

I.R.S. Audit Warning

For All Missouri

Subchapter S Corporations

The Internal Revenue Service has chosen St. Louis as one of several test areas to audit all Subchapter S corporations that pay profit distributions without also paying adequate officer's compensation.

It is common knowledge that many unskilled tax advisors have told their clients that they can avoid paying payroll taxes (social security & medicare) by paying themselves Subchapter S profit distributions or dividends rather than wages.

This advise has always been in direct violation of I.R.S. rulings.

If your corporation has been paying you distributions without also paying you a salary, you can expect an I.R.S. notice within the next few years.

If you have not already received a notice, please contact us immediately so that we can take remedial action to lessen the taxes, penalties and interest that you will owe.

If you have already received a notice, you should immediately contact your tax advisor and ask about their policy of reimbursing clients for penalties and interest when they give incorrect tax advice.

The **Missouri Division of Employment Security** (Unemployment) does even more wage audits than the I.R.S. They are also looking for corporations that do not pay salaries to their officers. And, if they catch you, they will turn you into the I.R.S.

If you have any questions, please feel free to call me.

Greg Launhardt, C.P.A.