Note: This agreement is an example provided to help support our customers and their business. It should not be considered legal advice. The language is designed as basic agreement for auditing services and may not cover the specific needs of your business or the relationship. Please consult a local attorney to ensure you have an agreement that complies with your jurisdiction and specific needs.

[Client Name]
[Client Address]
[Client Address]

[Date]

[Name]
[Your Company Address]
[Your Company Address]

Dear [Client],

The IRS requires business owners to file a Form 1099-NEC by January 31, 2024, for every individual or non-corporate LLC that you paid $600 or more in 2023 for nonemployee compensation. It’s critically important to meet these requirements, as late filings could result in penalties from $60-$310 per return, depending on the delay – with penalties as high as $630 per return (with no maximum) for intentional disregard to file.

Regarding these 1099 filings, it’s not uncommon to encounter contractors who don’t provide all the necessary details. To prevent this from happening, request that every contractor fill out a W-9 *prior* to you issuing any payments.

Beyond that, we want to help you prepare for the upcoming deadline and avoid potential complications or penalties. Please read this letter carefully so you know what to expect from our firm, the terms of our agreement and any limitations with our services.

* We will prepare your 2023 1099-NEC forms solely from the information you provide (without independent verification), so you must ensure that information is complete and accurate.
* If you have forms or payees other than those specifically listed, we will not prepare those forms unless requested by you, in writing, in a separate engagement letter. In the absence of written communication from us documenting additional services, our services will be limited to and governed by the terms of this engagement letter.
* For the timely filing of your 2023 1099-NEC forms, you must provide, in writing, a complete list of payees on or before [YOUR DEADLINE]. For each payee, we need: payee name, payee address, payee federal ID number (obtained by you on Form W-9), amount paid to non-employee during 2023.
* If you’re in doubt whether to issue a 1099-NEC, it’s a best practice to proceed with one.
* Our fee to prepare 1099-NEC forms solely for the payees listed in writing is the standard hourly billing rate of [$XX].
* It is your responsibility to maintain the records, forms, documentation, Forms W-9 and copies needed to file your 2023 1099-NEC forms.
* It is our policy to keep records related to this agreement for three years, after which they are destroyed. We do not keep any original client records, however, so we will return those after services are rendered. When records are returned to you, it is your responsibility to retain them for three years for potential future use, including examination by any government or regulatory agencies.
* In recognition of the relative risks and benefits of this agreement to both the client and the accounting firm, we have discussed and 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 claims, losses, costs and damages, so the 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 applies 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 to a one-year limitation period for any claim of errors or omissions. This one-year period begins on the date of [YOUR NAME] signature on the tax returns covered by this engagement letter.

We appreciate the opportunity to serve you. Please date, sign and return this engagement letter to acknowledge agreement of your responsibilities and applicable terms. We will initiate services after we receive the signed engagement letter.

Sincerely,

Name
Your Company Address
Your Company

Address