

**S-Corporation client responsibilities:**

Please read the following list of client responsibilities. If you fully understand all the following responsibilities and obligations, please sign at the bottom of the document.

Income

Provide us with a QuickBooks Accountant's copy and other supporting data needed to prepare your tax returns. It is your obligation to provide us with accurate and complete information, including worldwide income.

Salaries and wages

You are responsible for determining the appropriate salary or wage to pay shareholders. If the IRS determines that the S Corporation made distributions in lieu of an appropriate shareholder salary or wage, the IRS may reclassify the payments. As a result of the reclassification, the shareholder and S Corporation may be responsible for employment taxes on the reclassified amounts.

S Corporation distributions

Distributions should be made to shareholders on a per-share, per-day basis. If distributions were not made proportionately, the IRS may revoke the entity's S-election which may result in unfavorable tax consequences. As such, it is your responsibility to ensure that shareholder distributions are made pro-rata.

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. You are responsible for adequacy of all such documents. **We recommend keeping all receipts AND corresponding bank and credit card statements.**

Personal expenses

Unless we are otherwise advised, you are responsible for confirming that personal expenses, if any, are segregated from business expenses and expenses such as meals, travel, and entertainment, vehicle use, gifts, and related expenses, are supported by necessary records required by IRS.

Employment records

You are responsible for obtaining Forms I-9, Employment Eligibility Verification Form from each new employee at the time of employment. In addition, Federal Form W-4, Employee's Withholding Allowance Certificate.

Worker classification

You are responsible for determining the correctness of any employment relationship which you have deemed to be that of an independent contractor. Payroll tax withholding and related employer payroll tax implications result from this determination. We recommend obtaining a Form W-9 Request for Taxpayer Identification Number and Certification, signed by the independent contractor.

1099-MISC issuance

You are responsible to engage our firm to prepare the Form 1099-MISC for contractors if necessary. Form 1099-MISC need to be issued to non-incorporated vendors who receive more than \$600 in payments for services or rents. Please contact Lisa, [lisa@atcpas.com](mailto:lisa@atcpas.com), by December 15 to determine if necessary.

Vehicle deduction substantiation

IRS is using preparer penalties to strongly encourage tax preparers to educate taxpayers about proper documentation for vehicle expenses. ***Estimating business mileage/vehicle expenses has never been a valid way to substantiate the deduction and the entire deduction could be disallowed by IRS. The taxpayer must either: 1) Keep a contemporaneous log with details on location, distance, and business purpose or 2) Re-create a mileage log using corroborative evidence such as appointment book, calendar, odometer readings, etc. The recreated log must be done before our firm files the tax return. We will require a signed substantiation statement if you are claiming vehicle expenses on your tax return.***

State and local filing obligations

You are responsible for determining your state or local tax filing obligations with any state or local tax authorities, including, but not limited to 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 upon review of the information you have provided us and other information that comes to our attention, we believe you may have an obligation to file additional tax returns, 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 accordingly in a separate engagement letter and delineate the additional charges for this service.

Foreign assets

It is your responsibility to inform our firm if you directly or indirectly hold any interest or signatory authority in any assets located in a foreign country.

CPA firm responsibilities

We will use our judgment to resolve questions in your favor where a tax law is unclear assuming there is reasonable justification for doing so.

Ultimate responsibility

You have final responsibility for your income tax returns. Check them carefully for accuracy and completeness before you sign them.

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. Additional charges will apply for such services.

Management responsibilities

Leslie Pearson & Associates, P.C. in its sole professional judgment, reserves the right to refuse to take any action that could be construed as making management decisions or performing management functions on your behalf. However, we may provide advice and recommendations to assist management in performing its functions and making decisions.

Errors, fraud, or theft

Our engagement does not include any procedures designed to discover errors, fraud, or theft. Therefore, our engagement cannot be relied upon to disclose such matters.

Extensions of Time to File Tax Returns

The original filing due dates for your corporate return is March 15, 2018 for federal. It may become necessary to apply for an extension of the filing deadline if there are unresolved tax issues or delays in processing, or if we do not receive all of the necessary information, from you in 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 tax return or may extend the statute of limitations. All taxes owed are due by the original filing due date. Additionally, extensions may affect your liability for penalties and interest or compliance with government or other deadlines.

I have read and understood the items listed in this document.

\_\_\_\_\_  
Client signature

\_\_\_\_\_  
Print name

\_\_\_\_\_  
Date