

2019 – 2020 Business Services

And

Consultation Agreement For

Suzie Public LLC

The Watson CPA Group is pleased to offer the enclosed proposal for your business services and consultation needs.

What Watson CPA Group Offers

Founded by Tina and Jason Watson in 2007, The Watson CPA Group is not a group of tax preparers or number crunchers- we are tax and business consultants and our firm will take you through the cycles of your personal and business lives. Many accountants are only compliance oriented, and while IRS compliance is critical, being proactive is equally important. Tax planning is our middle name.

Not every business runs the same or has the same needs. We want to ask the appropriate questions, listen, and develop a game plan that works for you. Topics such as entity structure, business coaching, industry research, financial analysis, health insurance, retirement planning, executive fringe benefits, 401k and profit sharing plans, educational assistance programs, health reimbursement arrangements and accountable plans are just some of the areas that define the form and function of today's business. Square pegs don't go in round holes- we'll find the right solution for you and your business.

This service spectrum is an incredible benefit to our clients, including our professional network of knowledgeable CPAs, business advisors, attorneys and certified financial planners. Plus, our firm will be your point of contact as you travel through the cycles of your personal and business lives. While our profession is self-policing, we are not the stuffy downtown firm... we are your advocate!

Moreover, our goal at the Watson CPA Group is to always prepare comprehensive and accurate financial reports, filings and tax returns, but equally important is your understanding of how this stuff "works". To the extent necessary, we want you to be comfortable with your tax and accounting world so together we can successfully plan for your future. We get to peek in for a handful of hours; you live it every day!

We are not salespeople; we are consultants. We are not putting lipstick on a pig expecting you to love it. Our job remains being professionally detached, giving you information and letting you decide.


We see far too many crazy schemes and half-baked ideas from attorneys and wealth managers. In some cases, they are good ideas. In most cases, all the entities, layering and mixed ownership is only the illusion of precision. As Chris Rock says, just because you can drive your car with your feet doesn't make it a good idea. In other words, let's not automatically convert "you can" into "you must."

Thank you in advance for the opportunity to serve you!

If you ever find yourself not getting the service levels you expect or if you want to extend some gratitude to a member of our team, please do not hesitate to contact me directly at jason@watsoncpagroup.com or 719-428-3261. We will always make it right, right away!

Warm Regards,

The Watson CPA Group PLLC



Jason Watson, CPA
Managing Partner

The Value Proposition

Team Approach

We currently have over 25 business professionals including CPAs, EAs and CFPs on our team. This depth is an incredible benefit to our clients, providing excellent resources and peace of mind. We maintain extensive notes and procedures tailored to you and your business.

Corporate Structure Options, Holding Companies

LLCs, partnerships, S Corps, C Corps all have their place. And what works today might not work tomorrow. We project your needs and remain nimble to making improvements to your long-term strategy.

Business Coaching, Advising

We are business minded consultants. We have learned that business owners are excellent at making widgets, but they commonly need help and advice on administering the business and getting the most out of it. We offer an objective perspective.

Industry Research

How does your business compare to others in your industry? We provide graphical representations of your financials as compared to your peers, and compared to yourself historically. Numbers are meaningless without comparison and understanding.

Executive Fringe Benefits

We can help design medical reimbursement plans, employee benefits such as ESOPs, educational assistance programs, 401ks, family assistance, etc. We help you use more of the business resources to provide benefits to you, your family and your staff.

Retirement and Estate Planning

We will coordinate with your financial advisor and estate attorney to ensure a comprehensive strategy is being implemented. Far too often, financial advisors and attorneys do not fully understand the long-term ramifications of today's decisions from the combined wealth building and tax saving perspective.

Exit Strategies, Business Valuation

Businesses are easy to start yet hard to end. Do you need a death, divorce or incapacitation clause with your partners? How do you sell internally? When do you sell? Continuity is important for business owners' long-term wealth building and preservation.

Income Modeling, Estimated Payments, Planning

We will model different income scenarios based on possible tax moves, retirement planning, projected business profits and your yearly goals. This also includes modifying estimated tax payments to help with budgeting. We create mock tax returns throughout the year for review.

Audit Guidance, Representation

We stand by you, and vigorously defend your position during all audits and representations. Our staff has long professional relationships with local IRS and state revenue agents. Being able to resolve issues and discrepancies quickly is a superior benefit to you.

