

Table of Contents

History	1
Corporate Officers	2
Reasonable Compensation	4
Factors	5
IRS guidance	7
Court case	7
Steps to Establish Reasonable Compensation	8
Informal methods used in practice	9
Fraction of net income.....	10
Loan to shareholder reclassified as wages	10
Wages and salary.....	11
Tax Consequences if Compensation Unreasonable	13
Payments recharacterized	13
Court cases	13
Payroll taxes and penalties	16
Reporting Requirements	17
More-than-2% shareholders.....	19
Health insurance	20
Index	30