, PA 19341**  
**(610) 594-2601**

**Letter of Understanding for Preparing Business Tax Returns**

Keystone Financial Solutions (“KFS”) is pleased to provide you with professional tax preparation services for your business. This letter confirms the entire agreement regarding the income tax preparation services KFS is to provide you, our client (“Client”).

We will prepare your company’s 2024 federal, \_\_\_\_\_, \_\_\_\_\_, \_\_\_\_\_ (insert other states if applicable), and PA business income tax return(s) and supporting schedules for the year ended December 31, 2024 (or fiscal year ended \_\_\_\_\_) and perform a limited amount of bookkeeping and analysis necessary for the preparation of these income tax returns. If you are a corporation, the federal return will be a Form 1120 or Form 1120S. If you are a partnership for federal tax purposes, we will prepare Form 1065.

**Please notify us in writing if you need us to prepare schedules K-2 and K-3 for your business tax return to report any items of international tax relevance. Otherwise, it won’t be prepared. There will be a separate fee charged if needed.**

Partnership and S Corporation tax returns are due March 17, 2025, and C Corporation returns are due April 15, 2025, unless an extension to file is requested. If your business is subject to any local income or gross receipts taxes, you must provide us with that jurisdiction’s original tax form if you want us to prepare that return. If your company operates or conducts business in a state other than PA, you must notify us in writing. If you are unsure if your company is operating in a state other than PA, you may engage us to consult with you on this matter.

**SCOPE OF ENGAGEMENT**

The scope of this engagement is to prepare only the returns or work noted above. The services described herein will conclude with the delivery of these tax returns or as otherwise agreed in writing by both parties.

KFS will use its best efforts to prepare these returns as soon as possible, and the Client agrees that it will devote its full resources to providing KFS with all the information it needs to prepare these returns.

If this letter or the Client’s tax documents are not received by February 17, 2025, KFS, at its sole discretion, will determine if it has sufficient time and information to file your returns by the due date or to request an extension. Client acknowledges that an additional fee of \$50 will be charged for filing an extension request in every tax jurisdiction for which a return must be filed and that KFS does not guarantee any tax jurisdiction’s acceptance of any extension request that may be filed on your behalf. You further acknowledge that any extension request does not grant you an extension of time to remit payment for any tax liability you may owe.

**DOES NOT COVER REVIEW BY TAX AUTHORITIES**

KFS will use its professional judgment in preparing these returns. It is understood that all tax returns are subject to review by taxing authorities. The agreed fee for this engagement does not provide the assistance you might need concerning inquiries, audit examinations, assessments by authorities, or amended tax returns. A separate engagement letter and fee arrangement will be required if you wish us to assist you in responding to any tax authority.

### **NO INDEPENDENT VERIFICATION**

The above returns will be prepared based on information and documents supplied by you and by others designated by you. It is understood that no independent verification will be made of such records by KFS. The Client understands that KFS is not responsible for the Internal Revenue Service (IRS) disallowance of deductions not supported by adequate documentation or for resulting taxes, penalties, and interest. Our work in preparing your income tax returns does not include any procedures designed to discover fraud, defalcations, or other irregularities, should any exist. Because you have final responsibility for these returns, you must review them carefully before you sign and file them and send tax reporting information to shareholders/partners.

### **IMPOSITION OF PENALTIES**

The IRS imposes penalties on taxpayers and us as return preparers for failure to observe due care when filing income tax returns. If you would like information about those penalties, please call this office. Because an S corporation or partnership is an entity whose tax items are generally reported by its shareholders or partners, any penalty for substantial understatement of tax relating to S corporation and partnership items may be imposed at the shareholder or partner level.

We will use our professional judgment in preparing your returns. Whenever we know that a possible 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. We will follow whatever position you request on your return so long as it is consistent with the code, regulations, and interpretations that have been promulgated. If the IRS should later contest the position taken, there may be an assessment of additional tax plus interest and penalties.

We assume no liability for (1) any interest or penalty assessments resulting from late filing or late payment of taxes (IRS charges \$220 per shareholder or partner for any month or portion thereof that a return is not filed by the due date); (2) for any additional interest, penalties or tax assessments resulting from tax positions taken on your returns requested by you; or (3) for your failure to exercise due care in substantiating your income and deductions.

### **INFORMATION TO BE PROVIDED BY YOU**

You agree to provide us with all the information requested as summarized on KFS's Tax Organizer for Preparing Business Income Tax Returns found on our website at [www.keysolutions.us](http://www.keysolutions.us) (using the "Forms" menu option) and timely responses to any additional requests for information. If you are a monthly client of KFS, we acknowledge receipt of this information, providing that you have sent us all twelve (12) months of information.

