

Accounting Services Bureau, Inc.

IRS FORM 1099s
Non-Bookkeeping Clients Policy and Engagement Letter

Dear Client:

Issuing 1099s is an annual chore whose deadline is fast approaching.

I have written this letter for all of our Non-Bookkeeping clients in an effort to clarify our engagement, each other's expectations and to document my files as to our agreement on how my firm will process 1099s from now on.

I respectfully request that you read this letter carefully and respond as soon as possible.

If you are not interested in reading and responding to this letter, please know that, we are not the accounting firm for you and please make other arrangements.

Why so tough? Our liability.

The easiest way for me to protect my firm is to have one 1099 policy for all clients, even if their records are pristine!

I am concerned that in our dealings with bookkeepers, secretaries and managers - who have no legal responsibilities – that we sometimes fail to communicate with the owner or officers, whom are ultimately the ones held responsible. The biggest excuse that we hear during audits is that either management does not support staff's attempts to comply or the owner assumes that their staff is handling this properly!

Why so tough now? Does 28% of a missed 1099 plus penalties concern you?

This is a real possibility. I am hearing more chatter on accounting blogs of audits going bad.

The IRS states if a vendor refuses to give you a W9 with their ID on it, you are required to withhold 28%.

The IRS may access this 28% against the company if found in an audit. The #1 problem is that companies are not diligent in collecting W9s BEFORE the vendor is paid. At this point, there is no leverage! Best practice is to hold the payment until you receive the W9. Otherwise, you may not be able to get it later.

1099 or W2?

In addition to the Feds increasing noncompliance audits, you have to worry about your local Department of Labor. The GA DOL is slowly auditing everyone. So it isn't "if" you get audited, it is "when." In the past year alone, my small firm has endured many client audits. In addition to the auditor requesting to see the vendor W9s, which we know is only a document that informs us of the contractor's tax status and EIN#, these auditors are requesting proof that the vendor could be paid via a W9/1099 and not on a W2 in the first place! Be prepared to defend you position.

Additional WARNING: It is all over the news that the Federal government is after the big bad employers. The back of the 1099 clearly states that the payer considers the recipient self-employed and if this is not correct, they should file a form to report the company. If the recipient does not want to pay self-employment taxes, they WILL turn you in. Your defense should be a contractor agreement and invoices in addition to a signed W9.

As a Non-Bookkeeping client, we do not have access to your vendor files, invoices or contracts. You are aware that it is YOUR company's responsibility to gather the information required and retain proper receipts and other documents in your office. We can only advise clients on what they should do to keep in compliance. We have done this for years by assisting clients verbally, with past annual letters and past reminders that this information is available on our web site.

Accounting Services Bureau, Inc.

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The rules, regulations and deadlines surrounding IRS Forms 1099 and the issue of employees vs. subcontractors are a huge burden for small companies and not always fully understood or complied with despite all our best efforts.

Some clients seem to dismiss 1099 procedures as unimportant and/or too expensive to deal with, when the reality is, non-compliance is EXPENSIVE!! We know that most of our clients value our advice and we trust them, but periodically, we encounter companies who 1) Choose not to be diligent in collecting and entering signed W9s and maintaining vendor files with contracts, and 2) Companies paying vendors who should receive paychecks. Worse, they wait until after year-end to deal with missing W9s, forgetting how time consuming it is.

Our policy, for all clients, is that **Accounting Services Bureau, Inc. will no longer simply print 1099s for companies that handle their own QuickBooks and accounting. We will only prepare your 1099's if retained to review and verify your QuickBooks vendor files and test for missing W9 information.**

This review may or may not result in an increase of prior fees, especially if we normally review your in-house QuickBooks file. We will inform you of missing information and wait until you obtain this missing information before we produce your 1099s. We also require that you agree to relieve Accounting Services Bureau, Inc. of all and any responsibility for unfiled or missing 1099s.

Please 1) initial this page, 2) complete, 3) sign and date the bottom of page 3, and 4) fax or scan/Email all pages back to us as soon as possible.

If you choose not to retain us to produce your 1099s, please know that if we can help you in the future, please do not hesitate to call.

Remember too, that you have the ability to print your own 1099s in QuickBooks using purchased forms (Intuit, sells 10 1099s for \$63) or their new online service where you can create, E-File, and print your own 1099s for around \$25-\$39.

THANK YOU!

Sincerely,



Sara Laidlaw
President

OWNER INITIAL _____

Accounting Services Bureau, Inc.

Sara@asbinc.net

1099-MISC Client Indemnification/Engagement Form

I hereby acknowledge that Accounting Services Bureau, Inc. (ASB) has properly communicated and informed me of my Company's obligation to file Miscellaneous Information Returns, forms 1096 and 1099, for the calendar **year** _____.

No, I do not need ASB to prepare our form 1099s this year.

I, being the owner, officer and/or director of this company have instructed ASB not to prepare 1099s on our behalf, as we have no 1009s to file this year, or we have made other arrangements. I further acknowledge if there are any future repercussions relating to the non-filing of these returns, my company will not imply blame or seek damages from Accounting Services Bureau, Inc. for any fines or penalties that my company may be obligated to pay.

Yes! I would like ASB to process my company's form 1099s.

ASB will review our QuickBooks vendor files, test for missing W9s and correct any improperly set up vendors. ASB will provide my company with a list of missing information and we will obtain this information before ASB prepares the 1099's. I further acknowledge if we fail to obtain missing information and choose not to produce certain 1099s, and there are any future repercussions relating to the non-filing of these returns, my company will not imply blame or seek damages from Accounting Services Bureau, Inc. for any fines or penalties that my company may be obligated to pay.

I further acknowledge that Accounting Services Bureau, Inc. will not complete the 1099s unless:

- 1) This form has been signed and returned.
- 2) The data is reviewed and is complete prior January 20th.

QuickBooks File: We will make an appointment for ASB staff to dial in and work with us and our data online. After the December bank reconciliations are complete and there are no old, stale vendor checks in the file.

Or we are confident that no changes need to be made and ASB can test a back up file.

We will send ASB a Portable Backup of the QuickBooks file. (Online client portal available.)
QuickBooks Version # _____ Password _____

1099 Processing Fees Schedule

Preparation of 1099s and client file copies. Filing IRS copies electronically by 3/31	\$35 plus \$2 ea
QuickBooks vendor data review, min 1 hour (May be included in payroll/financial reviews)	\$75 Hr
Mail delivery of 1099s to client and optional mailing of recipient copies	Actual Postage
Assistance with IRS or Department of Labor audits	\$75 Hr

I accept these terms and will provide access to our data as soon as possible.

Company Name _____

Signed _____ Title _____ Date _____