

**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: _____