Your Advisor Team

What a good looking bunch!



Tina Watson, CPA, CFP
Senior Partner



Jason Watson, CPA
Managing Partner



Sally Rhoades, CPA, CFP
Partner



Michelle Day, EA, CFE
Tax Manager



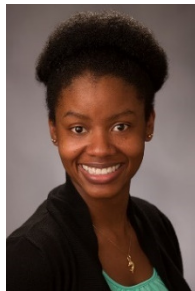
Sarah Hintz, CPA
Tax Manager



Rachael Weber, CPA
Tax Manager



Terry Bryan, CPA
Tax Senior



Marchyll Jones
Tax Senior



Joseph Bassett
Staff Accountant



Amanda Rowles
Business Development



Brian Baum, CPA
Business Development



Latesha Carter
Business Development



Stephanie Torgerson, EA
Payroll Manager



Lauren Huitt
Payroll Assistant

Other team members include Amy Cooley, Cherri Hazlett, Christi Norman, Colleen Kern, CPA, Emily Roberts, Jennifer Brady, Jerrod Aud, Jodi Protsik, Karen Pleshek, Lana Rollins, Nina Grant, Roberta Bertrand, EA, Santiago Norte, EA, Shawn Jolley and Shawntelle Taylor, EA.

How is an Enrolled Agent different than a Certified Public Accountant? Good question! Check out our blog post on it-

www.wcgurl.com/ea

Ideal Client Relationships

Since our client interactions are about relationships, the Watson CPA Group has a short list of expectations from our clients. We do not believe in the adage that the customer is always right. Sorry. This might seem harsh, but we have several good clients who are paying us to keep bad clients out of the fortress so we may leverage our resources correctly.

Sense of Urgency

We expect clients to have a sense of urgency. As Tina Watson, founder of the Watson CPA Group, says, “We hope you value your business as much as we value your business.” In other words, we need clients to carve out time for us so we may do the job you’ve hired us to do. It doesn’t make any sense to hire a housekeeper but not provide access to the house.

Collaborative Perspective

Our relationship isn’t a drive-thru transaction. We want to work together on understanding your business, tax and financial worlds. Sure, we have several clients who provide beautiful financial statements and we produce equally beautiful tax returns. At the same time, we prefer to review the financial statements, poke around a bit, ask some questions and collaborate with you to ensure the best advice is being offered and the best tax return is being prepared.

Open Communication

We want you to be open and honest with us. We don’t like playing hide the ball or some silly guessing game. Accountants unfortunately do not have the same client privileges as attorneys, doctors and clergy enjoy. However, we’d rather have you tell us the truth in plain language so there is no confusion.

Human Compassion

We are not machines. We are human beings who from time to time make mistakes and have bad days. While one of our favorite phrases is “We are all actors on a stage. We do not have bad days.” we expect the same compassion from you that we offer to you. The Golden Rule comes to mind.

Trust and Verify

A lot of clients want to understand how things work. This is great, and we love teaching the basics. We truly do. However, please understand that a newbie CPA spent 6-7 years just to become a CPA and it is difficult to reduce all that knowledge into a singular conversation. We hope that our clients can get to a point where they trust the professionals they hire, and they verify the work product.

Fiscal Responsibility

Taxes are a way of life. We are not interested in doing business with clients who do not believe in paying taxes or who do not have the fiscal responsibility to pay taxes. Yes, we want to minimize taxes. No kidding. It is your duty as an American citizen to pay the least amount of taxes allowed by law, and we will help you do that. At the same time, Franklin D. Roosevelt said in 1936, “Taxes, after all, are the dues that we pay for the privileges of membership in an organized society.”

Of the G20 countries, only South Korea, India, Mexico, Turkey, Canada, Indonesia, Brazil and Russia have lower personal income tax rates. We live in a great country. Pay your dues. Just not a penny more.

