

## Sole Proprietor vs. S-Corp

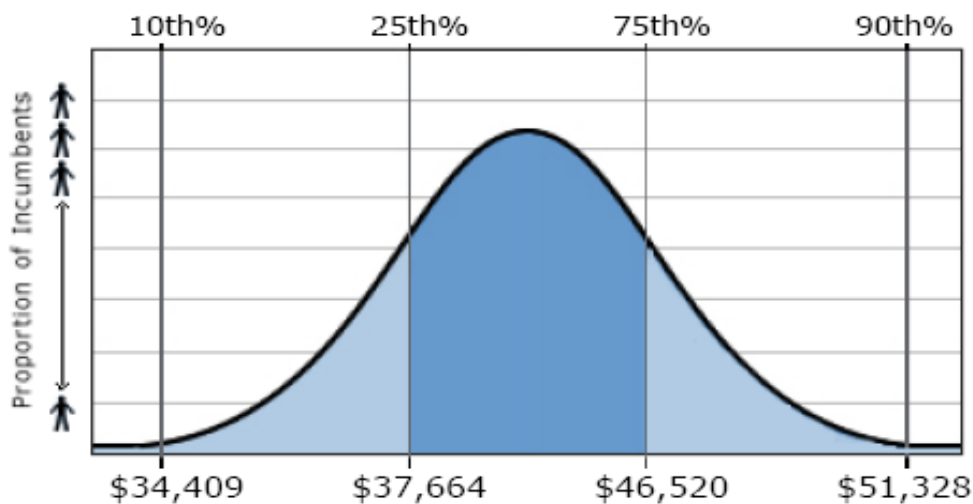
### Key Advantages of S-Corp:

1. Reduced payroll taxes
2. Reduced audit risk
3. Liability protection of corporation or LLC
4. No need to make estimated tax payments
5. Steady paycheck
6. Simple tax structure

Warning: The IRS is targeting S corporation returns to identify cases where payroll tax was avoided by undercompensating shareholders. Taking an aggressive position on payroll tax issues can have significant downside. Additional FICA, FUTA and income tax withholding can be assessed to the corporation in addition to failure to file and deposit penalties. In addition, negligence penalties will likely be assessed.

		Sole Proprietor	S-Corp
Net Income Before Payroll		85,000	85,000
Reasonable Compensation			45,000
Social Security	12.40%	10,540	5,580
Medicare	2.90%	2,465	1,305
Income Taxes	20.00%	17,000	17,000
Total Taxes		30,005	23,885
Net Income After Taxes		54,995	61,115
Tax Savings			6,120

## Insurance Agent - Austin, TX 78732



Source: HR Reported data as of November 2009