

**S CORPORATION STOCK REDEMPTION BUY-SELL  
(INCLUDING DISABILITY)  
(INCORPORATING THE SHORT TAX YEAR TECHNIQUE)**

**CHECKLIST**

There is more than one way to set up a Buy-Sell Agreement. Following is a step-by-step guide that helps the Attorney, Agent, CPA, or other advisor keep track of the many steps that must be completed in setting up and executing such an agreement. This checklist assumes that the decision to establish a buy-sell agreement has been made and that new or existing life insurance is being used to fund the arrangement.

**Background Information**

**Name of Business:** \_\_\_\_\_

**Address of Business:** \_\_\_\_\_

**Phone Number:** \_\_\_\_\_

**Email:** \_\_\_\_\_

**Website:** \_\_\_\_\_

**Type of Business Entity:**

- C Corporation
- S Corporation
- Limited Liability Company (LLC)
- General Partnership
- Limited Partnership
- Sole Proprietorship
- Other, Specify: \_\_\_\_\_

**Is business owned exclusively by members of a licensed profession?**

- Yes     No

**If yes, which profession?** \_\_\_\_\_

**What products or services does the business provide?** \_\_\_\_\_

\_\_\_\_\_

**What is the appraised value of the business?** \$ \_\_\_\_\_

**Number of outstanding shares or business units:** \_\_\_\_\_

**List names of Owners and their ownership interests by percentage:**

Name: \_\_\_\_\_ % \_\_\_\_\_

Name: \_\_\_\_\_ % \_\_\_\_\_

Name: \_\_\_\_\_ % \_\_\_\_\_

Name: \_\_\_\_\_ % \_\_\_\_\_

Name: \_\_\_\_\_ % \_\_\_\_\_

**Are business Owners related by blood or marriage?**    \_\_\_ Yes    \_\_\_ No

**If yes, indicate relationships:** \_\_\_\_\_

\_\_\_\_\_

**Choose the business continuation plan the owners intend to use:**

\_\_\_ One-Way Buy-Out

\_\_\_ Management Team Buy-Out

\_\_\_ Stock Redemption (or Entity Purchase)

\_\_\_ Section 303 Stock Redemption (for Corporations)

\_\_\_ Cross-Purchase

\_\_\_ Combination Cross-Purchase/Stock Redemption or Entity Purchase  
("wait-and-see" buy-sell)

\_\_\_ Trusteed Cross-Purchase

Name and Address of Trustee: \_\_\_\_\_  
\_\_\_\_\_

\_\_\_ Other, Specify: \_\_\_\_\_

**Select how the buy-sell arrangement will be funded:**

\_\_\_ Life Insurance

\_\_\_ Sinking Fund

\_\_\_ Fixed Investments

\_\_\_ Equities

\_\_\_ Installment Sale

\_\_\_ No Funding

\_\_\_ Installment Sale

\_\_\_ Self-Canceling Installment Note

\_\_\_ Private Annuity

\_\_\_ Other, Specify: \_\_\_\_\_

**If the arrangement is to be funded with insurance, who will own the insurance?**

\_\_\_ Business

\_\_\_ Insureds

\_\_\_ Cross-Owned by Business Owners

\_\_\_ Trust

\_\_\_ Separate Partnership or LLC (not the business being sold)

\_\_\_ Other, Specify: \_\_\_\_\_

**Will there be a separate escrow agent or special trustee to administer the**

Agreement? \_\_\_ Yes \_\_\_ No

If yes, who? \_\_\_\_\_

Agreement will be governed by the law of which state? \_\_\_\_\_

**Drafting and Executing the Agreement:**

- \_\_\_ Meet with attorney and insurance agent to determine terms of Agreement.
- \_\_\_ Owners or Business representatives complete life insurance applications and submit them to Insurance Carrier for underwriting.
- \_\_\_ Attorney drafts Agreement.
- \_\_\_ Owners review draft of Agreement and recommend changes, if any.
- \_\_\_ Attorney drafts final Agreement.
- \_\_\_ Owners review final draft and execute Agreement, making sure Owner's spouses sign Agreement or waiver of interests.
- \_\_\_ Insurance policies issued in accordance with Agreement.
- \_\_\_ Re-value business interests from time to time according to Agreement.

**Short Tax Year Technique**

- \_\_\_ S corporation uses cash-basis accounting. (If S corporation uses accrual accounting, "Short Tax Year Technique cannot be used.)
- \_\_\_ At death of S corporation stockholder, but before insurance proceeds on life of deceased stockholder are requested from insurance company, corporation effects a redemption of deceased stockholder's stock using existing corporate assets or a loan.
- \_\_\_ After redemption is complete, S corporation elects a short tax year, files tax return, and reports income to shareholders, including deceased stockholder's estate.
- \_\_\_ After tax return is filed, death proceeds are received from insurance carrier, thus causing a full step-up in basis for remaining stockholders.

**Names, addresses, phone numbers, and email addresses of Advisors:**

**Attorney:** \_\_\_\_\_

\_\_\_\_\_

**Accountant:** \_\_\_\_\_

\_\_\_\_\_

**Insurance Agent:** \_\_\_\_\_

\_\_\_\_\_

**Other, Specify:** \_\_\_\_\_

\_\_\_\_\_

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