

2016 Report for Vernon Hightower - Bluebonnet Tavern

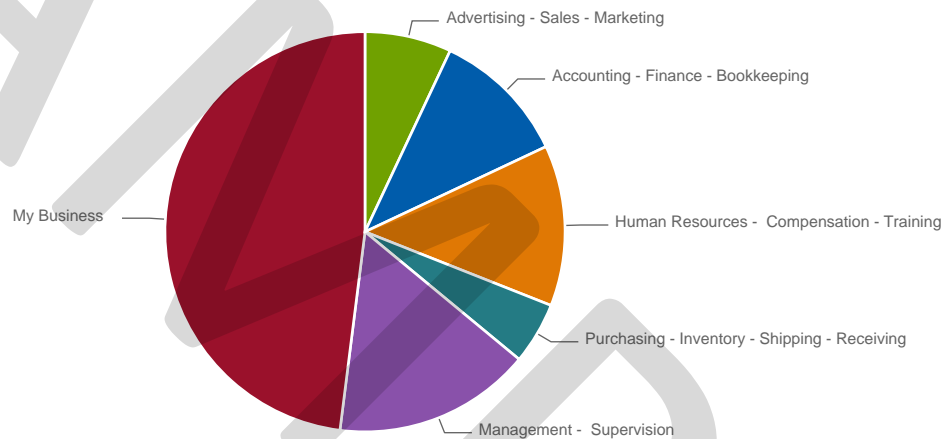
Your estimated annual base salary: \$116,115

Thank you for entrusting Sam Miller of Miller & Associates, PC with your Reasonable Compensation analysis. This report provides a reasonable estimate of the value of services rendered to your business based on the duties and responsibilities that you perform annually. Reasonable Compensation is defined as "The value that would ordinarily be paid for like services by like enterprises under like circumstances".

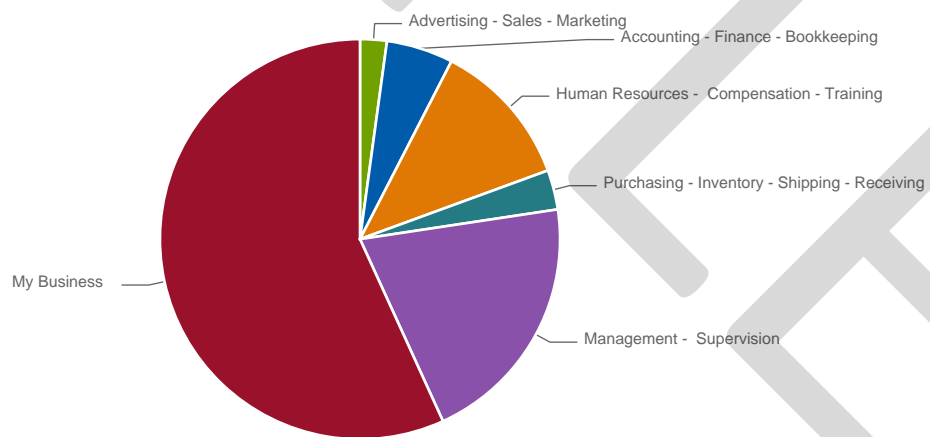
The calculated salary of **\$116,115** was determined to be reasonable compensation based on the type of work performed, the skill level of the work performed and the number of hours the work is performed annually. You told us that you work **3900** hours per year in **Talbot County, MD**. Our analysis indicates the annual salary of \$116,115 would be a reasonable cost to hire employee(s) to perform the duties and responsibilities that you currently perform.

Miller & Associates, PC recommends completing a reasonable compensation report annually.

Your Time



Your Salary



*Annual Salary and Reasonable Compensation are used interchangeably in this report.
All salary and reasonable compensation figures are expressed annually and in U.S. dollars.
Reasonable Compensation Reports is powered by RCRReports.com.*

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Advertising - Sales - Marketing

7% of your time

273 hours/year

2.16% of comp.

Task	Proficiency	Category	Overall	Hours	Wage	Annual
Cashiers	Average	100%	7%	273.0	\$ 9.19	\$ 2,509

Accounting - Finance - Bookkeeping

11% of your time

429 hours/year

5.4% of comp.

Task	Proficiency	Category	Overall	Hours	Wage	Annual
Bookkeeper	Below Avg.	62%	6.82%	266.0	\$ 14.13	\$ 3,759
Payroll and Time Clerks	Below Avg.	38%	4.18%	163.0	\$ 15.41	\$ 2,512

Human Resources - Compensation - Training

13% of your time

507 hours/year

11.86% of comp.

