



Certified Public Accountants
& Business Advisors

*A Firm That Cares About Its Clients
Large Enough To Know, Small Enough To Care*

S Corporation Salaries

For any business operating as an S corporation, it's important to ensure that shareholders involved in running the business are paid an amount that is commensurate with their workload. Distributing profits instead of paying compensation subject to employment taxes, is an area that the IRS targets on such returns. Failing to do so can lead not only to tax deficiencies, but penalties and interest on those deficiencies as well. The key to establishing reasonable compensation is determining what type of work you did for the S corporation as an employee-shareholder. If you are in this situation, we need to document the factors that support the salary you are being paid.