

2008 planning letter

Re: C Corporations

C Corporations have many required documentation responsibilities. We are taking this opportunity to remind you of those that are the most critical.

Meetings and minutes: You are required to document actions taken at meetings of the Officers or Board of Directors. These include, but are not limited to:

- Issuance and value of stock
- Election of directors and officers
- Determination of salaries and bonuses
- Dividend payment authorization
- Loan authorizations and terms of the loans (especially shareholder loans)
- Employee benefit authorizations (including accountable plans)
- Major purchases or sales

If you have any questions regarding these requirements, please consult your corporation's attorney.

Shareholder loans: Shareholder loans must be documented with a promissory note that clearly indicates the terms of the note (interest rate, payment schedule, etc.). When shareholder loans to the corporation exceed 3 times the book value of the stock, there is a risk of recharacterization by IRS of the loans as additional paid-in capital. Such a recharacterization would make repayments taxable to the shareholder as dividends (not deductible by the corporation). If you have any questions about shareholder loans, please contact us.

Personal use of company car: Personal use of a vehicle owned by the corporation must either be reported on the W-2 of the employee or the employee must reimburse the corporation for the value of the personal use. The personal use is the percentage of the total mileage for the year that is not documented (must be written) as business use. The value of personal use is calculated on an annual lease value of the vehicle and a mileage rate. Contact us if you require assistance with these calculations.

Reasonable compensation: Please contact us with questions about required reasonable compensation for officers and shareholders.

Anspach Financial Group, LLC