[Date]

Dear Client (address to all partners in partnership)

This letter is to confirm and specify the terms of our engagement with your Partnership for the year ended [Date] and to clarify the nature and extent of the tax services we will provide. We will perform our services in accordance with the Statements on Standards for Tax Services issued by the American Institute for Certified Public Accountants 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 income tax 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, reserves the right to refuse to take any action that could be construed as making management decisions or performing management functions on your behalf.

Our engagement is limited to performing the following services:

1. Prepare an “administrative adjustment request” (“**AAR**”) under Code Section 6227 of the Partnership’s [Year] and [Year] (?) Federal and State Tax Returns.

This engagement letter does not cover the preparation of any tax returns not listed above or any financial statements which, if we are to provide, will be covered under a separate engagement letter. In preparing the AAR, we are relying upon the legal opinion issued by Attorney [Name of Attorney] of [Firm] on [Date] to [Name] and [Name].

You are responsible for the safeguarding of assets, the proper recording of transactions in the books of accounts, the substantial accuracy of the financial records, and the full and accurate disclosure of all relevant facts affecting the returns to us. You also have final responsibility for the tax returns and, therefore, the appropriate officials should review the returns carefully before an authorized officer signs and files them.

You are responsible for assuming all management responsibilities, and for overseeing any services we provide by designating an individual, preferably within senior management, who possesses suitable skill, knowledge, or experience. In addition, you are responsible for evaluating the adequacy and results of the services performed and accepting responsibility for the results of such services.

We may provide you with a questionnaire or other document requesting specific information. Completing those forms will assist us in making sure you are well served for a reasonable fee. You represent that the information you are supplying to us is accurate, complete to the best of your knowledge, delivered to us in a manner to preserve client confidentiality and that you have disclosed to us all relevant facts affecting the returns. We will not verify the information you give us; however, we may ask for additional clarification of some information.

If, during our work, we discover information that affects prior-year tax returns, we will make you aware of the facts. However, we cannot be responsible for identifying all items that may affect prior-year returns. If you become aware of such information during the year, please contact us to discuss the best resolution of the issue. We will be happy to prepare appropriate amended returns as a separate engagement.

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, you are responsible for developing and implementing internal controls applicable to your operations. Our services are not designed to provide assurance on internal controls or to identify reportable conditions, that is, significant deficiencies or material weaknesses in the design or operation of internal control. Accordingly, we have no responsibility to identify and communicate significant deficiencies or material weaknesses in your internal control as part of this engagement, and our engagement cannot be relied upon to disclose the same. However, during the procedures, if we become aware of such reportable conditions, we will communicate them to you.

The firm may from time to time, and depending on the circumstances, use third-party service providers to assist in preparing your returns, but these preparers will not make substantive decisions concerning your returns. We may share your tax return information with these service providers, but remain committed to maintaining the confidentiality and security of your information. Accordingly, we maintain internal policies, procedures and safeguards to protect the confidentiality of your personal information. In addition, we will secure confidentiality agreements with all service providers to maintain the confidentiality of your information and we will take reasonable precautions to determine that they have appropriate procedures in place to prevent the unauthorized release of your confidential information to others. In the event that we are unable to secure an appropriate confidentiality agreement, you will be asked to provide your consent prior to the sharing of your confidential information with the third-party service provider. Furthermore, the firm will remain responsible for the work provided by any such third-party service providers. However, we will not disclose any tax return information to third parties without your express written consent.

Assisting you with your compliance with the Corporate Transparency Act (“CTA”), including beneficial ownership information (“BOI”) reporting, is not within the scope of this engagement. You have sole responsibility for your compliance with the CTA, including its BOI reporting requirements and the collection of relevant ownership information. We shall have no liability resulting from your failure to comply with CTA. Information regarding the BOI reporting requirements can be found at <https://www.fincen.gov/boi>. Consider consulting with legal counsel if you have questions regarding the applicability of the CTA’s reporting requirements and issues surrounding the collection of relevant ownership information.

In accordance with federal law, in no case will we disclose your tax return information to any location outside the United States, to another tax return preparer outside of our firm for purposes of a second opinion, or to any other third party for any purpose other than to prepare your returns without first receiving your consent.

**Substantial understatement penalties**

The IRS and many states impose penalties for substantial understatement of tax. To avoid the substantial understatement penalty, you must have substantial authority to support the tax treatment of the item challenged by the IRS or have an adequate disclosure of the item. To fulfill the adequate disclosure requirement, you may be required to attach to your tax return a completed Form 8275, Disclosure Statement, or Form 8275-R, Regulation Disclosure Statement, which discloses all relevant facts.

You agree to advise us if you wish to disclose a tax treatment on your return. If you request our assistance in identifying or performing further research to ascertain if there is substantial authority for the proposed position to be taken on the tax item(s) in your returns, and we agree to perform the research, we will confirm this engagement in a separate agreement. It is your responsibility to contact us if additional assistance is required.

