

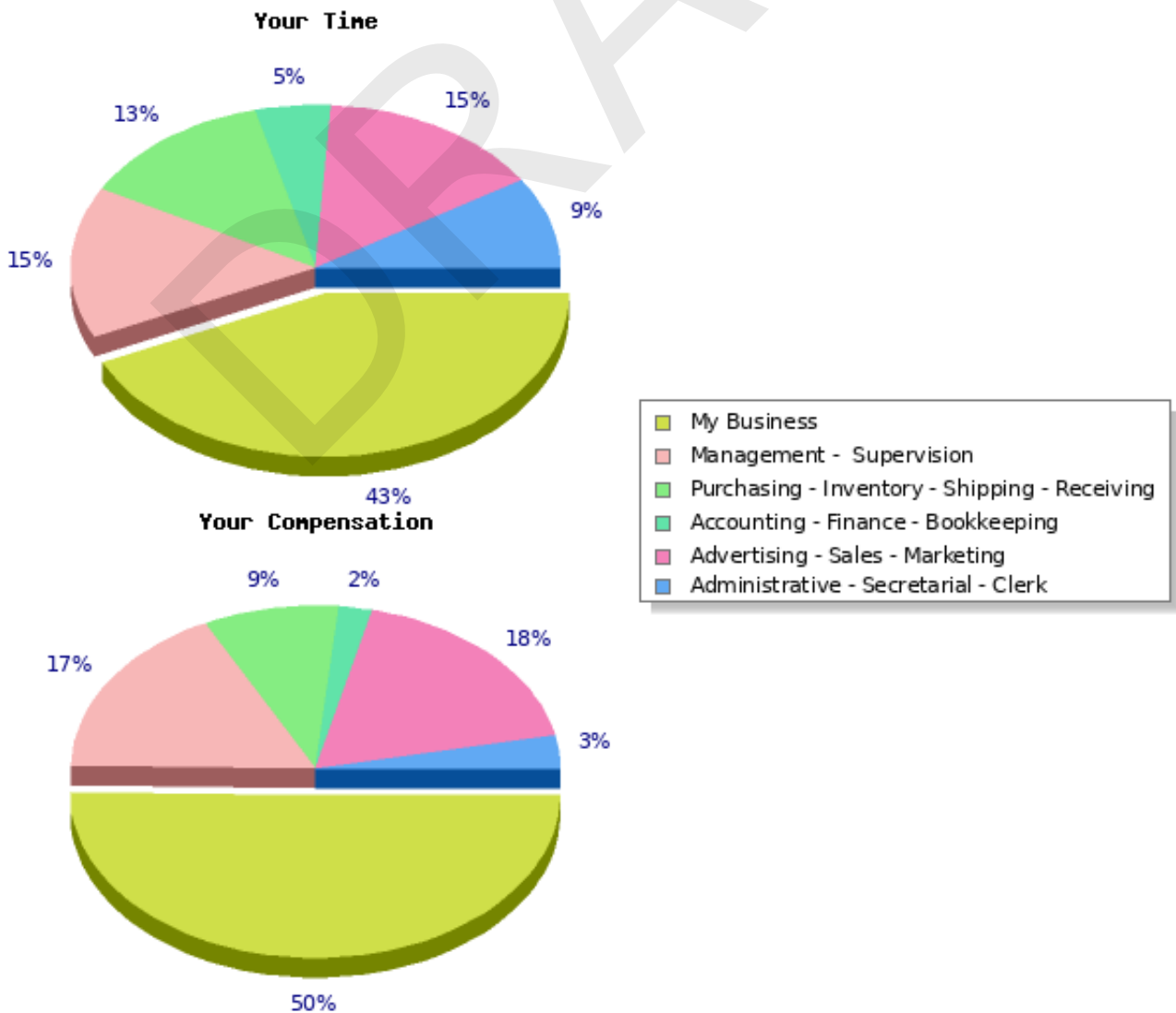
Powerful Accounting Inc

2023 Report for Max Brolin of Max Contracting Services LLC

Your estimated annual Reasonable Compensation: \$118,981

Thank you for entrusting Dawn Brolin of Powerful Accounting Inc 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 **\$118,981** 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 **2080** hours per year in **Windham town, CT**. Our analysis indicates the annual salary of \$118,981 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.

