

(IRS USE ONLY) 575A

07-26-2007

If you're required to deposit for employment taxes (Forms 941, 943, 940, 945, CT-1, or 1842), excise taxes (Form 720), or income tax (Form 1120), you will receive a Welcome Package shortly which includes instructions for making your deposits electronically through the Electronic Federal Tax Payment System (EFTPS). A Personal Identification Number (PIN) for EFTPS will also be sent to you under separate cover. Please activate the PIN once you receive it, even if you have requested the services of a tax professional or representative. For more information about EFTPS, call 1-800-829-3676 and request Publication 966, Now a Full Range of Electronic Choices to Pay All Your Federal Taxes. If you need to make a deposit before you receive your Welcome Package, you can use the enclosed FTD Coupon, Form 8109-B.

The IRS is committed to helping all taxpayers to comply with their tax filing obligations. If you need help completing your returns or meeting your tax obligations, Authorized e-file Providers, such as Reporting Agents (payroll service providers) are available to assist you. Visit the IRS Web site at www.irs.gov for a list of companies who offer IRS e-file for Business products and services. The list provides the addresses and telephone numbers, including links to their Web sites. You can also download IRS Forms, Publications, Revenue Procedures, and other information from this Web site.

IMPORTANT REMINDERS:

- * Keep a copy of this notice in your permanent records.
- * Use this EIN and your name exactly as they appear above on all your federal tax forms.
- * Refer to this EIN on your tax related correspondence and documents.

If you have questions, you can call or write to us at the phone number or address at the top of the first page of this notice. If you write, please tear off the stub at the end of this notice and send it along with your letter. Thank you for your cooperation.

Note: If you change your corporation to an S corporation, you must file Form 2553, Election by a Small Business Corporation. Tax forms are available at the IRS Web site at www.irs.gov or by calling 1-800-829-3676.

Note: If you change your business to a corporation, you may need to file Form 8832, Entity Classification Election. See forms for instructions to determine if you are required to file.

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Your application for an EIN indicates that you intend to elect to file your return as an 1120-S. An election to file a Form 1120-S must be made within certain timeframes and the corporation must meet certain tests. All of this information is included in the instructions for Form 2553, Election by a Small Business Corporation.

The Internal Revenue Service has also identified several mistakes commonly made S corporations and their shareholders. Please review them and call us at 1-800-829-1040 if you have any questions.

- * **Losses in Excess of Basis** - Pursuant to Internal Revenue Code (IRC) section 1366, a shareholder in an S corporation may not deduct S corporation losses in excess of their basis in stock and/or debt. Each shareholder's stock basis and debt (loans from shareholders) basis should be computed annually.
- * **Taxable Distributions** - Pursuant to IRC section 1368, distribution to shareholders in excess of stock basis are generally taxable.
- * **Gain on Repayment of Loans from Shareholders** - Where the shareholder previously used debt basis to absorb S corporation losses, subsequent repayments on the loans are generally taxable.
- * **Compensation to Shareholder** - If the shareholders performing services for the S corporation, be careful not to improperly classify the compensation as payments other than salary (examples: excessive rent, or distributions) in order to avoid employment taxes.
- * **Fringe Benefits** - Certain fringe benefits paid on behalf of a shareholder who owns more than 2% of the stock (or shareholder's family) are taxable. Examples include certain accident, health, and life insurance premiums, meals and lodging, and certain cafeteria plan benefits.
- * **Accrual of Expenses Due to Shareholders** - Pursuant to IRC section 267, an accrual basis corporation may not accrue and deduct expenses (such as rent) due to a cash basis shareholder until the amount is includible in the income of the shareholder (when paid).

Keep this part for your records.

CP 575 A (Rev. 1-2007)

Return this part with any correspondence so we may identify your account. Please correct any errors in your name or address.

CP 575 A

0243439457

Your Telephone Number Best Time to Call

DATE OF THIS NOTICE: 07-26-2007
EMPLOYER IDENTIFICATION NUMBER:
FORM: SS-4 NO808



INTERNAL REVENUE SERVICE
CINCINNATI OH 45999-0023
6142282572

