

Business Taxes and Structuring

How to save money on your business tax filings for 2018 and 2019



Corporate Conversions



C Corp

Advantages

- 21% Flat Tax
- Multiple Classes of Stock
- Can have both foreign and company owners
- No salary requirements
- Beneficial for higher income earners \$150k for single and \$300k for MFJ

Disadvantages

- 15% dividend tax for owners with taxable income above app. \$40k for single and \$80k for MFJ
- Corp Tax Rate plus Div could = 36-41%



S Corp

Advantages

- No Self-Employment Tax
- No tax on distributions
- Eligible for Section 199A Deduction

Disadvantages

- Shareholders cannot be foreigners or companies
- Reasonable Salary Required
- Minutes of Meetings
- One Class of Stock
- Not advantageous for higher income earners



LLC

(Taxed as Sole Proprietor or Partnership)

Advantages

- Flexible
- No salary requirement
- Eligible for Section 199A Deduction
- Can have both foreign and company owners

Disadvantages

- Self Employment Tax of 15.3%
- Not advantageous for higher income earners

Section 199a Deduction

20% Qualified Business Deduction (QBI Deduction)

- Qualified Trade or Service
- Pass Through Entity Qualifier
- Example: Net Profit (Ordinary Income) after Expenses \$200,000... QBID: \$40,000

Qualified Trade or Service

- Specified Trade or Service other than fields including health, law, accounting, engineering, performing arts, consulting, athletics, financial services and investment management.
- Also employees are not able to claim the deduction

Pass Through Entity

- S Corp
- LLC taxed as a Sole Proprietor or Partnership

Section 199a Deduction

Limitations

The deduction is eliminated as follows:

- Single Taxpayer with taxable income exceeding \$207,500
- Married Filing Joint with taxable income exceeding \$415,000

Complexities

- Although this is a very favorable deduction for most small business owners, it is very complex and still has not been passed by the IRS.
- It was established for 2018
- Us accountants do not know if this will remain a deduction in the future, but hope it gets cleared up as it is a huge benefit.



Tax Deadlines

Type	Jan 31	Feb 28	March 15	April 15
1040 <i>Income Tax</i>				Deadline to File Personal Tax Return or File Extension
<i>Miscellaneous Deadlines</i>	Deadline for 1099s to Subcontractors	Deadline to File 1099s to IRS		Deadline to file Q1 Estimated Tax
<i>S Corp</i>			Deadline to File or File Extension	
<i>C Corp</i>				Deadline to File or File Extension
<i>Partnership</i>			Deadline to File or File Extension	
<i>Other</i>				Last Day to make a 2018 IRA Contribution

Tax Planning Considerations



Health Savings Account



Traditional IRA



Solo 401k or SEP



Run Payroll through Gusto and start withholding to prevent penalties and interest



Process Payroll and Include Health Insurance

Q&A - Please Ask Away



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