

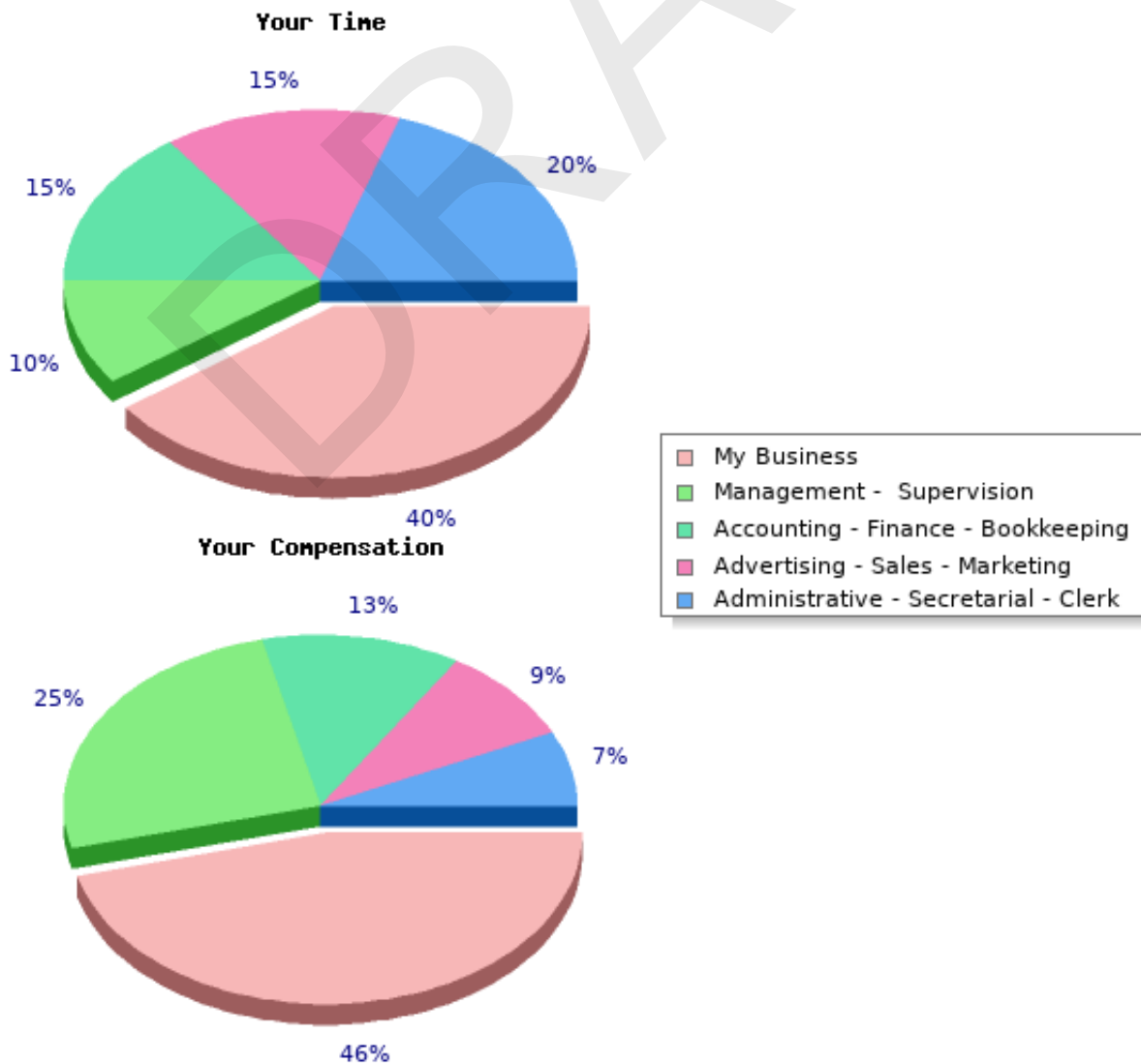


2021 Report for George Costanza of Vandelay Industries

Your estimated annual Reasonable Compensation: \$55,699

Thank you for entrusting Brittany Turner of Countless with your Reasonable Compensation analysis. This report provides a reasonable estimate of the value of services rendered to your S Corporation based on your responsibilities and the duties that you perform annually. Reasonable Compensation is defined by the IRS as "The value that would ordinarily be paid for like services by like enterprises under like circumstances".