2019 Services

Formation

- Articles of Organization or Incorporation, Certificate (\$425)
- State Filing Fee of \$50
- Employer Identification Number (included)
- Single Member Operating Agreement (included)
- MS Word Templated By-Laws Agreement (included)
- S Corp Election, Timely Election, Corporate Minutes for Adoption (included)
- Accountable Plan, Corporate Minutes for Adoption (included)

Formation Fee (one-time) \$475

OnBoarding

- Payroll Accounts Setup for Q1 (\$300)
- Unlimited HR Help Desk Access thru ADP (included)
- Examine Prior Year Tax Returns, Discuss During Initial Business Review (included)

OnBoarding Fee (one-time) \$300

Retroactive Services

None

Retroactive Services Fee (one-time) \$0

Total One Time Fees \$775

2019-2020 Subscription Services

S Corp Packages (customizable)

	Aspen	Vail	Breck
S Corp Reasonable Salary Calculation (RCReports)	Yes	Yes	Yes
Section 199A QBI Tax Optimization	Yes	Yes	Yes
S Corp Payroll Filings and Deposits	Yes	Yes	
Annual Payroll Processing (W2s, other filings, up to five 1099's)	Yes	Yes	
2019 S Corporation Tax Prep (Form 1120S)	Yes	Yes	Yes
2019 Individual Tax Prep (Form 1040), One Owner	Yes		Yes
Estimated Tax Payments (done thru payroll or directly by us)	Yes	Yes	Yes
2019 Tax Planning, Tax Projection Worksheets	Yes	Yes	Yes
Unlimited Consultation and Periodic Business Reviews (PBR)	Yes	Yes	Yes
First Research Industry Reports	Yes	Yes	Yes
Small Business Tax Deductions Optimization	Yes	Yes	Yes
IRS Audit Defense	Yes		Yes
2019 Annual Fee	\$2,940	\$2,700	\$2,640
2019 Monthly Fee	\$245	\$225	\$220
2020 Annual Fee	\$2,940	\$2,700	\$2,640
2020 Monthly Fee	\$245	\$225	\$220

Accounting / Bookkeeping (consult only)

Monthly Fee (starting January 1 2019)	\$245
Monthly Fee (starting January 1 2020)	\$245

Services Not Included Disclosure

Unlimited consultation is based on providing consultation, advice and planning on common issues for business owners. However, there might be an occasional issue that we consider to be out of scope. **Out of scope services include but are not limited to-**

- ▲ handling IRS or state notices for matters that the Watson CPA Group was not originally engaged to perform,
- ▲ payroll audits outside of workers' compensation,
- ▲ verification letters for mortgage loans,
- ▲ postage and delivery beyond simple letters,
- ▲ financial planning or investment advice,
- ▲ specific research on uncommon or irregular tax matters extending beyond one hour, and
- ▲ new employee setups, terminations, employment verifications, mailing W-2s, correcting 1099s.

We don't always charge for these services. For example, adding a new employee is a normal business activity and we usually do so at no charge. However, buying another business and adding 100 employees would incur an additional fee. We apologize for the grey area.

If we believe the requested service is outside of scope and not included in the unlimited consultation service, we will have that awkward conversation with you ahead of time so an agreement can be made. We will never do work and then bill you without an estimate of time from us and approval from you. Please refer to current fee schedule here-

www.watsoncpagroup.com/fee

A retainer of 60% of the estimate might be required prior to work being started. All services will be invoiced with detailed descriptions, and applied against the retainer amount. A separate engagement agreement might be necessary depending on the complexity of the project.

The following are out of scope services that we do not perform-

- ▲ property tax filings, sales and use tax filings, excise tax filings,
- ▲ bookkeeping, bank reconciliations, repairing or rebuilding accounting records, and
- ▲ audits, reviews or compilations, or preparation of financial statements for any purpose.

For referrals to trusted professionals who can provide these services please use this link-

www.wcgurl.com/9500

By initialing, you acknowledge the **Services Not Included Disclosure** above _____

Tax Return Preparation Disclosures

To avoid confusion and awkward business relationships, we need to make some disclosures regarding tax preparation fees.

Flat Fees

We attempt to provide a flat fee for tax return preparation and we make every attempt to maintain the fees above. However, about 10% of our small business owners have tax returns that are outside the usual complexity, and require significant additional tax preparation time. Examples include-

- ▲ Multiple rental properties
- ▲ 1031 like-kind exchanges (Form 8824)
- ▲ Brokerage accounts with several transactions
- ▲ Day trader status, mark to market election
- ▲ Crypto currency mining, cost basis calcs
- ▲ Multiple states, state income apportionment
- ▲ Change in accounting method (Form 3115)
- ▲ Several K-1 entries and dispositions
- ▲ Property sales, dispositions
- ▲ FBAR, FATCA (Form 8938) submittals
- ▲ Foreign ownership (Forms 5471 and 5472)
- ▲ Foreign documents translation

If this situation exists we will provide a separate additional fee for the completion of your tax returns (again, we'll be gentle). **We will advise you prior to tax return preparation so there are no surprises.** We encourage you to provide the previous year's tax returns for review and quotation if you believe you might be subject to additional fees.

