Compensation Documentation Checklist

A practical guide to organizing the information and supporting records used in a reasonable compensation review.

HOW TO USE THIS CHECKLIST

Check each item as it is collected or reviewed. Keep supporting documents with the final compensation analysis, and note any missing information that requires follow-up.

Business Information 01

- [ ] Legal business name, DBA (if applicable), and entity type
- [ ] Tax year covered by the compensation analysis
- [ ] Business location, industry classification, and principal activities
- [ ] Annual revenue, profitability, and relevant financial statements
- [ ] Ownership structure and any changes during the year

Owner Information 02

- [ ] Owner/shareholder name, title, and ownership percentage
- [ ] Education, credentials, experience, and specialized expertise
- [ ] Employment history and responsibilities within the business
- [ ] Hours worked and time devoted to the business
- [ ] Compensation history, including wages, bonuses, and distributions

Duties & Responsibilities 03

- [ ] Written description of the owner·s actual duties and decision-making authority
- [ ] Breakdown of time spent across major functional roles
- [ ] Examples of managerial, technical, sales, and operational work performed
- [ ] Information about staff, contractors, and duties delegated to others
- [ ] Documentation of material changes in responsibilities during the year

Compensation Support 04

- [ ] Comparable salary data matched to role, industry, geography, and company size
- [ ] Sources, publication dates, and methodology for benchmark data
- [ ] Explanation of blended or hybrid-role compensation assumptions
- [ ] Comparison of proposed compensation with market ranges
- [ ] Written rationale for adjustments based on business circumstances

Supporting Evidence 05

- [ ] Payroll records, W-2s, and compensation agreements
- [ ] Financial statements and relevant business performance records
- [ ] Time logs, calendars, job descriptions, or work-product examples
- [ ] Benchmark reports, source extracts, and calculation workpapers
- [ ] Prior-year analyses, board minutes, or approval documentation

Final Review 06

- [ ] Confirm facts, time allocations, and calculations are consistent
- [ ] Identify and explain assumptions, limitations, and data gaps
- [ ] Document the final recommended compensation and supporting rationale
- [ ] Record reviewer, approval date, and any follow-up actions
- [ ] Save the completed analysis and supporting files in a secure location

Review notes / outstanding items

This checklist is a documentation aid, not a substitute for a facts-and-circumstances analysis or professional tax advice. Documentation needs vary by business and situation.