This notice is a reminder of the formalities necessary for Extreme Reach Payroll Solutions, Inc. (ERPS)to be able to pay loan-out companies for services.

Payments to Domestic Loan-Out Companies:

Extreme Reach Payroll Solutions, Inc. is only able to pay loan-out companies adhering to the following guidelines:

- The company must be active and currently registered. Status will be confirmed by a check of the Secretary of State website of the state where the company was organized (created).
- The company must have only a single owner.* (Please note exception below.)
- The single owner must own <u>all</u> shares of the company.
- The engagement agreement must be with the loan-out company for services of the performer and not the individual performer.
- ERPS will only pay the company for the services of that single owner.
- The documentation listed below is timely delivered to ERPS.

*Exception: A married couple (e.g. husband and wife) may both be loan-out employees of the same company. A loan-out company may also consist of multiple members of a band or other performance group.

Documentation Required for Payments to Loan-Out Companies:

- S-Corp or C-Corp: (1)
    - Completed and signed W-9
    - Completed and signed Form I-9
    - Engagement Agreement

- Single Member LLC w/ Form 8832 Corporation Election(1)
    - Completed and signed W-9
    - The Acceptance Letter from the IRS for Form 8832, approving the “S” or “C” corporation election status, **<u>or</u>** The Acceptance Letter from the IRS for Form 2553, electing to be treated as an “S” Corporation
    - Completed and signed Form I-9
    - Engagement Agreement

- Partnerships (Only used for married couples or for a performance group)
    - Completed and signed W-9
    - Partnership Agreement or a recent 1065 Tax Return(1)
    - Completed and signed Form I-9
    - Engagement Agreement

- Multiple Member LLC (Used only for married couples or for a performance group) (1)
    - Completed and signed W-9
    - Completed and signed Form I-9
    - Engagement Agreement

[1] Please note that in certain circumstances, if ERPS needs further clarification, the Articles of Incorporation, Articles of Organization or the Partnership Agreement may be required.

Extreme Reach Payroll Solutions, Inc. cannot pay Loan Out Companies identified as:

- Individuals
- Sole proprietorships
- Single member LLCs that have not filed either a Form 2553 or a Form 8832, electing to be treated as a corporation for tax purposes.

This is true even if the entity has a federal EIN. The IRS has determined that these are "disregarded entities." That is to say that for the purpose of income taxes they are indivisible from their owners. We must therefore pay the owners of these entities as individuals subject to ordinary withholding.

Of course, the IRS requires that when an employer pays an individual employee for work performed, employee taxes must be withheld and remitted to the IRS. Employers who do not comply with the employment tax laws may be subject to criminal and civil sanctions for willfully failing to pay employment taxes.

Please note that there may be circumstances that even a properly documented loan out company will be subject to state tax withholding. Some states require withholding when a company is a "foreign" company. And some states require withholding when a producer is accessing tax incentives.