

S CORPORATION COMPENSATION CHECKLIST



BRADY WARE

Download and print this checklist to guide your year-end review of your S corporation compensation.

EVALUATE YOUR CURRENT COMPENSATION

- ☐ Have you reviewed your compensation history over the past few years?
- ☐ Have you documented your time, effort, and contributions to the business?
- ☐ Have you compared your compensation to similar positions in your industry?

ASSESS REASONABLE COMPENSATION

- ☐ Have you considered the factors that the IRS uses to determine reasonable compensation, such as time and effort, skills and abilities, responsibilities, comparable compensation, and company profitability?
- ☐ Have you documented the factors supporting the reasonableness of your compensation?

AVOID UNDERCOMPENSATION AND OVERCOMPENSATION

- ☐ Have you ensured that your compensation is not unreasonably low to avoid potential reclassification of K-1 income as wages?
- ☐ Have you avoided excessive compensation that may be treated as a distribution rather than wages?

CONSULT A TAX PROFESSIONAL

- ☐ Have you consulted with a qualified tax advisor to ensure that your compensation is reasonable and in compliance with IRS regulations?

UPDATE YOUR COMPENSATION AGREEMENT

- ☐ If necessary, have you updated your compensation agreement to reflect any changes in your role or responsibilities?

By completing this checklist, you can help ensure that your S corporation compensation is reasonable, compliant, and minimizes your tax liabilities.

Questions? Contact us! <https://bradyware.com/contact-us/>

Disclaimer: This information is provided for general guidance only and does not constitute tax advice. Please consult with a tax professional for advice regarding your specific situation.