

**Contact:** Shawndi Filby

**Phone:** 888-227-3105

**Fax:** 515-993-5454

**E-mail:** shawndi@base105.com

**FOR IMMEDIATE RELEASE**

**AUDIT RISK FOR S CORPORATIONS CAN BE DECREASED WITH MINOR ADJUSTMENT  
BASE® helping small businesses implement legal benefit plan to help ward off audits**

**ADEL, IA – November 1, 2009:** One of the most significant audit risks facing S-Corporations is salary and wages paid to officers of the corporation. The fastest way to get audited as an S-Corporation is to file an 1120S with no amount showing on Form 1120S Line 7 "Compensation of Officers."

The IRS has a firm stance that nobody works for free, so they strongly emphasize that officers of an S-Corporation must receive wages. If you have an S Corporation owner/shareholder who is not taking wages, one possible way to combat the risk of an audit would be implementing a legal benefit plan known as a Health Reimbursement Arrangement (HRA).

Companies like BASE® offer the administrative tools and legal documentation necessary to implement an HRA. By making three small changes in the way an S Corporation handles payroll, they can further solidify they are being reasonably compensated. Not only is an HRA a legal benefit plan and legitimate means of paying employees, but also a great way to increase wages while saving in FICA taxes.

By simply establishing a BASE® HRA, an S Corporation is now eligible for an additional 15.3% in tax savings. So not only are they able to deduct health insurance premiums on the 1040, but now they are able to save the 15.3% for all qualifying medical expenses with an HRA in place. Not to mention the S Corporation is now without a doubt able to display reasonable compensation.

There are no specific guidelines for reasonable compensation in the Code or the Regulations. The various courts that have ruled on this issue have based their determinations on the facts and circumstances of each case.

So with the increase in out-of-pocket medical expenses being a concrete fact today in the US, adopting an HRA and having the legal documentation available to prove reasonable compensation is key to heading off an audit.

In an economy where people are struggling to pay for health care, BASE® is helping S Corporations in creating an extremely economical way to pay a salary and provide a benefit. BASE® has been providing S Corporations with the education and support necessary in setting up an HRA for over 10 years, while at the same time ensuring they minimize the risk of an audit problem in the future by utilizing a legalized benefit plan that has been around since 1954.

**About BASE®**

Established in 1999, BASE® is one of the nation's leading employee benefit administrators. BASE® offers a variety of tax savings and benefit plans for small businesses, including the Health Reimbursement Arrangement (HRA) and the 125 Cafeteria Plan which includes Flexible Spending Account (FSA), Dependent Care Assistance Plan (DCAP), Premium Only Plan (POP), and Health Care Premium Reimbursement (HCPR). To find out more about HRAs and Cafeteria Plans visit [www.baseonline.com](http://www.baseonline.com) or contact a Benefit Specialist at 800-309-8012.