The calculated salary of \$55,699 was determined to be reasonable compensation based on the type of work performed, the skill level of the work performed and the number of hours the work is performed annually. You told us that you work 1040 hours per year in New York County, NY. Our analysis indicates the annual salary of \$55,699 would be a reasonable cost to hire employee(s) to perform the duties and responsibilities that you currently perform.



Annual Salary and Reasonable Compensation are used interchangeably in this report. All salary and reasonable compensation figures are expressed annually and in U.S. dollars.



2021 Report for George Costanza of Vandelay Industries

Category: Administrative - Secretarial - Clerk

20% of total hours - 208 hours per year - 7.03% of total compensation

Task	Proficiency	% of Category	% of Total Hours	Hours per Year	Hourly Wage	Annual Wages
Customer Service Representatives						
	Average	50%	10%	104.0	\$ 20.17	\$ 2,098
Office Clerks						
	Average	50%	10%	104.0	\$ 17.49	\$ 1,819

Category: Advertising - Sales - Marketing

15% of total hours - 156 hours per year - 9.02% of total compensation

Task	Proficiency	% of Category	% of Total Hours	Hours per Year	Hourly Wage	Annual Wages
Sales Representatives						
	Average	100%	15%	156.0	\$ 32.21	\$ 5,025

Category: Accounting - Finance - Bookkeeping

15% of total hours - 156 hours per year - 12.61% of total compensation

Task	Proficiency	% of Category	% of Total Hours	Hours per Year	Hourly Wage	Annual Wages
Accountants						
	Average	100%	15%	156.0	\$ 45.02	\$ 7,023

Category: Management - Supervision

10% of total hours - 104 hours per year - 25.34% of total compensation

Task	Proficiency	% of Category	% of Total Hours	Hours per Year	Hourly Wage	Annual Wages
Chief Executives						
	Average	100%	10%	104.0	\$ 135.70	\$ 14,113

*Annual Salary and Reasonable Compensation are used interchangeably in this report.
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2021 Report for George Costanza of Vandelay Industries

Category: My Business

40% of total hours - 416 hours per year - 46% of total compensation

Task	Proficiency	% of Category	% of Total Hours	Hours per Year	Hourly Wage	Annual Wages
Building Architect	Above Avg.	100%	40%	416.0	\$ 61.59	\$ 25,621

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Annual Salary and Reasonable Compensation are used interchangeably in this report. All salary and reasonable compensation figures are expressed annually and in U.S. dollars.



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Business Summary:

Calculated for: George Costanza

Company: Vandelay Industries

Report calendar year: 2021

Location: New York County, NY

Hours worked: 1040

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How was my "Annual Salary" or "Reasonable Compensation" calculated?

Countless relies on data provided by Reasonable Compensation Reports, Bureau of Labor Statistics and U.S. Census data to calculate a concise, independent, unbiased Reasonable Compensation figure.

The Bureau of Labor Statistics defines "year-round, full-time" employment as 2,080 hours per year (40 hours per week). The BLS definition is adhered to by the Court and IRS Expert in [McAlary v. IRS](#). If you selected 40+ hours per week your Reasonable Compensation figure will reflect a reasonable salary for someone working year-round, full-time, even if you work more than 40 hours per week.

This report blends and weights the duties and responsibilities you perform annually in eight common categories with the duties and responsibilities you perform specific to your business generating an annual salary that would be reasonable to 'replace' yourself within your company.

Your annual salary or reasonable compensation represents an estimate of the amount it would cost to "replace" you, based on:

- Your answers to our interview
- Bureau of Labor Statistics data
- Census data
- Reasonable Compensation Reports database of wages

Reasonable Compensation figures include taxable **Medicare** wages and flexible spending accounts. Reasonable Compensation figures do not include non-taxable fringe benefits such as health insurance, vehicle or vehicle allowance, stock options, company loans and other items not reported on a W-2 as **Medicare** wages.

Your actual replacement salary could vary considerably from our estimate, especially if the information you provided differs from your actual duties and responsibilities.

Methodology

This report uses the Cost Approach to determine a Reasonable Compensation figure. The Cost Approach takes into consideration all the tasks a business owner provides to their company, such as administration, accounting, marketing, purchasing etc. (also referred to as the Many Hats Approach).

The Cost Approach breaks down the time spent by the owner into the various tasks performed; wage levels are assigned for each task based on the owner's proficiency, and then added back together to obtain a hypothetical Replacement Cost for the owner.

