

CHOOSING THE RIGHT TAX STRUCTURE

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Agenda

- ❖ Most Common Used Tax Structures
- ❖ Tax Reporting
- ❖ Sole Proprietorship
- ❖ LLC/LLP
- ❖ Corporation (S or C)
- ❖ Examples of BIG Tax Saving



Most Commonly Used Tax Structures

- ❖ Sole Proprietorship
- ❖ LLC/LLP
- ❖ Corporation
 - S Corporation
 - C Corporation



TAX REPORTING

❖ Tax Reporting

- Sole Proprietorship – 1040 Sch C
- LLC (Limited Liability Partnership)
 - Single Member – 1040 Sch C (Sch E for Rental Properties)
 - Multiple Members – 1065
- LLP - 1065
- Corporation
 - S Corporation – 1120S
 - C Corporation - 1120



Sole Proprietorship

- ❖ The business owner represents the company in totality.
- ❖ Benefits:
 - Easy to start, operate and maintain
 - Lower Stat-up cost
 - Quicker and simpler tax preparation
- ❖ Concerns:
 - Personal Liability



LLC/LLP

- ❖ Limited Liability Company (LLC) or (LLP) is a hybrid type of business structure that combines the pass-through taxation of a partnership and limited liability protection of a Corp.
- ❖ Benefits:
 - Legal protection
 - Enhance business' credibility
 - Pass-through taxes
- ❖ Concerns:
 - Self-employment Tax



Corporation (S or C)

❖ It's an independent legal business entity

❖ Benefits:

- C Corp: Anonymity
- Assets protection
- Easier to access to capital

❖ Concerns:

- Double Taxation: C Corp
- Costly: Time and Money



Examples of BIG Tax Saving through Tax Structure Change

❖ Sch C to LLC

- Husband and wife both in business
- Self Employment Tax
- Hire your Kids:

❖ LLC to S-Corp

- Partners with different function
- Reasonable Salary

❖ C-Corp to S-Corp

- Make a lot more profit
- Simply pay too much tax
- Ready to pay more to the shareholders

❖ C-Corp fiscal year

- Fiscal year tax structure



CHOOSING THE RIGHT TAX STRUCTURES

Consult a professional before you starting your business or making any changes of existing business

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