


<u>Date</u>	<u>Deposit Date</u>		<u>Completed</u>
<u>Payroll Date</u> May 27 - 29 30 - June 2 June 3 - 5 6 - 9 10 - 12 13 - 16 17 - 19 20 - 23 24 - 26 27 - 30	June 3 5 10 12 17 19 24 26 July 1 6	Semi-Weekly Payroll Tax Deposits. Employers that are semi-weekly depositors generally must deposit taxes withheld and FICA taxes on payrolls paid on Wednesday, Thursday or Friday on or before the following Wednesday, and deposit taxes from payments on other days on or before the following Friday. Deposit electronically. Indicate Form 941, Federal Tax Deposit, and second quarter.	
4		Client Appreciation-Free Shred Day, Grand Haven Office, 11:30 AM to 1:30 PM.	
5		Client Appreciation-Free Shred Day, South Haven Office, 11:30 AM to 1:30 PM.	
12		Michigan sales and use tax deposit for month of May to claim early payment discount.	
12		Client Appreciation-Free Shred Day, Holland Office, 11:30 AM to 1:30 PM.	
15		Employers that are monthly depositors must deposit taxes withheld and FICA taxes on payrolls paid during May. Deposit electronically. Indicate Form 941, Federal Tax Deposit, and second quarter.	
15		Corporations with fiscal year ending June 30, September 30, December 31, or February 28: • Deposit estimated federal income tax electronically. Indicate Form 1120 and Federal Tax Deposit.	
15		Corporations with fiscal year ending March 31: • Federal Income Tax Return - Form 1120 or 1120-S. • Deposit balance of tax due electronically. Indicate Form 1120 and Balance Due on Return. • Pay accrued compensation, charitable contributions, retirement plan contributions, etc.	
15		Corporations with fiscal year ending February 28, May 31, August 31, or November 30: • Pay CIT estimate to State of Michigan.	
15		Second voucher due for individual income tax estimates - both State and Federal.	
21		Father's Day.	
21		Summer begins at 12:38 PM, EDT.	
22		Michigan Sales, Use and Withholding Taxes Return for the month of May.	
30		Corporations with fiscal year ending February 28: • File CIT return and pay balance due to State of Michigan.	



MAY

SU	M	T	W	TH	F	SA
					1	2
3	4	5	6	7	8	9
10	11	12	13	14	15	16
17	18	19	20	21	22	23
24	25	26	27	28	29	30
31						

JUNE

SU	M	T	W	TH	F	SA
1	2	3	4	5	6	
7	8	9	10	11	12	13
14	15	16	17	18	19	20
21	22	23	24	25	26	27
28	29	30				

JULY

SU	M	T	W	TH	F	SA
			1	2	3	4
5	6	7	8	9	10	11
12	13	14	15	16	17	18
19	20	21	22	23	24	25
26	27	28	29	30	31	



AVOIDING TERMINATION OF S CORPORATION STATUS

One popular type of business entity is the S corporation, where company profits are generally not taxed at the corporate level but instead are passed through to the individual shareholders. There are strict requirements to be eligible to elect S corporation status. If an S corporation fails to maintain its status as an eligible "small business corporation," its S election automatically terminates. Here are some important considerations and suggestions to help avoid an inadvertent loss of the company's qualification to be treated as an S corporation.

100-Shareholder Limitation. The S election will terminate if the number of S corporation shareholders is more than 100 at any time during any year. Therefore, it is important to monitor future stock issues so that the 100 shareholder limitation will not be exceeded. A shareholder agreement can help avoid termination of the S election by prohibiting the transfer of shares that would result in more than 100 shareholders. Certain family members may be counted as a single shareholder for purposes of this limit.

Ineligible Shareholders. An S corporation can generally have only shareholders that are (1) individuals who are U.S. citizens or residents, (2) estates, and (3) certain types of trusts. Ineligible shareholders include nonresident aliens, partnerships, corporations, and nonqualified trusts. Therefore, it is important to continually ensure that all the shareholders are eligible to hold S corporation stock. A shareholder agreement is one of the most important tools available to protect the corporation's S election from termination because shares have been transferred to an ineligible shareholder. Such an agreement should prohibit the transfer of any shares to a person other than a permitted S corporation shareholder.

One Class of Stock. An S corporation can have only one class of stock. This means that all outstanding shares must confer identical rights to distribution and liquidation proceeds. The rules do provide, however, that an S corporation can issue both voting and nonvoting stock without violating the one-class-of-stock rule.

Excess Passive Investment Income. If a corporation has more than 25% of its gross receipts from passive investment sources in three consecutive years and has C corporation Accumulated Earnings and Profits (AE&P) at the end of each year, then S status is terminated as of the beginning of the fourth consecutive year. An S corporation will generally have AE&P only if it previously operated as a C corporation or acquires a C corporation in a tax-free reorganization. If a corporation is in danger of going over the 25% passive income limitation for three consecutive years, termination of the corporation's S status can be avoided by distributing the AE&P to the shareholders. Any distribution of AE&P, however, whether actual or deemed, is taxable to the shareholders as a dividend. If distributing the AE&P is not feasible, it may be possible to avoid termination under the passive income rules by arranging the corporation's operations so that the 25% passive income limit is not exceeded for three consecutive years. To accomplish this, the corporation could (1) reduce the amount of passive investment income, (2) increase the amount of other income, or (3) a combination of both.

All of the above rules are complex and some of the procedures outlined apply only if special tax elections are properly filed with the IRS. If you have any questions or if you are considering implementing any of these procedures, please do not hesitate to contact us.