Bookkeeping

We expect to perform 2-3 hours of accounting / bookkeeping support within the tax preparation process such as re-working profit and loss statements, reconstructing balance sheets, reconciling payroll entries and preparing adjusting journal entries (if necessary and appropriate). This is already included in the fees above. If additional accounting / bookkeeping is necessary to adjust your books to an acceptable level of format and accuracy our hourly fee is \$90.

Engagement Agreements

In addition to this Business Services proposal, we will require separate Engagement Agreements to be reviewed, signed and returned to us prior to tax return preparation. This complies with the IRS's and the American Institute of CPAs' professional requirements. Since our proposals are enduring and tax return engagement terms change annually, such as cutoff dates, Engagement Agreements will be requested annually.

By initialing, you acknowledge the **Tax Return Preparation Disclosures** above

(initials)

Payroll Fees Disclosures

The fees paid to us include the payroll processing fees charged by ADP. In other words, you are not charged separately by ADP for normal payroll processing. However, if payroll tax filing amendments are required for reasons that are not Watson CPA Group's error, separate fees will be charged. For example, you inform us to deduct 401k contributions from your pay check, but later want to unravel this because of a change in cash flow or investment strategy. Payroll tax filing amendment can easily exceed \$500 per quarter.

If your payroll ACH is returned for non-sufficient funds (NSF) for reasons that are not Watson CPA Group's error, there is a \$250 fee for coordinating wiring instructions with ADP. Two NSFs in one year or non-compliance with wiring instructions should they be required could result in payroll termination by ADP.

By initialing, you acknowledge the **Payroll Fee Disclosure** above

(initials)

Tax Notices Disclosures

From time to time you might receive a tax notice from the IRS, state or local taxing authority. These are never pleasant. Further, it is a common misconception that the government and their respective employees are never wrong. However, their systems are run by human beings, and while we like to believe that the best and brightest people are employed with our government, sadly they are like anyone else. To make matters worse, these notices might contain threatening language and are routinely delivered after business hours.

Here is what we kindly encourage you to do when a tax notice arrives-

- ▲ Briefly freak out.
- ▲ Understand that the government is fallible relying on humans to push buttons and pull levers.
- ▲ Send a copy (all pages, front and back) to our office via your client portal.
- ▲ Rest assured that the notice is being handled.

Here is what we will do-

- ▲ Let you know we received it.
- ▲ Advise you of the timeline for resolution. It is common for taxing authorities to take 8-10 weeks to resolve the matter. Meanwhile the computer system escalates the problem and churns out more threatening letters. Please send a copy of these “crossed in the mail” notices as well.
- ▲ If the notice is an income tax matter or some matter that is within our purview we might need a Power of Attorney to contact the taxing authority.
- ▲ If the notice is payroll related, we will forward to ADP, our payroll processor, and monitor their progress.
- ▲ If we send any correspondence on your behalf, we will always let you know and provide a copy in your client portal.
- ▲ We will never make decisions on your behalf without your approval.

Critical- please do not respond directly to the notice nor send payments without our explicit instructions. We cannot have two cooks in the kitchen.

Please understand that we will always make it right, right away. Penalties and interest will be our responsibility if our action or omission is the cause of the tax deficiency.

By initialing, you acknowledge the **Tax Notices Disclosures** above

(initials)

2019-2020 Schedule Disclosures

We want you to focus on operating your business and not spend as much time administering your business. At the same time, there are hard and soft deadlines. We are at the mercy of government agencies and we must march to the beat of their drum. In addition, we want to manage your expectations.

The following schedule shows payroll events (for shareholder only payroll) and tax preparation deadlines, plus our tax planning and periodic business reviews (PBRs). **Critical information and deadlines are shown in red.** Regardless of our scope of engagement, please review for pertinent information. We will also send out reminders throughout the year.