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Category: Administrative - Secretarial - Clerk

9% of total hours - 187 hours per year - 3.33% of total compensation

Task	Proficiency	% of Category	% of Total Hours	Hours per Year	Hourly Wage	Annual Wages
Secretary or Administrative Assistant						
	Average	29%	2.61%	54.3	\$ 24.61	\$ 1,336
Customer Service Representative						
	Average	71%	6.39%	132.9	\$ 19.77	\$ 2,627

Category: Advertising - Sales - Marketing

15% of total hours - 312 hours per year - 17.92% of total compensation

Task	Proficiency	% of Category	% of Total Hours	Hours per Year	Hourly Wage	Annual Wages
Sales Representative - Technical						
	Above Avg.	100%	15%	312.0	\$ 68.34	\$ 21,322

Category: Accounting - Finance - Bookkeeping

5% of total hours - 104 hours per year - 2.2% of total compensation

Task	Proficiency	% of Category	% of Total Hours	Hours per Year	Hourly Wage	Annual Wages
Bookkeeper						
	Average	48%	2.4%	49.9	\$ 25.20	\$ 1,257
Billing and Invoice Clerk						
	Average	27%	1.35%	28.1	\$ 24.65	\$ 693
Payroll Clerk						
	Average	25%	1.25%	26.0	\$ 25.73	\$ 669

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Category: Purchasing - Inventory - Shipping - Receiving

13% of total hours - 270 hours per year - 9.01% of total compensation

Task	Proficiency	% of Category	% of Total Hours	Hours per Year	Hourly Wage	Annual Wages
Purchasing Agent	Average	100%	13%	270.4	\$ 39.65	\$ 10,721

Category: Management - Supervision

15% of total hours - 312 hours per year - 17.28% of total compensation

Task	Proficiency	% of Category	% of Total Hours	Hours per Year	Hourly Wage	Annual Wages
General and Operations Manager	Average	100%	15%	312.0	\$ 65.91	\$ 20,564

Category: My Business

43% of total hours - 894 hours per year - 50.25% of total compensation

Task	Proficiency	% of Category	% of Total Hours	Hours per Year	Hourly Wage	Annual Wages
Construction Coordinator	Above Avg.	100%	43%	894.4	\$ 66.85	\$ 59,791

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Business Summary:

Calculated for: Max Brolin

Company: Max Contracting Services LLC

Report calendar year: 2023

Location: Windham town, CT

Hours worked: 2080

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2023 Report for Max Brolin of Max Contracting Services LLC

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

Powerful Accounting Inc 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 Powerful Accounting Inc may take into consideration before recommending a final reasonable compensation figure. The list below is not exhaustive and Powerful Accounting Inc 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. Powerful Accounting Inc 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

Secretary or Administrative Assistant

Perform routine administrative functions such as drafting correspondence, scheduling appointments, organizing and maintaining paper and electronic files, or providing information to callers.

Customer Service Representative

Interact with customers to provide basic or scripted information in response to routine inquiries about products and services. May handle and resolve general complaints.

Sales Representative - Technical

Sell goods for wholesalers or manufacturers where technical or scientific knowledge is required in such areas as biology, engineering, chemistry, and electronics, normally obtained from at least 2 years of postsecondary education.

Bookkeeper

Compute, classify, and record numerical data to keep financial records complete. Perform any combination of routine calculating, posting, and verifying duties to obtain primary financial data for use in maintaining accounting records. May also check the accuracy of figures, calculations, and postings pertaining to business transactions recorded by other workers.

Billing and Invoice Clerk

Compile, compute, and record billing, accounting, statistical, and other numerical data for billing purposes. Prepare billing invoices for services rendered or for delivery or shipment of goods.

Payroll Clerk

Compile and record employee time and payroll data. May compute employees' time worked, production, and commission. May compute and post wages and deductions, or prepare paychecks.

Purchasing Agent

Purchase machinery, equipment, tools, parts, supplies, or services necessary for the operation of an establishment. Purchase raw or semi-finished materials for manufacturing.

General and Operations Manager

Plan, direct, or coordinate the operations of public or private sector organizations. Duties and responsibilities include formulating policies, managing daily operations, and planning the use of materials and human resources, but are too diverse and general in nature to be classified in any one functional area of management or administration, such as personnel, purchasing, or administrative services. May include moderate Travel.

Construction Coordinator

Plan, direct, or coordinate, usually through subordinate supervisory personnel, activities concerned with the construction and maintenance of structures, facilities, and systems. Participate in the conceptual development of a construction project and oversee its organization, scheduling, budgeting, and implementation. Includes managers in specialized construction fields, such as carpentry or plumbing.

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Appendix B - Sample Language for Your Corporate Minutes

Powerful Accounting Inc 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 Max Contracting Services LLC

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

RESOLVED, that the Company adopt the report of Powerful Accounting Inc, a copy of which is attached and, in reliance on such report, pay to Max Brolin the sum of \$118,981 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 Powerful Accounting Inc as reasonable compensation for its employees.

Powerful Accounting Inc 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.

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