



## S-Corp Checklist

### General:

- You must have a Board of Directors and Officers. This can be 1 person. The Officers are involved in the daily activity of running the business and MUST be on payroll.
- The corporation MUST have annual minutes.
- Shareholders are required to track their basis each year.
- Renew the corporation with the state every year.

### Officer Payroll and Contractor Payments:

- Payroll for the officers MUST be reasonable. If line 7 of the tax return is small or zero, the IRS will dig further.
- Separate out Officer Wages from employee wages on your financial statements.
- Make sure you get tax identification numbers on all independent contractors. Have each contractor fill out a W-9, sign an agreement, invoice you and they MUST have a business license. Don't forget the 1099 due every January for the previous year worked.

### Insurance:

- If the business pays for health insurance premiums for the owners, the amount MUST be included in box 1 of the W-2. Make sure the payroll and insurance amount is reflected in the Officer Gross Wages line of your financial statements.
- If you pay health insurance for your employees, there is a nice credit you can take on your business return if you qualify. You must have less than 25 employees, making an average of \$50,000 or less per year.
- Life insurance IS NOT a deduction for the business when a shareholder owns more than 2% of the company.

### Bank and Credit Card Accounts:

- Have SEPARATE bank and credit card accounts for business transactions and personal transactions; DO NOT CO-MINGLE personal and business expenses.
- If there are deposits in the bank account that did not come from customers/clients, make sure these loans are posted on the balance sheet and NOT in your income total.
- Reconcile all bank and credit card accounts through the end of the year so there are no uncleared transactions in the register. If there are, your income or expenses can be overstated, meaning they are wrong!



### **Business Expenses:**

- If the owners use a part of their home exclusively and regularly for business, the corporation should reimburse the owner for expenses incurred. Calculate the square footage of the home and the home office and find your business percentage. Add up what is paid in rent, utilities, HOA and insurance and prorate them based on the business use percentage of the home. The owner should keep record of all of the expenses and their business purpose and report them to the corporation in a timely fashion.
- Auto deductions can be taken if the vehicle is in the corporation's name. If it is owned by the shareholder then the shareholder must be reimbursed for the expenses. The reimbursement is deductible by the corporation.
- Review the travel expenses. Make sure you separate out any personal travel. Count every travel day that you worked more than 4 hours. Save any books/handouts from conferences.
- All business meals are 50% deductible, even those meals that were eaten on a business trip. Keep your receipts and write down what business purpose the meal held and who it was with.
- You cannot claim a "bad debt" expense if you did not file a tax return showing it as income originally.
- When you pull a Profit and Loss statement in QuickBooks, what amount shows on the "Net Ordinary Income" line? If it is a large profit, you need to strategize. Modify the report to compare with last year's numbers to get an idea of what the current year will be.

### **Assets and Liabilities:**

- Know when to depreciate assets over a period of years (3, 5, 7) or when to take the deduction all in one year.
- If the shareholder loans the company money, there must be a signed note showing this agreement. If the note is over \$10,000, interest must be paid and a 1099-INT document needs to be issued.

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