PRIME

S-CORPORATION ELECTION



For many business owners, electing to have their business taxed as an S-Corporation can be one of the most impactful tax-saving strategies available. Unlike a sole proprietorship or traditional LLC, an S-Corporation allows business profits to be divided between salary and distributions, which can create opportunities to reduce self-employment taxes.

The primary benefit of an S-Corporation is that not all business income is automatically subject to Social Security and Medicare taxes. While owners who actively work in the business must still pay themselves a reasonable salary, additional profits may be distributed in a more tax-efficient manner.

Beyond potential tax savings, operating as an S-Corporation often encourages stronger financial systems, cleaner bookkeeping, and a more formal business structure. For growing businesses, it can serve as an important step in transitioning from a self-employed operator to a more established company.

QUALIFICATIONS

An S-Corporation election is generally most beneficial once your business is generating consistent profits beyond what you need to pay yourself as a reasonable salary.

This strategy tends to be a strong fit if:

- **You actively work in your business.** S-Corporations are designed for owner-operators who are materially involved in the day-to-day operations.
- **Your business generates healthy net profits.** The greater the gap between reasonable compensation and total business profit, the greater the potential tax benefit may become.

IMPLEMENTATION

For a detailed implementation checklist and other helpful resources, scan the QR code below or click **here**.

- **You already operate through an LLC or corporation (or are willing to).** An S-Corporation is not a separate legal entity but rather a tax election applied to an eligible business structure.
- **You are looking for more advanced tax planning opportunities.** Many tax strategies available to business owners become easier to implement once a formal entity structure and payroll system are in place.



WHEN DOES IT MAKE SENSE TO CONSIDER AN S-CORP?

There is no universal income threshold that makes an S-Corporation the right choice for everyone. However, many business owners begin exploring this strategy once their business consistently generates profits beyond their reasonable compensation needs.

Because the benefits and administrative requirements vary from business to business, the decision is often based on profitability, growth trajectory, and long-term goals rather than revenue alone.

GOT QUESTIONS?

Email **decoder@primecorporateservices.com**
or contact **(855) 577-4639** for more information.

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