



CERTUS
ACCOUNTING & TAX SERVICES

IF YOUR BUSINESS IS CONSISTENTLY EARNING
\$40,000+ IN NET PROFIT, AN S-CORPORATION MAY
BE A GREAT WAY TO REDUCE YOUR TAX BURDEN.

Why consider an S-Corp?

Right now, as a sole proprietor or single-member LLC, all of your net income is subject to self-employment tax (which is 15.3% for Social Security and Medicare) and income tax. However, by electing to be taxed as an S-Corp, you can take a portion of your earnings as payroll—reducing the amount subject to self-employment tax.

HOW DO THE TAX SAVINGS WORK?

Here's a simple breakdown:

- As an S-Corp, you must pay yourself a "reasonable salary," which is subject to payroll taxes.
- Any remaining profits can be taken as distributions, which are not subject to self-employment tax.
- This structure can lead to significant savings on Social Security and Medicare taxes while still allowing you to take home the same overall income.

HOW CERTUS CAN HELP:

1. Talk to our tax team to see if this makes sense for you.
2. We help you restructure
3. Conduct an IRS defensible Reasonable Compensation Study
4. We set up payroll, recommend a wage and take care of the processing and tax filings



EXAMPLE OF POTENTIAL SAVINGS

Let's say you earn \$100,000 in net profit:

- As a sole proprietor: The entire \$100,000 is subject to self-employment tax (15.3%), costing \$15,300 in self-employment taxes.
- As an S-Corp: If you pay yourself a reasonable salary of \$50,000, only that portion is subject to payroll taxes (\$7,650), and the remaining \$50,000 in distributions is now free from self-employment tax—saving you \$7,650!

To take advantage of this strategy, the IRS requires that:

- ✓ You pay yourself a reasonable salary (based on industry standards).
- ✓ You process payroll and file payroll tax reports.
- ✓ You maintain separate business finances and keep accurate records.

There are some additional costs that come with an S-Corp, such as:

- Payroll service fees
- Tax preparation and filing for the S-Corp