

EXHIBIT
IRS Adjustments to Income and Penalties

Corporate Income After IRS Audit	
Income before adjustments	\$100,000
Salary payment	(90,000)
FICA tax	(6,885)
FUTA tax	(434)
Adjusted taxable income	\$2,681
Net Cash Flow After IRS Audit	
Salary payment	\$90,000
Remaining corporate distribution after payment of salary and payroll taxes	2,681
FICA tax	(6,885)
Income tax on S corp income	(804)
Income tax on salary	(27,000)
Net cash flow	\$57,992
Penalties That Could Be Imposed on the Corporation	
Failure to deposit: $\$32,204 \times 10\%$	\$3,220
Failure to file: $\$32,204 \times 25\%$	8,051
Negligence penalty: $\$32,204 \times 20\%$	\$6,441
Total penalties	\$17,712