

Comparing Taxes for Sole Proprietorship and S Corporation

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		Alex S Corporation 1120S: Income Tax for S-Corp	Pat Sole Proprietorship Schedule C (or C-EZ)
Income statement			
Total Revenue		\$60,000	\$60,000
Expenses			
Travel, Office supplies...		\$10,000	\$10,000
Wages		\$40,000	
Employer's FICA	7.65%	\$3,060	
FUTA (on first \$7,000 in wages)	6.20%	\$434	
	Total	\$53,494	
Net Profit		\$6,506	\$50,000
 Your 1040			
Income			
Wages (Line 7)		\$40,000	\$0
Business Income (Line 12)		\$0	\$50,000
S Corp Income (Line 17)		\$6,506	\$0
Adjusted Gross Income			
One-half of self-employment tax (line 27)		\$0	\$3,825
Total AGI (Line 37)		\$46,506	\$46,175
Tax and Credits			
Income tax (assume 20%) (Line 44)	20%	\$9,301	\$9,235
Other Taxes			
Self-employment tax	15.30%	\$0	\$7,650
 Total tax			
Employer's FICA		\$3,060	\$0
Employee's FICA		\$3,060	\$0
FUTA		\$434	\$0
Income Tax		\$9,301	\$9,235
Self-employment Tax		\$0	\$7,650
	Total	\$15,855	\$16,885
	Difference in tax	\$1,030	
	Difference due to no SE on business income	\$1,530	

Notes:

Social Security tax rate is 6.2% for employer and employee on first \$106,800.

Medicare tax rates is 1.45% for employer and employee with no income limit.

Total employer tax rates is 7.65%.

Total self-employment tax rate is 15.3%.

FUTA is Federal Unemployment Tax. 6.2% on the first \$7,000 of wages. Offset by any state unemployment taxes. General partners are not subject to Worker's Compensation (at least in Pennsylvania).

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