### **FEES FOR THIS ENGAGEMENT**

If KFS prepared your returns last year, the fee for this engagement should not increase significantly from what you paid last year, providing that the returns are comparable, the information you submit to us is complete and accurate, and there have been no significant tax law changes. If you have been a monthly client for less than twelve months, your monthly fees will be credited against the total amount invoiced to prepare these returns.

For new clients, our fees will be based on the hours needed to complete your returns multiplied by our standard billing rate of \$240 per hour plus any out-of-pocket expenses (e.g., an overnight

delivery fee charge). Any unforeseen conditions or time requirements that could cause the fee to exceed our estimate will not be assessed without your prior authorization.

Payment for this engagement will be due immediately upon presentation of the draft returns we prepare for you or when invoiced. Amounts not paid within five days of the date invoiced will bear a minimum \$25 monthly handling fee.

### **MAINTENANCE OF TAX RECORDS**

KFS will return to the Client all original tax and financial records used to prepare these returns. The Client is responsible for retaining a copy of (1) these returns permanently and (2) the company's supporting tax and financial records until the IRS and the state authorities are barred by the statute of limitations from adjusting the returns filed. KFS recommends retaining these supporting documents for at least seven years. Our working papers, including any photocopies of your records, are our property and will be retained by KFS under our records retention policy. This policy states that we will keep these work papers for three years.

### **CONFIDENTIALITY & PRIVACY POLICY**

We will maintain all information you provide to us in connection with this engagement on a strictly confidential basis. We do not disclose any nonpublic personal information about our clients or former clients to anyone except as instructed to do so by you or as required by law. We maintain physical, electronic, and procedural safeguards to guard your nonpublic personal information.

### **OTHER MATTERS**

We were not engaged to, nor did we determine whether state sales tax rules apply to your business. Determination of whether state sales tax rules apply to your activity is your responsibility unless we have a separate written engagement letter acknowledging our responsibility to determine or apply sales tax rules for an individual state. Failure to register and file with an appropriate state may expose you to severe penalties.

You hereby indemnify this firm, its partners, principals, employees, and agents and hold them harmless from all claims, liabilities, losses, and costs arising in circumstances you knowingly or recklessly misrepresented. In addition, you agree that we shall not be liable for ordinary negligence.

In the event, we are requested by you, or are required by government regulations, subpoena, or other legal process, to produce documents or our personnel as witnesses concerning our engagement for you, you will, so long as we are not a party to the proceeding in which the information is sought, reimburse us for professional time and expense, as well as the fees and costs of our representation, incurred in responding to such requests.

While we do not expect there to be any problems whatsoever with our relationship, misunderstandings can occur. We believe that most disagreements can be resolved to mutual satisfaction in a friendly manner. Accordingly, in the event of any dispute arising out of, or relating to, this engagement, the parties agree to submit the dispute to binding arbitration administered by the American Arbitration Association by its Professional Accounting and Related Services Dispute Resolution Rules. The place of arbitration shall be held in Exton, PA, and the laws of the Commonwealth of PA shall govern the arbitration.

Both parties agree that the non-prevailing party in such arbitration proceeding, if any, shall pay the attorneys' fees, expert witness fees, and out-of-pocket costs incurred by the prevailing party in connection with such proceedings. The arbitrator(s) shall not award consequential damages in any arbitration initiated under this agreement. Any award in an arbitration initiated under this clause shall be limited to monetary damages and shall include no injunction or direction to any party other than the direction to pay a monetary amount. A reasoned opinion shall accompany the award of the arbitrator(s). Except as required by law, neither party nor an arbitrator may disclose the existence, content, or results of any arbitration hereunder without the prior written consent of both parties.

Please note that any individual, corporation, partnership, trust, and estate having a financial interest in, or signature or other authority over, bank accounts, securities, or other financial accounts having an aggregate value exceeding \$10,000 at any time during the calendar year in a foreign country, shall report such a relationship. The tax filing requirements for reporting foreign accounts are beyond the scope of this engagement. If you have such accounts, by signing below, you accept full responsibility for informing us in writing of the existence of such accounts; see our Tax Organizer for Preparing Business Income Tax Returns for additional details.

Please note that owners of a legal entity are required to report beneficial ownership information electronically through FinCEN's website: [www.fincen.gov/boi](http://www.fincen.gov/boi). If you haven't done so already, you should file it immediately. There is no annual filing requirement. However, if there are any changes to the original information a new report is required to be filed within 30 days.

We will be pleased to discuss this letter with you. You received this letter because we understand you are responsible for your company's tax matters. If that is incorrect, please tell us who that person is so we can coordinate return preparation work with the correct party.

This four-page letter confirms my understanding of the services to be performed and the limitations of those services.

\_\_\_\_\_  
Signature of Officer, Owner, or Partner

\_\_\_\_\_  
Date

\_\_\_\_\_  
Printed Name of Officer, Owner, or Partner

\_\_\_\_\_  
Title

\_\_\_\_\_  
Printed Name of Company