The Cost approach is most accurate when used to determine Reasonable Compensation for owners of a closely-held business where the owner performs multiple job duties (wears many hats).

For more information on Methodologies:

- [Job Aid for IRS Valuation Professionals](#)
- Reasonable Compensation Reports Methodology Report (available upon request)



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Other considerations before deciding on a final Reasonable Compensation figure

For the majority of shareholder-employees, the Reasonable Compensation figure calculated in this report should not require adjustments. However there are circumstances, rules and situations Countless may take into consideration before recommending a final reasonable compensation figure. The list below is not exhaustive and Countless may make adjustments for circumstances and situations not listed.

- Compensation of Non-Owner Employees
- Salary History
- Travel Requirements
- Personal Guarantee of Debt
- Key Relationships and/or Contracts
- Financial Condition of Company
- Distribution History

The courts have used a variety of factors to "Stress Test" Reasonable Compensation figures. Four well recognized lists of factors are below. Countless may stress test your Reasonable Compensation figure against some or all of the factors used by the courts and the IRS and recommend adjustments.

1. The IRS Nine Factors Considered by Tax Courts: [IRS Fact Sheet 2008-25](#)
2. The Tax Court's Five-Factor Test: [LabelGraphics, Inc. v. Commissioner, T.C. Memo 1998-343 \(Sept. 28, 1998\)](#)
3. The Tax Court's Ten-Factor Test: [Brewer Quality Homes, Inc. v. Commissioner, T.C. Memo 2003-200 \(July 10, 2003\)](#)
4. Summary of Court Factors used to "Stress Test" Reasonable Compensation Figures: [Summary](#)

Additional information and help on the issue of Reasonable Compensation for S Corporation owners can be found at:

- [IRS: S Corporation Compensation and Medical Insurance Issues](#)
- [IRS: S Corporation Employees, Shareholders and Corporate Officers](#)
- [IRS Fact Sheet 2008-25: Wage Compensation for S Corporation Officers](#)

Additional Resources:

- [Job Aid for IRS Valuation Professionals](#)
- [Reasonable Compensation: Application and Analysis](#) for Appraisal, Tax and Management Purposes. By Ronald L. Seigneur and Kevin R. Yeanoplos



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Appendix A - Descriptions of Tasks Selected

Customer Service Representatives

Interact with customers to provide information in response to inquiries about products and services and to handle and resolve complaints.

Office Clerks

Perform duties too varied and diverse to be classified in any specific office clerical occupation, requiring knowledge of office systems and procedures. Clerical duties may be assigned in accordance with the office procedures of individual establishments and may include a combination of answering telephones, bookkeeping, typing or word processing, stenography, office machine operation, and filing.

Sales Representatives

Sell goods for wholesalers or manufacturers to businesses or groups of individuals. Work requires substantial knowledge of items sold.

Accountants

Examine, analyze, and interpret accounting records to prepare financial statements, give advice, or audit and evaluate statements prepared by others. Install or advise on systems of recording costs or other financial and budgetary data.

Chief Executives

Determine and formulate policies and provide overall direction of companies or private and public sector organizations within guidelines set up by a board of directors or similar governing body. Plan, direct, or coordinate operational activities at the highest level of management with the help of subordinate executives and staff managers. May include extensive travel.

Building Architect

Plan and design structures, such as private residences, office buildings, theaters, factories, and other structural property.



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Appendix B - Sample Language for Your Corporate Minutes

Countless recommends incorporating the results of this report into the Corporate Minutes of your S-corporation.

Here is a sample document for that purpose:

**CONSENT AND MINUTES OF MEETING
OF DIRECTORS OF Vandelay Industries**

The undersigned, being all of the directors of Vandelay Industries (the "Company"),
waive any rights to notice, and consent to the following action, taken on
_____, 20____:

RESOLVED, that the Company adopt the report of Countless, a copy of which is
attached and, in reliance on such report, pay to George Costanza the sum of \$55,699 per
year as salary for the duties set forth in such report.

- DISCLAIMER NOTICE -

This document is being provided merely as a sample of the type of language that the S-corporation may consider using in connection with minutes of the board of directors adopting the amounts determined by Countless as reasonable compensation for its employees.

Countless does not provide legal services, and does not represent that this sample will comply with state laws regarding the procedure for actions of the S-corporation's board of directors or the form or content of the minutes memorializing such actions.

Countless recommends that the S-corporation consult its attorney for legal advice regarding such matters.