



Department of the Treasury
Internal Revenue Service

Stop 6055 C-1
Kansas City MO 64999

OMB Clearance No.: 1545- [redacted]

In reply refer to: 092239 [redacted]
Apr. 05, 2021 LTR 385C 0
52-22 [redacted] 000000 00
Input Op: 092239 [redacted] 0000 [redacted]
BODC: SB

[redacted]
% TBA [redacted] INC
6550 ROCK SPRING DR STE 530
BETHESDA MD 20817-1195

005604

Employer identification number: 52-22 [redacted]

Dear Taxpayer:

Thank you for your form 8832

We accepted your election to be treated as an S corporation with an accounting period ending Dec. 31, 2001, as of Jan. 18, 2001. Please keep this letter in your permanent records as proof of acceptance of your election. If we examine your return, we will verify this election is appropriate for your situation.

We'd also like to take this opportunity to remind you of your tax obligations for the payment of compensation to shareholder-employees of S corporations.

When a shareholder-employee of an S corporation provides services to the S corporation, the S corporation must reasonably compensate the shareholder-employee. This compensation is subject to employment taxes.

The IRS may re-characterize distributions as salary. This position has been supported by Revenue Ruling 74-44 and in numerous court decisions.

S corporation shareholders must also know their stock and debt basis. The S corporation should notify each individual of the basis in his/her S corporation stock and debt when:

- The entity allocates a loss and/or deduction item to the individual
- The entity makes a (non-dividend) distribution to the individual
- The entity makes a loan repayment to the shareholder
- The individual disposes of his/her interest in the entity

For more information, see the instructions for Form 1120-S, Schedule K-1.

You can get any of the forms or publications mentioned in this letter by calling 1-800-TAX-FORM (1-800-829-3676) or visiting our website at www.irs.gov/formspubs.