Task	Proficiency	Category	Overall	Hours	Wage	Annual
Human Resources Clerk	Low	31%	4.03%	157.2	\$ 10.41	\$ 1,636
Employee Training and Development	Above Avg.	69%	8.97%	349.8	\$ 34.68	\$ 12,131

Purchasing - Inventory - Shipping - Receiving

5% of your time

195 hours/year

3.2% of comp.

Task	Proficiency	Category	Overall	Hours	Wage	Annual
Purchasing Clerk	Above Avg.	100%	5%	195.0	\$ 19.07	\$ 3,719

Management - Supervision

16% of your time

624 hours/year

20.57% of comp.

Task	Proficiency	Category	Overall	Hours	Wage	Annual
Business Office Manager	Average	100%	16%	624.0	\$ 38.27	\$ 23,880

My Business

48% of your time

1,872 hours/year

56.81% of comp.

Task	Proficiency	Category	Overall	Hours	Wage	Annual
Executive Chef	High	100%	48%	1,872.0	\$ 35.24	\$ 65,969

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Business Summary:

Calculated for: Vernon Hightower
Company: Bluebonnet Tavern
Interview completed: 2016-04-04 13:46:18
Report calendar year: 2016
Location: Talbot County, MD
Hours worked: 3900
Education level: Some College - No Degree
Entity type: Sole Proprietorship
Shareholders: 1
Employees: 11-15
Annual revenue: Under \$100k
Business assets: Under \$100k
NAICS industry: 722511 - Full-Service Restaurants

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How was my "Annual Salary" or "Reasonable Compensation" calculated?

Miller & Associates, PC relies on data provided by RCReports, Inc., Bureau of Labor Statistics and U.S. Census data to calculate a concise, unbiased, justifiable Reasonable Compensation figure.

This report blends and weights the duties and responsibilities you perform annually in eight common categories with the duties and responsibilities you perform specific to your business, generating an annual salary that would be reasonable to "replace" yourself within your company.

Your annual salary or reasonable compensation represents an estimate of the amount it would cost to "replace" you, based on:

- Your answers to our interview
- Bureau of Labor Statistics data
- Census data
- RCReports, Inc. data base of wages

Your actual replacement salary could vary considerably from our estimate, particularly if the information you provided differs from your actual duties and responsibilities.

Methodology

This report uses the Replacement Cost Approach to determine a Reasonable Compensation figure. The Replacement Cost Approach takes into consideration all the tasks a business owner provides to their company, such as administration, accounting, marketing, purchasing etc. (also referred to as the Cost Approach).

The Replacement Cost Approach breaks down the time spent by the owner into the various tasks performed; wage levels are assigned for each task based on the owner's proficiency, and then added back together to obtain a hypothetical Replacement Cost for the owner.

The Replacement Cost approach is most accurate when used to determine Reasonable Compensation for owners and key management of a Small Businesses. A business is generally considered Small if it has:

- Under \$10 million in Assets (IRS)
- Under \$7.5 million in Revenue (SBA)
- Under 250 Employees (SBA)

For more information on Methodologies:

- [Job Aid for IRS Valuation Professionals](#)
- RCReports, Inc. Methodology Report ([available upon request](#))

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Other considerations before deciding on a final Reasonable Compensation figure

For the majority of businesses owners and key managers, the Reasonable Compensation figure calculated in this report should not require adjustments. However there are circumstances, rules and situations Miller & Associates, PC may take into consideration before recommending a final reasonable compensation figure. The list below is not exhaustive and Miller & Associates, PC may make adjustments for circumstances and situations not listed.

- Compensation of Non-Owner Employees
- Past Salary History
- Industry Formulas
- Travel Requirements
- Personal Guarantee of Debt
- Key Relationships and/or Contracts
- Financial Condition of your Company
- Distribution History

The courts have used a variety of factors to "Stress Test" Reasonable Compensation figures. Three well recognized lists of factors are below. Miller & Associates, PC may stress test your Reasonable Compensation figure against some or all of the factors used by the courts and the IRS and recommend adjustments.

1. The IRS Nine Factors Considered by Tax Courts: [IRS Fact Sheet 2008-25](#)
2. The Tax Court's Five-Factor Test: [LabelGraphics, Inc. v. Commissioner, T.C. Memo 1998-343 \(Sept. 28, 1998\)](#)
3. The Tax Court's Ten-Factor Test: [Brewer Quality Homes, Inc. v. Commissioner, T.C. Memo 2003-200 \(July 10, 2003\)](#)
4. Summary of Court Factors used to "Stress Test" Reasonable Compensation Figures: [Summary](#)

Additional Resources:

- [Job Aid for IRS Valuation Professionals](#)
- [Reasonable Compensation: Application and Analysis](#) for Appraisal, Tax and Management Purposes. By Ronald L. Seigneur and Kevin R. Yeanoplos