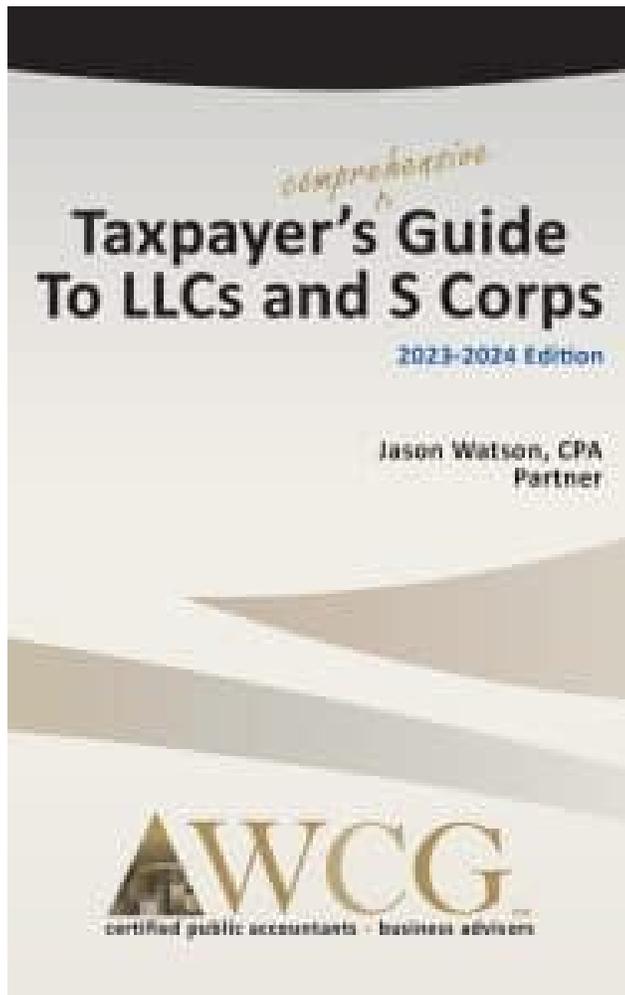


## Book



## Self-Employment Taxes

Posted Wednesday, November 8, 2023

**WCG CPAs & Advisors** and Jason Watson, CPA, have released the **2023-2024 Edition** of Taxpayer's Comprehensive Guide to LLCs and S Corps. Over 400 pages of pure pleasure! This edition has updated 2024 data such as IRA and 401k limits including Social Security wage limits, but it also has a bunch of new information spread out various chapters such as customized multi-entity structures, expanded reasonable shareholder salary sections, more tax reduction mechanics among various little tidbits gleaned from hundreds of small business consultations. Riveting!

We have several examples showing how the Section 199A works, why S corporations remain a great tool for tax savings and why reverting to a C corporation is a bad idea. We also discuss entity formation, S Corp elections, reasonable shareholder salary and business tax deductions. Frankly the Section 199A stuff is only about 40 pages of the material... the rest is good ol' fashion business stuff!

It is available in paperback for \$49.95 from **Amazon** and as an eBook for **Kindle** for \$39.95. Our book is also available for purchase as a PDF from **ClickBank** for \$29.95. Why do we all love 95 cents? We all know that 39.95 is really 40 bucks. At least we are not like gas stations... \$39.949. Silly! Yet we digress. Apple iBook, Barnes and Noble Nook, among others are not utilized

since their format is challenging to make mini updates here and there.

Before you spend your money, we encourage you to review the highlights below and download a sample of **Taxpayer's Comprehensive Guide to LLCs and S Corps** by using the following button, or the electronic yet full version from our KnowledgeBase-But if you saying to yourself, "Self, just get the darn book and start taking care of business" then click on one of the buttons below-Here are some testimonials to make you feel better (of course we only picked the good ones... just like referrals)-

*Ronny R. says, "I enjoyed it! Gave me lots to talk about with my CPA."*

*Britt S., Esq. says, "Thank you so much for speaking with me last week! You are amazing and I greatly appreciate all of the information you emailed me. I am in complete adoration of your book!"*

*Lisa A. says, "Detailed information about the pros and cons of creating a small business. Lots of great detail about the tax benefits and consequences. NOT a 'dummies' book - it assumes you already have some background knowledge."*

*Brett B. says, "I read your 'Comprehensive S Corp' book. Wow. You blew my mind. I thought I understood S Corps."*

*Larry M. says, "I found it helpful, but could have gone into a little more detail. There is one main way to save money as an s corp, and how to determine 'how much you can get away with' could have been expanded on a bit more. Otherwise, pretty good guide."*

*M.S. says, "Great read for first time self-employed corp owners. Covers all the main basic of taxes and caveats. Well written and simple to understand for those not well versed in tax law."*

If you buy our 430-page book and think that we didn't help you understand small business tax law or the benefits of S corporations, let us know. We never want you to feel like you wasted your money. If you are ready to add some insightful reading into your day, click on one of the preferred formats. Amazon is processed by Amazon, and the PDF is safely processed by ClickBank who will email you the PDF as an attachment.



