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Specializing in Taxes and Tax Planning

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IRS IS FOCUSING MORE AUDIT RESOURCES ON S CORPORATION ENFORCEMENT

It has been reported that the IRS Commissioner said at an American Bar Association meeting in 2016, IRS expects that more audit enforcement will be focused on S Corporations to allow IRS to deal with... "payroll and correlated business activities". IRS scrutiny of S Corporations continues to increase because of the favorable pass-through elements, the most familiar tax features of the S Corporation are:

- √ Pass-through deduction of business losses up to stockholder basis
- √ Special treatment of certain fringe benefits for 2% owners
- √ Distributions that may avoid employment taxes
- √ One level of taxation
- √ Ability to maintain previously taxed, but undistributed income inside the entity

You should position Your Company to survive an IRS audit. Acknowledge that Your Company is a legal entity, separate from You [the owner/stockholder], and must be operated at "Arm's Length" - with its own legal documents, accounting records, financial statements, and tax returns. While this discussion is directed to S Corporation entities, our recommendations apply to all business entities - sole proprietors, corporations, limited liability companies, partnerships and joint ventures.

- ➡ DO TAKE REASONABLE COMPENSATION THROUGH SALARY, WAGES OR GUARANTEED PAYMENTS
- ➡ MAINTAIN BUSINESS BANKING AND ACCOUNTING SYSTEMS FOR THE COMPANY
- ➡ DO NOT COMMINGLE BUSINESS AND PERSONAL FINANCIAL TRANSACTIONS
- ➡ MAINTAIN DETAILED RECORDS OF BASIS, EQUITY AND CAPITAL INFUSIONS

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