Please use this link to review the 2019-2020 schedule-

www.wcgurl.com/33

By initialing, you acknowledge the **Schedule Disclosures** above

(initials)

Payment, ACH Drafting

Payment for our services will be automatically be debited from your checking account or charged to a credit card. Please rest assured that if you have a question about our fee or need to cancel our engagement, you can do so at any time. No phone menus. No hold times. No strong-arming. We also understand that auto-drafts pose a security risk to your money. We have the same concerns as well which is why we only use PaySimple as our ACH and credit card processor. We've used them for nearly a decade, and their internal controls are excellent.

- ▲ Monthly Fee Starting January 2019 **\$245**
- ▲ Monthly Fee Starting January 2020 **\$245**

An email will be sent 5 days prior to the automatic payment. If you need to make other payment arrangements, please let us know right away- we can always work with you on fluctuating cash crunches.

Payment Authorization

For your protection, this is not fillable. Please complete, and either fax to us or upload / scan to your portal. Or, you can complete this verbally with Amanda or Latesha at 719-302-8681 (direct).

Business Name _____

Address _____

City, State Zip _____

Phone _____

Payment

Email Receipt? YES NO Email _____

Amount to Pay _____ Invoices _____

Credit Card

Card Number _____

Expiration _____ CID _____ Billing Zip _____

Make this **credit card** my primary payment method for recurring payments: YES NO

Bank Info

Name of Bank _____ Checking Savings

Routing Number _____ Account Number _____

Make this **bank draft** my primary payment method for recurring payments: YES NO

By initialing, you authorize Watson CPA Group to automatically debit your business checking account or charge your credit card for our monthly fee (all other charges, if any, will always be approved by you on a case by case basis- this authorization is only for our monthly fee)

(initials)

Agreement Review, Modification, Termination

This proposal is subject to periodic reviews every 90 days, and at that time fees might be adjusted to reflect a new scope of work. For example, if additional accounts have been added or removed such as a credit card account, that might warrant a fee adjustment. Also, from time to time we will update our terms and conditions, and send those to you separately.

You may cancel our service at any time. Any fees collected that were attributed to pre-paid tax preparation will be refunded at 75% (unless we prepare them post-termination). Mid-period cancellations still require payroll forms to be prepared and filed. We will work with you on the transition, and additional fees associated with payroll filings might be incurred. In addition, upon termination of payroll service you will be responsible for year-end processing, and annual payroll filings such as W-3s, 940s, etc.

We will always assist in the transfer of payroll service to another provider, preparing year-end and annual filings, and / or termination of payroll service).

Client Communication and Access

Effective communication between the Watson CPA Group and the client is absolutely critical to everyone's success. Our agreement to provide tax, accounting, payroll and / or consultation services is predicated on efficient access to the client's financial records and documentation. We also rely on the client to be responsive to questions about the information provided.

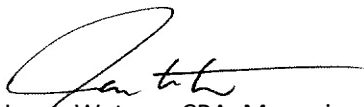
Please call or email us anytime with your questions and concerns, or to schedule a consultation. Thank you in advance, and we look forward to working with you!

Presented by the Watson CPA Group:



Tina Watson, CPA, Senior Partner

Dated : **July 24, 2019**



Jason Watson, CPA, Managing Partner

Dated : **July 24, 2019**

Accepted by Suzie Public for Suzie Public LLC:

Client Signature

Dated : **July 24, 2019**

Formation, OnBoarding Supplement

The Watson CPA Group will prepare the necessary filings on your behalf for the creation of your small business. We can represent this process in all fifty states plus the District of Columbia.

Typically, Articles of Organization or Incorporation (or Certificate of Formation) and an Employer Identification Number (EIN), and at certain times an Operating Agreement, are required to open a new business checking account. When choosing a business bank, please consider those that have accountant's logins which provides read-only access.

If you cannot act as your own registered agent because you do not live in the same state where your business is domiciled, then a third party registered agent is typically required. We can refer you to registered agents in all states.

S Corp Elections

S Corp election on Form 2553 is typically required within 75 days of business formation or the start of the fiscal year (January 1 typically), however there are provisions for a late filing and we take care of this. For new businesses with uncertain revenue, our advice is to typically wait on the S Corp election until later in the year to ensure that it is necessary.

