

Planning letter 2008

Re: S Corporations

S 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
- Distribution 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.). It is often preferable in an S Corporation to characterize loans to the corporation as paid-in capital. Loan documentation is eliminated and you can take the capital out of the corporation without adverse consequences. If you have any questions about shareholder loans or capital contributions, please contact us.

**Personal use of company car:** Personal use by a shareholder of a vehicle owned by the corporation must be documented. The personal use is the percentage of the total mileage for the year that is not documented (must be written) as business use. The personal use amount is treated as a distribution to the shareholder. If vehicles owned by the corporation are provided to non-shareholder employees, please contact us for the calculation of the personal use amount that must be added to the employee's W-2 or reimbursed to the corporation by them.

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

Anspach Financial Group, LLC