If we conclude as a result of our research that you are required to disclose a transaction on your tax return, you consent to attach Form 8275 or Form 8275-R to your tax return for filing after we discuss the matter with you. If the IRS, state or local tax authorities later contest the position taken, additional tax, penalties, and interest may be assessed. We assume no liability, and you hereby release us from any liability arising from such contest, including but not limited to, additional tax, penalties, interest, and related professional fees for the position taken

**Tax return preparer standards, reportable transactions and tax shelters**

Pursuant to the standards prescribed in Circular 230 and IRC §6694, we, as tax return preparers, are prohibited from signing a tax return unless we have a reasonable belief that there is substantial authority for a tax position taken on the tax return or we have a reasonable basis for the tax return position taken on the return and we disclose this tax position in a separate attachment to the tax return.

The law imposes substantial penalties on taxpayers and tax advisors for failure to disclose listed and other reportable transactions on Form 8886, Reportable Transaction Disclosure Statement. In general, reportable transactions are potentially abusive transactions identified by the IRS that have a primary purpose of tax avoidance, including but not limited to listed transactions, confidential transactions, transactions with contractual protection, loss transactions, and transactions of interest (a definition of “reportable transactions” is located at <https://www.irs.gov/instructions/i8886> and includes a link to a summary of listed transactions).

The law imposes substantial penalties on taxpayers and tax advisors for failure to disclose tax shelters on Form 8271, Investor Reporting of a Tax Shelter Registration Number. A tax shelter is defined in IRC §6662((d)(2)(C) as a partnership or other entity, investment plan or arrangement, or any other plan or arrangement if a significant purpose of such partnership, entity, plan or arrangement is the avoidance or evasion of federal income tax.

You agree to advise us of any tax shelters and/or reportable transactions identified in tax reference materials. Unless a reportable transaction is more likely than not to be sustained on its merits, IRC §6662A, Imposition of Accuracy-Related Penalty on Understatements with Respect to Reportable Transactions, requires us to disclose the reportable transaction in a separate attachment to the tax return. Similarly, unless a tax shelter is more likely than not to be sustained on its merits, IRC §6662(d)(2)(C)(ii), Imposition of Accuracy-Related Penalty on Underpayments, requires us to disclose tax shelters in a separate attachment to the tax return.

If you do not consent to a required disclosure, we may be unable to prepare your tax returns. If you choose not to change your position or adequately disclose the tax position so as to eliminate, at our sole discretion, our exposure to the preparer penalty, we, at our sole discretion and at any time, may withdraw from the engagement without completing or delivering tax returns to you. Such withdrawal will complete our engagement and you will be obligated to compensate us for all time expended and to reimburse us for all out-of-pocket expenses incurred through the date of our withdrawal.

You agree to hold our firm harmless with respect to any liability including but not limited to, additional tax, penalties, interest and professional fees resulting from your failure to timely notify us, in writing, of any tax shelters and/or reportable transactions identified in tax reference materials in order to facilitate the timely preparation and filing of your tax returns.

The IRS permits you to authorize us to discuss, on a limited basis, aspects of your return for one year after the return’s due date. Your consent to such a discussion is evidenced by checking a box on the return. Unless you tell us otherwise, we will check that box authorizing the IRS to discuss your return with us.

It is our policy to keep records related to this engagement for three 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.

By signing this engagement letter, you acknowledge and agree that upon the expiration of the three-year period, we are free to destroy our records related to this engagement.

Certain communications involving tax advice are privileged and not subject to disclosure to the IRS. By disclosing the contents of those communications to anyone, or by turning over information about those communications to the government, you, your employees, or agents may be waiving this privilege. To protect this right to privileged communication, please consult with us or your attorney prior to disclosing any information about our tax advice. Should you decide that it is appropriate for us to disclose any potentially privileged communication, you agree to provide us with written, advance authority to make that disclosure.

Should we receive any request for the disclosure of privileged information from any third party, including a subpoena or IRS summons, we will notify you. In the event you direct us not to make the disclosure, you agree to hold us harmless from any expenses incurred in defending the privilege, including, by way of illustration only, our attorney’s fees, court costs, outside adviser’s costs, or penalties or fines imposed as a result of your asserting the privilege or your direction to us to assert the privilege.

The returns may be selected for review by the taxing authorities. In the event of an audit, you may be requested to produce documents, records, or other evidence to substantiate the items of income and deduction shown on a tax return. Any proposed adjustments by the examining agent are subject to certain rights of appeal. In the event of a tax examination, we will be available, upon request, to represent you. However, such additional services are not included in the fees for the preparation of the tax returns.

Our fees for tax services will be based in part upon the amount of time required at our standard billing rates for the personnel working on the engagement, plus out-of-pocket expenses. All invoices are due and payable upon presentation.

**Partnership Agreement**

You should review your partnership agreement with your attorney to ensure it addresses the significant changes to the partnership audit regime that will generally apply to partnership returns filed after [Year]. 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.

In addition, you should review your partnership agreement to ensure that it meets your goals for the transfer of ownership and distribution of income. Often, partnership agreements do not address the transfer of ownership or may require updating as circumstances change. You acknowledge and confirm that it is your responsibility to review your partnership agreement with your attorney to ensure it addresses the changes to the partnership audit regime and meets your goals for the transfer of ownership and distribution of income. A review of your partnership agreement is not within the scope of this engagement.