Accountable Plans

Accountable Plans are required for all self-employed health insurance and Health Savings Accounts (HSAs), including S Corp shareholders. All mixed use items such as home offices, cell phones, mileage, meals, etc. are reimbursed through an Accountable Plan. We also provide reimbursement vouchers and instructions. Please visit our webpage on Accountable Plans-

www.watsoncpagroup.com/APlan

Education Assistance Programs, HRAs, self-administered FSAs including dependent care and other benefits might warrant more discussion.

Prior Year Tax Returns Examinations

As part of the tax return preparation transition (if we are engaged to do so), we will examine your prior tax returns for obvious errors or omissions. A wonderful example is incorrect depreciation schedules on fixed assets such as real estate. Another example is the incorrect handling of self-employed health insurance premiums and HSAs. If the situation is a material problem, we will present the information to you along with possible action plans.

Prior year tax return examinations are primarily designed to ensure we are continuing good accounting practices since many tax returns are "linked" together year after year. These examinations are not audits or reviews as defined by the accounting profession; additionally, we cannot provide assurance that the tax returns were prepared correctly including income reporting and expense deductions. We can re-create your tax returns as if we were preparing them, but additional fees will apply.

Operating Agreements

We are not a law firm nor are we allowed to practice law to the extent of representing your rights beyond tax matters. All multi-member LLCs, partnerships, corporations and entities with multiple owners should have an agreement such as an Operating Agreement, a Partnership Agreement, a Shareholder Agreement, By-Laws and other legal documents protecting the rights of all interested parties. As such, we encourage you to seek legal advice if this situation applies to you or your entity.

Payroll Supplement (if engaged)

The Watson CPA Group has partnered with ADP to provide the best possible service to you, and to ensure regulatory compliance. ADP is merely the computation and filing arm of the payroll process. Your first and last call is the Watson CPA Group.

ADP is a double edged-sword. They are excellent at what they do, they defend their payroll tax filings and they provide online access for you to directly view and retrieve payroll documents (which are also uploaded into your client portal). If our engagement is terminated, you can also easily transfer the historical payroll information to your personal account for future processing.

However, ADP is a huge company with rigid rules and deadlines. Please be aware that missing hard deadlines as outlined previously will incur additional fees for amendments.

Setup, Transfer

We will setup all Federal withholding and unemployment accounts, and State withholding, unemployment and disability account numbers (if required). Any local taxes are also included. A Limited Power of Attorney (POA) will be required for us to apply and obtain the State account numbers (we make this easy).

We will also transfer any existing payroll accounts if appropriate. Therefore, only one W-2 will be required per employee, and all payroll filings will be updated to reflect prior deposits and payments.

With our payroll service, you also get unlimited access to our HR help desk. Have a question on Affordable Care Act or overtime rules? Full-time equivalents?

Calculations, Deposits

Payroll calculations and paystub are created for all employees. All paychecks will be direct deposited. Automatic deposits of all tax liabilities are made on your behalf, with the Watson CPA Group assuming full responsibility for accuracy and timeliness. We can also mix and match for those employees without checking accounts by direct depositing some and creating paper checks for others.

We will provide cash requirements for payroll and payroll tax deposits the day prior.

Shareholder Wages, \$0 Check (S Corp Owners)

Periodic consultation with shareholders is provided to determine proper tax withholdings through wages and estimated tax payments. This is commonly done in the beginning of March, June, September and December. Our common strategy is to calculate Q1 and Q2 payroll in advance, use Q3 as a true-up for changes in income and Q4 as a clean-up for the entire year.

We use the backward looking approach and reclassify a portion of prior shareholder distributions and owner draws as wages. Therefore, you do not need to wait for payroll to get money out of the business for personal expenses.

We also create a \$0 check, so you only need enough cash to cover withholdings and payroll taxes. We can coordinate with you on cash flow concerns, and let you know 1-2 weeks in advance what the cash requirements are.

Your W-2 withholdings will be grossed up to plan for your K-1 income and associated income taxes by using your previous tax returns coupled with your projected business income and tax projection worksheets (when

appropriate). This replaces the need for estimated tax payments. This is always our goal- compartmentalize your business and help you budget for the income tax consequence throughout the year.

If you want more or less taxes withheld, please let us know. If you have major life events such as new home, new baby, marriage, divorce, changes in income, etc., please let us know so we can accommodate. We will also need to know about other income sources such as spousal income or pension income to accurately project your tax liability throughout the year.

