TWO "BUCKETS" OF TAXES

FEDERAL AND SELF-EMPLOYMENT

LLC ELECTING S CORP STATUS

EXAMPLE

Schedule C (filed with your 1040)	S Corporation-Form 1120S
$100,000 Profit (Income less expenses)	$100,000 Profit
X 15.3% SS/Medicare Taxes	-$60,000 Reasonable Compensation (W2)
$15,300 in SS/Medicare Taxes - calculated on your 1040 tax return and paid through estimated taxes.	$40,000 net profit
	Only the $60,000 W2 is subject to SS/Medicare
"Simple" result:	$60,000 x 15.3% = $9,180 ½ is deducted from your paycheck and the other ½ is paid by the business through a monthly deposit to the IRS.
$15,300	
-$9,180	
$6,120 saved in SS/Medicare taxes-BUT, it is not that simple due to QBI	Note: this is a very basic example-there are more things to factor into the timing of the election as will be discussed on the next slide.