

2024 Business Letter

Enclosed please find our 2024 letter, annual engagement letter & 1099 Reporting Worksheet.

Due Dates:

- 1) Form 1099's and form W-2 are due to IRS and recipients by 1/31/2025.
- 2) 4th Quarter Payroll Tax Filings by 1/31/2025.
- 3) Annual Sales Tax Filing by 2/4/2025. **MN revenue has late penalty even for \$0 return.**
- 4) S-Corporation tax return or extension by 3/17/2025.
- 5) Partnership returns and Multi-Member LLC's tax returns or extensions due by 3/17/2025.

Extension:

The IRS has large penalties for filing business returns late. We do not automatically file extensions without hearing from you. Please contact the office if you need an extension.

Engagement Letter:

Enclosed is an engagement letter, please sign and return to our office. It is two sided, please return both sides

Bookkeeping Services:

Bookkeeping is essential to the accurate preparation of your tax filings. If you need assistance putting this together please contact us as soon as you can so we can get started processing the information. Fees related to this are hourly and based on volume of transactions.

Current Developments:

- 1) If you have a self-employed 401K you need to review your need to file form 5500 for the plan.
- 2) Business entertainment expenses are no longer deductible.
- 3) **All businesses registered with a secretary of state will be required to submit BOI (Beneficial Ownership Information) reporting with FINCEN. Failure to file this form could result in penalties of \$500/day late. Please contact the office if you need assistance with this filing. We will NOT file this report without prior discussion. This is separate from the annual Secretary of State registration. This includes C-Corporation, S-Corporation, Multi-Member LLCs and Single Member LLCs.**

Tax Issues To Be Aware Of:

- 1) Payments to individuals or LLCs in excess of \$600 during the year require form 1099-NEC. Form W-9 should be on file for all individuals or LLCs you make payments to, including rent. Penalty for no filing varies from \$50-\$550/form, depending on how late submitted.
- 2) You should review your payroll to make sure you have your retirement funding where you want by year end. If you need to adjust after your last payroll, most payroll services charge additional fees.
- 3) Sales and Use Tax – Sales out of state may be subject to out of state tax collection. Also, keep in mind any "use" tax exposure. MN Revenue charges \$100 late fee even if no tax due.
- 4) Multi-State Filings – If you receive gross receipts from sales outside your state of domicile, please contact the office so we can discuss the impact. Many states require allocating the

profit/loss from the business based on gross sales into their state. Several states have been getting very aggressive at pursuing this, and have penalties even if no tax is due.

Issues Specific to S-corporation's:

- 1) Health Insurance Premiums must be reported on your W-2 form to be deductible. Please contact your payroll service provider to discuss, or our office if you have questions.
- 2) Owners of S-corporations must take "reasonable compensation" during the tax year. Please contact the office to discuss this issue if we have not already.
- 3) Distributions from S-corporations in excess of basis – This usually occurs when the debt inside the S-corporation is increasing. This can result in expenses being limited and taxable gains.

Issues Specific to Partnerships/Multi-Member LLCs:

- 1) If the member/partners pay for expenses personally, this needs to be covered in the member agreement to be deductible or the expenses could be disallowed.
- 2) Debt by the LLC is treated differently by who is liable for the debt. Be prepared to discuss this question if it applies.
- 3) Partner or Member benefits paid by the business are treated as guaranteed payments to the partner or member and deducted on their personal return if applicable.
- 4) LLC's can convert to S-corporation status. Contact the office if you would like to discuss.

ACCOUNTING/BOOKKEEPING

The following is a list of items that we will need to prepare your business tax returns for the year 2023. Some of these items may or may not apply to your business.