For more information on shareholder wage determination, \$0 paycheck, increased withholdings, etc. contact us or visit our KB articles at-

www.watsoncpagroup.com/scorp

Payroll Reports, Year-End

Payroll reports and journal entries (if necessary) are provided to you in PDF through the Client Portal. All W-2s are mailed directly to the recipients, and are also made available to you in PDF for review and re-delivery (if necessary).

Termination Checks

If a termination check is required, we can calculate the net-check amount so you can issue an immediate check to the terminated employee. We will then incorporate this unscheduled payroll event in the payroll records. This can also be performed through direct deposit if necessary.

Payroll, Processing Lead Times

All payroll information, timecards, hours, bonuses, etc. must be received by 11:00AM Mountain time two days prior to the check date. For example, for a Friday check date, all pertinent payroll information must be received by 11:00AM on Wednesday.

For our S Corp clients who are running quarterly payroll for shareholders, please understand that payroll is typically a year-long commitment. There are quarterly filings and annual filings. If a single quarterly filing is prepared and submitted, that automatically triggers a requirement for annual (year-end) filings to be prepared and submitted. See Termination above for transitional considerations.

Late S Corp Payroll

If a scheduled quarterly S Corp payroll event must be completed manually because of a client delay in returning information or approval to us, there will be additional fees for amending and / or manually preparing payroll filings.

Consultation Only Engagement

If we have engaged with you to provide only consultation for your payroll needs, our service to you is limited. The Watson CPA Group will assist you in processing payroll, making payroll deposits and filing payroll tax returns in a general manner. We cannot prepare or review payroll filings. We cannot contact revenue and employment agencies on your behalf. Our scope is limited to providing general advice in the area of payroll. However, we can provide additional payroll services if necessary.

Reasonable Salary Calculations (Using RCReports)

Recently we have started using RCReports or Reasonable Compensation Reports which is a consulting firm out of Denver, Colorado. They send out a survey to you which asks a bunch of questions about qualifications, time

spent on various tasks, regional data, etc. From there, and in their words, “RCReports synthesizes a proprietary blend of IRS criteria, Court Rulings, geographic data and our EXCLUSIVE database of wages to accurately assess Reasonable Compensation for S Corp, Small & Closely Held Business Owners.”

You can view a sample here-

www.wcgroup.com/8257

This is included in all our S corporation packages.

Accounting Supplement (consulting or checkup only)

Accounting is more than memorializing transactions for a small business. It is the consultation behind the information to allow owners to manage his/her business. We have engaged with you to provide only consultation or checkup for your accounting needs, therefore our service to you is limited. The Watson CPA Group will assist you in categorizing business transactions, providing journal entries and answering financial statement questions **in a general manner**. We cannot Audit or Review financial statements as defined by the AICPA. We cannot review or rebuild QuickBooks data files. Our checkup only engagement is used when there are specific financial statement checkups on a recurring basis. This engagement digs deeper into the accounting entries to ask questions and spot concerns; it is also not a Review or Audit.

Our scope is limited to providing general advice in the area of accounting. However, we can provide additional accounting services if necessary through our third party accounting / bookkeeping providers.

Annual Payroll Processing Supplement (if engaged)

The Watson CPA Group will perform these annual processing functions-

- ▲ Annual W2 Filings, Mailed and PDF
- ▲ Annual 1099s, 1-5, Mailed and PDF (\$15 each for quantities above 5)
- ▲ Annual Workers’ Comp Audit Assistance

1099s

1099s are required to be issued to any vendor who is not a corporation and who exceeds \$600 in payments. A W-9 is typically required by our office to ensure proper reporting, but we can work with you on those compliance issues. When we prepare 1099s for your vendors, we perform the electronic transmittal to the IRS and mail the forms directly to the vendor. Up to five 1099s are included in your annual fee.

Tax Returns Supplement (if engaged)

Corporate Tax Return

Our corporate and partnership tax preparation includes comprehensive tax return review with you in-person, by telephone, Join.Me Meeting or Skype. We believe a thorough review is important for two reasons- it ensures ultimate accuracy since the business owner is the most intimate with his/her world, and it allows the Watson CPA Group to educate and inform the client of the moving parts of a tax return.