\$49.95



\$39.95



\$29.95

## Book Edition

Current release is **2023-2024 Edition**. Please email us to let us know you want an updated version, and we will ship free of charge. You may also want to visit our blog to catch up on some recent guidance and other issues surrounding small businesses-

## Avoid Self-Employment Taxes

How can I avoid self-employment taxes? This simple question was the inspiration for creating an article describing the benefits of an S Corporation. That original article, which was about four pages long, quickly became a series of KnowledgeBase articles on the WCG website. The articles touched on basic topics such as how to elect S Corp status, shareholder payroll, reasonable salary determination and liability protection. Those broad topics demanded much more information, both horizontally by spanning into more related issues, and vertically by digging deeper into the granular yet riveting levels of the tax code. Beyond general S Corp benefits, our **2023-2024 edition** of this book will show you-

- Entity Structures and Custom Multi-Entity Arrangements for Tax Efficiency
- Deal Structures, Operating Agreements
- The Fallacy of Nevada Corps
- State Taxes, Nexus, FBA Problems, and Liability
- S Corp Benefits, Tax Savings
- Avoiding Self-Employment Taxes
- The 185 Reasons an S Corp or LLC Might Stink

- Forming and Operating an S Corp
- Late S Corp Election
- Determining Reasonable S Corp Shareholder Salary
- Section 199A Business Tax Deduction
- Tax Deductions, Fringe Benefits, Kids on Payroll and Cars
- Properly Paying for Health Insurance
- Small Business Retirement Planning with Your Small Business

So here we are on our tenth iteration, or the **2023-2024 Edition**. Unlike Tax Cuts and Jobs Act of 2017 and COVID and the three major pieces of tax law which was the basis for the Ninth edition, these changes are primarily focused on the little things. There are also several examples and little comments that come from the hundreds of consultations we do each year. Nothing tests your bad idea like the public, and people are full of wonderful stories and inquiring minds. All this leads to more fodder for the book!

Each week we receive several phone calls and emails from small business owners and other CPAs across the country who have read our **Taxpayer's Comprehensive Guide to LLCs and S Corps** and praised the wealth of information. Regardless of your current situation, whether you are considering starting your own business or entertaining a contracting gig, or you are an experienced business owner, the contents of this book are for you.

*While this book's origins were based on reducing self-employment taxes through an S Corporation election, it has dramatically expanded to sound business advice from entity structures to operational considerations to business tax deductions and retirement planning.*

This book is written with the general taxpayer in mind. Too many resources simply regurgitate complex tax code without explanation. While in some cases tax code and court opinions are duplicated verbatim because of precision of the words, this book strives to explain many technical concepts in layperson terms with some added humor and opinions. We believe you will find this book educational as well as amusing.

Enjoy! And please send us all comments, hang-ups and static. This book is as much yours as it is ours, except the tiny royalty part- that's ours. Stop by and we'll buy you a beer with the pennies.

Here are some additional resources-**S corporations remain a critical tax saving tool for two reasons**. First, the usual self-employment tax savings remains intact for all business owners including specified service trades or businesses. Second, a business owner might need to pay W-2 wages to himself or herself to not be limited by income, and only corporations can pay W-2 wages to owners (in other words, an LLC cannot without an S Corp election). Read the article above for riveting information!

This information is also incorporated into our book including examples and calculations. Happy Happy Joy Joy!

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## \*The Asterisk

Yeah, we all dislike the little asterisk. The gotcha! The fine print! Well, here is one of those situations. Pro-active and Pro-active Biz Tax Planning are different. Pro-active tax planning is limited (for individuals and households) and does not include business-entity tax planning and payments (California's Franchise Tax, New Jersey's BAIT, Portland's overall madness, NYC, etc.), pass-through entity tax (PTET) calculations and payments, among other things. **Not every business entity needs separate tax planning!** Texas, No. California, Yes. Please see our Tax Planning Services page and Master Service Agreement for more information.

Our Telluride Business Advisory plan includes the pro-active business tax planning plus a few other other valuable services such as CPA Concierge and interfacing with lenders, attorneys and financial planners.

Afraid of bait and switch? Yeah, we think that stinks too. Our annual fee for Vail, as an example, is \$4,500. What can make this fee go up? The most prominent reason is additional state tax returns (taxing jurisdictions). However, we will detail that in your proposal. Please see our individual and business entity tax return preparation pages for more information.

