

As you know, it is necessary to add back to your W-2 the personal use of your corporate vehicle as well as the amount of Health insurance the corporation paid on behalf of a greater than 2% shareholder and their families.

Health Insurance Add back:

Greater than 2% Shareholders of a corporation that receive Health Insurance benefits for themselves and their family are required to add back the premiums to their W-2. This amount is NOT subject to any federal, state, local or FICA withholdings. It will only be a gross up of Federal and State wages. Also, this amount should be noted separately on your W-2. The Officer will then get to deduct 100% of the health insurance on their personal tax return.

Auto Benefit Add back:

It is required to add back to your W-2 the personal use of your corporate vehicle. Since most payroll providers require any add backs be reported on or before the last payroll of the year, we decided it would be in your best interest to cutoff the mileage as of November 30. By doing this, we can have this information calculated and back to you prior to your last pay period so that the W-2's and other payroll reports can be timely prepared.

The Auto benefit add back is an addition to all Federal, State, Social Security, and Medicare Wages and is subject to withholdings. The auto benefit should be reported as a separate amount on your W-2 as well.

Enclosed you will find a questionnaire, If you could fill this out as of November 30, 2009, and return it to us by December 11, 2009, we will calculate the personal use of the corporate vehicle that will need to be added to your W-2 prior to your last payroll run. Please note you will need to include December 2008 in your mileage calculation. Your twelve-month period for mileage purposes is December 1, 2008 – November 30, 2009.

As a reminder, if you use an outside payroll company, you may need to report these amounts on or before your last payroll of the year. It is our understanding that the payroll companies tend to run year end reports / W-2's right after the last scheduled payroll. So, if you report the add back after the last scheduled payroll run of the year, the payroll company may want to charge you to rerun the year end reports.

If you have any questions, please feel free to contact me or Jane Rosenau, our payroll specialist.

A handwritten signature in blue ink that reads "Larry Kopsa CPA". The signature is stylized and cursive.

Larry Kopsa, CPA
Partner