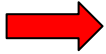


Internal Revenue Code Section 1372(a)

Partnership rules to apply for fringe benefit purposes



- (a) General rule. For purposes of applying the provisions of this subtitle which relate to employee fringe benefits—
 - (1) the S corporation shall be treated as a partnership, and
 - (2) any 2-percent shareholder of the S corporation shall be treated as a partner of such partnership.
- (b) 2-percent shareholder defined. For purposes of this section, the term "2-percent shareholder" means any person who owns (or is considered as owning within the meaning of section 318) on any day during the taxable year of the S corporation more than 2 percent of the outstanding stock of such corporation or stock possessing more than 2 percent of the total combined voting power of all stock of such corporation.