

This Engagement Letter covers preparation of 1099 forms for the 2025 tax year.

REPORTING REQUIREMENTS

The IRS and many states require that business owners file 1099 forms for every individual or non-corporate LLC paid the reporting amount for their respective type of income.

In addition, unlike payments to most other corporations, payments for legal services must always be reported on a Form 1099, regardless of how the law firm is legally structured (e.g., corporation, LLC, partnership).

- **Form 1099-NEC** is used to report **attorneys' fees** paid to your business's attorney (nonemployee compensation).
- **Form 1099-MISC**, Box 10 ("Gross proceeds paid to an attorney"), is used to report payments to an opposing counsel, typically as part of a legal settlement.

Failure to file for 2025 could result in penalties from the IRS that could be as much as \$1,000 for **EACH omitted, late or incorrect 1099**. Individual states may also generate penalties. **The 1099 forms must be provided to the taxpayer and the IRS by January 31, 2026. No filing extension is available.**

SCOPE OF ENGAGEMENT

1. Because the penalties are so severe we want to be very clear regarding the services we are providing, and what is expected from you. The Internal Revenue Service (IRS) imposes penalties on taxpayers, and on us as return preparers, for failure to observe due care in reporting for 1099 forms.
2. This letter confirms the services you have asked our firm to perform and the terms under which we have agreed to do that work. Please read this letter carefully because it is important to both our firm and you that you understand what you can and cannot expect from our work. In other words, we want you to know the limitations of the services you have asked us to perform. If you are confused by this letter or believe we have misunderstood what you need, please call us before you sign it.

AVAILABLE SERVICES AND FEES

We do NOT prepare 1099-K (Payment Card and Third Party Network Transactions) Forms. 1099-K forms report payments for online or electronic transactions, such as through apps like Venmo or PayPal, and credit cards.

Type of 1099 Forms we DO prepare and their respective reporting amounts:

- **1099-DIV (Dividends and Distributions):** Reports income of \$10 or more from stocks, mutual funds, and other investments.
- **1099-INT (Interest Income):** Reports interest income of \$10 or more from banks, brokerage firms, and other financial institutions.
- **1099-MISC (Miscellaneous Information):** Reports various payments of \$600 or more, including rent, prizes, and awards. It is also used for royalty payments of \$10 or more.
- **1099-NEC (Nonemployee Compensation):** Reports payments of \$600 or more to independent contractors, freelancers, or other self-employed individuals.

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OUR FEES

- The first 1099 form prepared of each type: \$265
 - Example: one 1099-MISC and one 1099-NEC = \$530 in fees
- Subsequent 1099s of the same type: \$40 each
 - Example: One 1099-MISC and two 1099-NEC forms = \$570 in fees
- Corrected forms \$265 each
- Additional fee for printed File copies instead of accessing from Liscio: \$100.
The Payee's copy of the 1099 cannot be printed onsite as it requires special forms. These are mailed directly to the Payee from our processing facility to the address you provided.
- To the extent we render any accounting and/or bookkeeping assistance, it will be limited to those tasks we deem necessary for preparation of the 1099s and charged separately at the rate of \$150/hr.

YOUR RESPONSIBILITIES

1. Submission of 1099 information to our firm is required ***no later than January 15, 2026*** and must be done ***in writing***. This deadline is required to allow us time to verify the Name of the Individual/Business to the supplied Tax Identification Number as well as give you an opportunity to review the produced forms prior to submission of the 1099s.
 - a. Verbal submissions of information will not be accepted. This is for your protection, and ours.
 - b. You understand that submission of information after this date may result in the late filing of 1099 forms and resulting penalties.
 - c. You understand that 1099s with missing information (aka blank fields) cannot be filed and will be considered omissions and subject to penalties.
2. If you are in doubt whether to issue a 1099, the safest treatment is to issue the form.
3. You are **solely** responsible for the accuracy of 1099 information. It is your responsibility to provide all the information required for the preparation of complete and accurate submissions. You should not rely on previous acceptance of 1099 information as a reason not to do your due diligence. We strongly suggest as part of your due diligence that a new w9 be requested from each vendor/payee every year since their address, company type, etc may change.

Key situations where 1099 information is considered incorrect:

- **Wrong Amount:** The income amount listed on the form does not match the actual payments received.
- **Incorrect Personal Information:** There is a mismatch in the recipient's name, address, or Social Security Number (SSN) or other TIN in IRS records. **This is the most common situation and the reason why we advise you to have all vendor/payees complete a W-9 prior to being paid.**
- **Wrong Form Type/Misclassification:** A worker who should have been classified as an employee and received a Form W-2 is incorrectly issued a Form 1099-NEC as an independent contractor.