We also prepare year-end journal entries to ensure accounting records match tax returns.

Individual Tax Return

The monthly fee might also include individual tax return preparation for each partner or shareholder depending on our engagement. We believe the best results are achieved when the Watson CPA Group has all the pieces to the tax preparation puzzle. This allows us to create tax models to ensure your tax consequence is accurate.

2019 Tax Planning, Tax Projection Worksheets

Tax planning is critical to long-term financial success. Do you buy a piece of equipment on December 31 or January 1? Do you defer income? Do you defer income taxes? Should I put my spouse on payroll? My kids?

Business owners commonly sacrifice long-term success for short-term gains, and we'll explore that with you. Here is our end of year tax planning supplement-

www.watsoncpagroup.com/EOY

Basic tax planning considerations can also be piqued with our Periodic Business Review agenda-

www.watsoncpagroup.com/PBR

Tax projection worksheets (TPWs) are excellent since they compare 2019 to 2018 in a side-by-side comparison including tax liabilities, withholdings and estimated tax payments. These TPWs allow us to put you in a tax neutral position using projected income and expenses, plus factoring in all the household income, deductions and credits. TPWs are essentially a mock tax return for both the IRS and your state(s).

TPWs for 2019 are a matter of course with the preparation of your 2018 tax returns. Our tax software will automatically generate these making assumptions based on 2018.

In July and August, we will tweak these "auto" TPWs after obtaining updated business income and expenses from you. If you don't supply us with updated information including self-prepared tax returns and other income sources, then we cannot update your TPW. We will make one more correction in October or November if there is a greater than 10% change in net business income after expenses. **Please keep in mind that TPWs are estimates and do not require NASA precision.** Having us add another \$500 in estimated charitable donations does not move the needle.

Note: No TPWs are completed or updated in December unless you are a new client late in the year and require Officer Compensation to be calculated including tax planning. See page 6 for more information.

Consultation Supplement

Many clients want or need periodic consultation beyond the transactional relationship. Our monthly fee structure allows for consultation throughout the year.

Periodic Business Review (PBR)

Since many business owners are busy, we are pro-active and schedule Periodic Business Reviews at a mutually convenient time.

These sessions are designed to explore various business questions and concerns through our comprehensive fact finder questionnaire. Our goal is for you to leverage more out of your business by understanding entity

structures, business expense deductions and other considerations such as automobiles, home offices, children on payroll, etc. It also includes extensive income modeling, and annual retirement and financial planning review.

Here is our agenda-

www.watsoncpagroup.com/PBR

Unlimited Consultation

As things change or decisions come up, we want to provide you access to excellent consultation and planning resources. Many seemingly innocent ideas and decisions can have negative tax and accounting consequences, or adversely impact the operation of your business. With your subscription you will have unlimited business consultation allowing you unfettered access to advice.

Please refer to the Services Not Included Disclosure earlier in the proposal for limitations on the Unlimited Consultation component.

Financial Analysis

Business owners commonly try to use financial reports as a tool to manage his or her business. While this can be useful, there might be other data presentations that are more timely and more accurate from an operational perspective. We can help develop systems where data and information are presented in ways that are meaningful and value adding to operational decisions.

For a sample please visit-

www.wcgurl.com/12

Industry Research

Our consultation also includes industry research through First Research, Risk Management Association (RMA) and National Economic Reports. How do you compare to your peers? What is the forecasted growth for your industry? We can provide this information to you as well.

Business Valuation

Jason Watson is also a Certified Valuator and Analyst (CVA). If you need a business valuation for selling, employee stock ownership plans, dissolution of marriage (divorce) or economic damages, we can help provide valuations as necessary.

Audit Defense Supplement

IRS examinations of tax returns are a way of life, and defending them can be costly. With our audit defense we will defend your federal corporate and individual income tax returns, transfer the case to our local Colorado Springs IRS office, and schedule and attend all audit appointments. Your physical presence is not required.

There are limitations to our audit defense service. This service only applies to income tax returns that the Watson CPA Group prepared, and we cannot guarantee an outcome or a level of success. Most clients lose audits due to incomplete records or documentation. We will represent you in all levels of IRS audit except tax court up to 6 hours per year as long as you are a current subscription client of the Watson CPA Group. Most audits can be completed in two 2 ½ - hour sessions.