**Tax Basis Schedules**

You are responsible for maintaining tax basis schedules for partners or LLC members. If you ask us to prepare these schedules, we will confirm this service in a separate engagement letter.

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 ask us to prepare this analysis, and we agree to do so, we will confirm this service in a separate engagement letter.

**Partner salaries**

A partner or LLC member receiving a guaranteed salary payment is not regarded as an employee of the entity for the purpose of withholding or Social Security taxes. Any additional fringe benefits a partner or LLC member receives are not subject to withholding. These fringe benefits may, however, be included in the income of the partner or LLC member. You are responsible for informing us of the total guaranteed payments, including fringe benefits, received by each partner or LLC member.

**Schedule K-1 distribution**

You are responsible for distributing a copy of the partnership or LLC’s Schedule K-1s to each partner or member.

**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 are responsible for the adequacy of all information provided in such documents. 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.

**Personal and Other 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 necessary records required by the IRS and other tax authorities. The IRS requires formal records of these items be maintained to support the nature and deductibility of such expenses. At your written request, we are available to provide you with written answers to your questions on the types of supporting records required. Your signature on this letter confirms that we have advised you of the recordkeeping requirements and that your expenses for these items are supported by records as required by law.

***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.

We rely on the accuracy and completeness of the information you provide to us in connection with the preparation of your tax returns. Failure to disclose or inadequate disclosure of income or tax positions may result in the imposition of penalties and interest charges.

In the event of a dispute related in any way to our services, our firm and you agree to discuss the dispute and, if necessary, to promptly mediate in a good faith effort to resolve. We will agree on a mediator, but if we cannot, either of us may apply to a court having personal jurisdiction over the parties for appointment of a mediator. We will share the mediator’s fees and expenses equally, but otherwise will bear our own attorneys’ fees and mediation cost. Participation in such mediation shall be a condition to either of us initiating litigation. In order to allow time for the mediation, any applicable statute of limitations shall be tolled for a period not to exceed 120 days from the date either of us first requests in writing to mediate the dispute. The mediation shall be confidential in all respects, as allowed or required by law, except our final settlement positions at mediation shall be admissible in litigation solely to determine the prevailing party’s identity for purposes of the award of attorneys’ fees.

**Limitation of Liability.** You agree that our firm’s liability for any and all claims, damages, losses and costs of any nature arising from this engagement is limited to the total amount of fees paid by you to our firm for the services rendered under this agreement.

**Indemnification.** You shall upon the receipt of written notice indemnify and hold [Firm] its affiliates and their partners, principals, and personnel, harmless against all costs, fees, expenses, damages, and liabilities (including legal defense costs) associated with any third-party claim arising from or relating to any knowing misrepresentation to [Firm] by you or the intentional withholding or concealment of information from [Firm] by you. In addition, you shall upon receipt of written notice indemnify and hold [Firm] and its affiliates, and their partners, principals and personnel, harmless against all punitive damages associated with any third-party claim arising from or relating to: (i) any services, work product, or deliverables from [Firm] that you or its management uses or discloses to others; or (ii) this engagement generally. The terms of this paragraph shall apply regardless of the nature of any claim asserted (including those arising out of tort, strict liability, or otherwise) and whether or not [Firm] was advised of the possibility of the damage or loss asserted. Such terms shall also continue to apply after any termination of this agreement by either party and during any dispute between the parties. To the extent finally determined that the conduct giving rise to such punitive damages arose out of [Firm]’ gross negligence or willful misconduct, this paragraph shall not apply.

In connection with this engagement, we may communicate with you or others via email transmission. As emails can be intercepted and read, disclosed, or otherwise used or communicated by an unintended third party, or may not be delivered to each of the parties to whom they are directed and only to such parties, we cannot guarantee or warrant that emails from us will be properly delivered and read only by the addressee. Therefore, we specifically disclaim and waive any liability or responsibility whatsoever for interception or unintentional disclosure of emails transmitted by us in connection with the performance of this engagement. In that regard, you agree that we shall have no liability for any loss or damage to any person or entity resulting from the use of email transmissions, including any consequential, incidental, direct, indirect, or special damages, such as loss of revenues or anticipated profits, or disclosure or communication of confidential or proprietary information.

We have the right to withdraw from this engagement, in our discretion, if you do not provide us with any information we request in a timely manner, refuse to cooperate with our reasonable requests or misrepresent any facts. Our withdrawal will release us from any obligation to complete your returns and will constitute completion of our engagement. You agree to compensate us for our time and out-of-pocket expenses through the date of withdrawal.

If the foregoing correctly sets forth your understanding of our tax engagement, please sign this letter in the space below and return it to our office. If you disagree with any of these terms, please notify us immediately.

Sincerely,

**[Firm].**

[Firm]

RESPONSE:

You represent that the information you are supplying to us is accurate and complete to the best of your knowledge and that you have disclosed to us all relevant facts affecting the returns.

Signature: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ Date:\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Title:\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Signature: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ Date:\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

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