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- **Received in Error:** The recipient did not have a reportable transaction with the issuer at all, such as in cases of identity theft or an administrative mistake.
3. If we perform monthly bookkeeping services for the company, we will also use your bank account and credit card statements as source material. You are responsible for submitting the W-9 information to us for each vendor/payee we identify as necessitating a 1099 form be prepared.
 4. In the absence of a W-9, we will accept the following written information for each payee:
 - a. Name
 - a. Business name/disregarded entity name, if different from above.
 - b. Address
 - c. City, State, Zip
 - d. Tax ID Number (SSN or EIN)
 - e. Federal Tax Classification
 - i. Individual/Sole Proprietor
 - ii. Partnership
 - iii. S Corporation
 - iv. C Corporation
 - v. Trust/Estate
 - f. Amount paid
 - g. Type of Service or payment (Rent, Contract labor, Dividend, Interest, etc)
 5. It is your responsibility to maintain the records, forms, documentation, Forms W-9 and copies necessary to file the 1099s **for 7 years for future use, including potential examination by any government or regulatory agencies**. You should never rely on our records for your future needs.

OUR RESPONSIBILITIES

1. We will prepare your 2025, and only your 2025, 1099 forms **SOLELY** from information you furnish us in writing either through bank statements and/or from a list you provide for the company given below.
2. We will not audit, review, compile or otherwise verify the data you submit although we may ask you to clarify some of the information.
3. We are not responsible for the preparation of any forms or schedules except Forms 1099 for the payees for whom you provide us a written summary. If you have forms or payees other than those specifically provided, we will not prepare those forms unless specifically requested by you, in writing, in a separate engagement letter, to prepare those forms.
4. Any other required services, forms or other actions on our part require a separate engagement letter. In the absence of written communications from us documenting such services, our services will be limited to and governed by the terms of this engagement letter.

OUR PROCESS

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All steps in this process expose PII (Personal Identification Information) to some extent.

1. Identify vendors/payees requiring 1099s.
 - a. If we perform monthly bookkeeping services for your company, we will identify vendors/payees that require 1099s. We will then contact you for W-9 information for each of those vendors/payees. We will not rely on previously submitted information.
 - b. Otherwise, we will request your list of vendors/payees and their respective information.
2. We submit the vendors/payees to the IRS to verify that the provided name and TIN match. This process can take several days.
3. Any TIN/name mismatches are sent back to you for resolution.
 - a. Once we receive the revised information, we will resubmit the information to IRS. Again, this process may take several days. It is in your best interest to expedite resolution of mismatches.
 - b. The 1099 for any mismatched entities will not be filed without your written 'override' approval.
4. The DRAFT 1099 forms are then sent to you for review and approval. **These DRAFT 1099s will show the entire TIN.**
5. Once we receive your written approval for submission, we will submit the 1099 forms to IRS and the appropriate state agency.
6. Distribution
 - a. The Payee's copy of the 1099 form is sent directly to their mailing address, which you provided. **We are unable to print Payee's copy of the 1099 form onsite as it requires special forms.**
 - b. File copies of the Payee's copy and the Payer's copy of each 1099 will be saved to your Liscio account for easy access and download. Although these forms will have truncated TIN numbers, they should be treated as if they contain PII. **Paper copies will not be provided.**
 - c. A copy of both the Payee and Payer's copies will also be saved to our internal network.

AGREEMENT

In recognition of the relative risks and benefits of this agreement to both the client and the accounting firm, the client and the accounting firm have discussed and have agreed on the fair allocation of risk between them. As such, the client agrees, to the fullest extent permitted by law, to limit the liability of the accounting firm to the client for any and all claims, losses, costs, and damages of any nature whatsoever,

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so that the total aggregate liability of the accounting firm to the client shall not exceed the accounting firm's total fee for services rendered under this agreement. The client and the accounting firm intend and agree that this limitation apply to any and all liability or cause of action against the accounting firm, however alleged or arising, unless otherwise prohibited by law. Both parties agree that there is a one-year limitation period to bring a claim against us for errors and omissions. The one-year period will begin upon the date of your signature on this engagement letter.

We appreciate the opportunity to serve you. Please date and sign the enclosed copy of this letter to acknowledge your agreement with and acceptance of your responsibilities and the terms of this engagement. It is our policy to initiate services after we receive the executed engagement letter. If any provision of this agreement is declared invalid or unenforceable, no other provision of this agreement is affected and all other provisions remain in full force and effect. This engagement letter represents the entire agreement regarding the services described herein and supersedes all prior negotiations, proposals, representations or agreements, written or oral, regarding these services. It shall be binding on the heirs, successors and assigns of you and us.

Sincerely,
David E Clampitt, CPA

(Client Business Name)

(Printed Name of Business Officer)
_____ Date _____
(Client Signature)
I (We) have read the above terms of the engagement letter and agree with the terms of this engagement.