

Hot Issues for C Corporations

During the recent tax season we noted a predominant area for C Corporations that have been improperly treated and should be addressed.

Proper Treatment of Shareholder Loans and Advances

Shareholder advances or loans to shareholders that are on the books at year-end are subject to recharacterization by the IRS as dividend distributions. As such, there should be no shareholder advances or loans from the C Corporation on the year-end balance sheet.

You can avoid having loans or advances recharacterized by taking one of the three following actions before the end of the year:

- Repay loans or advances to the C Corporation
- Include loans or advances as wages in the shareholder's W-2
- Show loans or advances as shareholder distributions on the balance sheet

Please contact us if you would like to discuss these or any other issues further.

Anspach Financial Group