
KLINE

KEPPEL

AND

KORYAK

A PROFESSIONAL CORPORATION
CERTIFIED PUBLIC ACCOUNTANTS

November 13, 2025

**RE: TAXABILITY OF FRINGE BENEFITS FOR S CORPORATION
SHAREHOLDERS**

Dear Client:

As the calendar year draws to a close, we are enclosing a reminder for the procedure of reporting fringe benefits paid to shareholders who own more than 2% of the corporate stock.

The proper treatment of health insurance premiums paid requires an employer to report the payments as additional compensation to the shareholders. These premiums are to be included in Federal Gross Wages on the Shareholder's W-2. If you use a payroll service, please notify them of the adjustment that must be made to reflect the premiums paid. If our office is preparing the W-2s, please provide a breakdown of the health insurance premiums and disability premiums paid for each shareholder owning more than 2% of the corporate stock. The individual shareholder will pick up the additional income equal to the insurance premiums paid on their behalf. The individual can then deduct the premiums paid for health insurance when arriving at adjusted gross income on their 1040.

In addition to the above, the cost of group term life insurance in excess of \$50,000 and the personal portion of automobile usage should be calculated and added to the taxable wages of **all employees**. For the auto usage, please return the completed auto expense information form. For the group life, please provide a copy of the most recent premium coverage notice.

As always, please do not hesitate to contact our office if you have any questions on this or any other matter.

Very truly yours,

KLINE, KEPPEL & KORYAK, P.C.



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