- 1) **BANK ACCOUNTS** – Please provide bank statements for all bank accounts for the last month of your business year. Note: For entire year if not reconciled.
- 2) **INVENTORY** – If inventory is maintained, please provide a summary of the physical inventory as of the last day of the business year. This list should be at cost, not retail.
- 3) **ASSETS** – Invoices for any significant asset purchases during the business year. (i.e. automobiles, property, large equipment.)
- 4) **SALES TAX PAYABLE** – Please provide a copy of the sales tax return for the last quarter/month of the business year.
- 5) **CREDIT CARDS** – Please provide credit card statements for all accounts for the last month of your business year. Note: For entire year if not reconciled.
- 6) **LOANS PAYABLE** - Please provide year end balances and year to date interest. For any new loans entered into, include pertinent documentation.
- 7) **OFFICER HEALTH INSURANCE** – Please provide the amount paid for each corporate officer/owner's health insurance premiums during the business year.
- 8) **MILEAGE** – Please provide the total vehicle mileage for company-owned vehicles, with any personal use listed. Some form of log should be maintained as documentation.
- 9) **COMPANY FINANCIAL INFORMATION** – Please provide a year-to-date general ledger and trial balance from your accounting system. If QuickBooks accounting system is used, a backup or accountants copy of the QuickBooks data file is preferred. Please let us know if you have reconciled the bank accounts or if we will need to perform that service.
- 10) **CORRESPONDENCE** – Please provide any correspondence your company has received during the last business year from either the Internal Revenue Service or Minnesota Revenue.

This letter is to confirm our understanding of the terms and objectives of our non-attest engagement and the nature and limitations of the services we will provide.

Non-attest services are services such as tax return preparation, bookkeeping services and projections. Preparations of financial statements are not included under this engagement letter.

This letter covers the following non-attest services (several or all may apply to you):

- 1) Tax return preparation.
- 2) Bookkeeping services, including bank reconciliations, data entry and adjusting journal entries.
- 3) Payroll services relating to computation and return filing.

Financial statements, including the Statement of Income/Loss and the Balance Sheet, are not included in these services. The only reports we would be able to print or provide you are accounting reports, such as general ledgers, trial balances.

We will not prepare any business filings related to the Corporate Transparency Act (CTA). These filings would need a separate discuss and have a separate fee schedule. This includes filings with FinCen.

We will not audit or review any financial statements and, accordingly, will not express an opinion or any other form of assurance on any financial statements. Any financial statements created will not be accompanied by a report.

Any financial statements produced by the above non-attest services are for management's use only and are not intended for third-party use. Material departures from generally accepted accounting principles (GAAP) or other comprehensive basis of accounting (OCBOA) may exist and the effects of those departures, if any, on the financial statements may not be disclosed. In addition, substantially all disclosures required by GAAP or OCBOA may be omitted. Because of the extent of material departures that may exist, or required disclosures that may be omitted from the financial statements, we make no representations regarding the appropriateness of such statements for your intended use or for any other purpose. Moreover, because of the nature of this engagement, we are not responsible for communicating any such departures or omission to you.

You represent and agree that any financial statements created are intended solely for your information and use and are not intended to be, and should not be, used by third parties. You also represent and agree that you will not distribute the statements to such third parties, that the use of any financial statements will be limited to members of management with similar knowledge, and that it is your responsibility to educate other members of management with whom you choose to share the financial statements and to enable them to understand the potential limitations of such statements and place the information in its proper context.

You are responsible for management decisions and functions, and for understanding yourself, or designating an individual with suitable skill, knowledge, or experience to oversee any bookkeeping services, tax services, or other services we provide. You are responsible for evaluating the adequacy and results of the services performed and accepting responsibility for such services. You are responsible for establishing and maintaining internal controls, including monitoring ongoing activities.

Our engagement cannot be relied upon to disclose errors, fraud, or illegal acts that may exist. However, we will inform you of any material errors and any evidence of information that comes to our attention during the performance of our non-attest services that fraud may have occurred. In addition, we will report to you any evidence of information that comes to our attention during the performance of our non-attest services regarding illegal acts that may have occurred, unless they are clearly inconsequential. We have no responsibility to identify and communicate significant deficiencies or material weaknesses in your internal controls as part of the engagement.

The pricing for these non-attest services vary greatly depending on the services selected. We can discuss the pricing prior to performing any services, and review any additional costs. Normally, the tax returns and payroll services are on a “per-form” basis, while bookkeeping services are hourly.

Should you require financial statements for third-party use, we would be pleased to discuss with you this requested level of service. Such engagements would be considered separate and not deemed to be part of the services described elsewhere in this engagement letter.

We appreciate the opportunity to be of service to you and believe this letter accurately summarizes the significant terms of our engagement. If you have any questions, please let us know. If you agree with the terms of our engagement as described above in this letter, please sign below and return the letter to our office.

Sincerely,
Jacobson & Young

Acknowledged:

Company Name

Signature

Title

Date