Quarterly financial statements analysis is an add-on service, however it is included automatically if you use our accounting services.[/vc\_column\_text][vc\_column][vc\_row][vc\_row][vc\_column width="1/3" el\_class="vc\_btn3-left"][vc\_empty\_space height="25px"][vc\_btn title="Tax Planning Services" style="custom" custom\_background="#a08750" custom\_text="#000000" align="left" i\_icon\_fontawesome="fas fa-user-check" css="" button\_block="true" add\_icon="true" link="url:https%3A%2F%2Fwcginc.com%2Ftax-support%2Ftax-planning-services%2F|title:Tax%20Planning%20Services|target: blank" el\_class="vc\_btn3-block"][/vc\_column][vc\_column width="1/3"][vc\_empty\_space height="25px"][vc\_btn title="Tax Reduction Strategies" style="custom" custom\_background="#a08750" custom\_text="#000000" align="left" i\_icon\_fontawesome="fas fa-chart-pie" css="" button\_block="true" add\_icon="true" link="url:https%3A%2F%2Fwcginc.com%2Ftax-support%2Freducing-taxes%2F|title:Tax%20Reduction%20Strategies|target: blank"][/vc\_column][vc\_column width="1/3"][vc\_empty\_space height="25px"][vc\_btn title="Pass Thru Entity Tax Deduction" style="custom" custom\_background="#a08750" custom\_text="#000000" align="left" i\_icon\_fontawesome="fas fa-file-invoice-dollar" css="" button\_block="true" add\_icon="true" link="url:https%3A%2F%2Fwcginc.com%2Fblog%2Fpass-through-entity-tax-deduction%2F|title:Pass%20Thru%20Entity%20Tax%20Deduction|target: blank"][/vc\_column][vc\_row][vc\_row css=".vc\_custom\_1707753006238{margin-top: 0px !important;}"][vc\_column][vc\_empty\_space height="25px"][vc\_column\_text css=".vc\_custom\_1723742612658{margin-bottom: 20px !important;}"]

## Our Way of Business

Here are some quickie FAQs to learn more about [WCG CPAs & Advisors](#), and how we do business-

### Do you extend a lot of tax returns?

Nope. We have a t-shirt that reads, "Hate extensions. Love our summers." We file 70% of our tax returns by April 15, and only extend per the client's request or if there is missing data such as a rogue K-1. We'll go as quickly as you let us! Also, we don't have A listers... we prepare tax returns in first-in first-out sequence. Sure, we leave room for emergencies or other issues that allow for jumping the line.



### How often do we schedule meetings?

Up to you! In the past, we would pro-actively schedule quarterly meetings with all Business Advisory and Tax Patrol clients, but it was cumbersome for everyone. Today, we generally connect at least 3 times a year in a meaningful way. Once for tax return preparation, once for tax planning and then another for a myriad of reasons ("hey, I am buying a car" or "hey, we sold a rental"). This is all back-filled with emailed correspondence and touch-ups throughout the year. Having said that, with routine consultation offered above, your goal is to extract everything you need from us.

We prefer scheduled meetings over Teams. Check out our CPA Concierge Service as well. Priority boarding. HOV lane. Early check-in.

### What is your communication style?

We rely heavily on emails and text message alerts. However, we do not have an allergy to the telephone. During friendly hours (let's say 8AM to 7PM including weekends) we will usually call first if we have a question or need clarification. We are committed to responding to your email within 3 business days.

To get work chores done, the tax team responds to emails on Mondays and Thursdays only (what we call our "comms" days). Other teams such as payroll and accounting have similar email cadences.

Have an emergency or need an answer sooner? Call us! So much can be done in short order with a phone call (please keep in mind that scheduled meetings is still ideal to ensure availability and readiness).

### Who will I be working with?

For tax, we have two-person teams so there is always a backup. Teams are assigned based on who first spoke with you, bandwidth and subject matter expertise. We also have accounting, payroll and business formation / governance. As such, you might have 4 people you work with. Yay! The two tax peeps, and if applicable, a payroll peep and an accounting peep (if you are using our Accounting Services team for bookkeeping + analysis). We also have dedicated Client Support and Tax Support teams to... well... support you and the other teams.







your entity with the Secretary of State (if applicable) and updating addresses as necessary.

Speaking of address changes... these are tough. Basic address changes require IRS, State Department of Revenue and Secretary of State notifications. Address changes that include payroll add another level of complexity since departments of revenue are not the same as departments of labor, and there might be local or municipal agencies as well.

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## Advisory Services Fine Print

### A la Carte

A la Carte fee ranges are approximates. 80% of our clients fit into our published fees, but there are outliers. We have a handful of clients with over 30 rentals; their individual tax return is north of \$4,000. We also are assuming one state; if your business spans the galaxy then additional fees will be discussed with you prior to payroll setup or tax return preparation. Typically, each state or tax jurisdiction is around \$250 to \$350 for tax preparation since it affects both your business and individual tax returns (frankly, state apportionment is a pain in the butt, but it is our pain... and states, especially California and New York, are crazy about it).

### Prorated Fees

Some more things to consider- when a partial year remains, our usual annual fee is decremented to not charge you for services you didn't use such as payroll processing. However, a large chunk of our annual fee is tax return preparation which is typically a built-in fixed amount of \$2,300 (both business entity and individual tax returns) plus annual tax planning. Whether we onboard you in January, July or December, we have to prepare a full year tax return. This increases the monthly fee for the remaining months of 2024 but the monthly fee will later decrease in January of 2025 to reflect the amounts above. Yeah, we make it sound like 2025 is just around the corner.

## Payroll Processing

We make very little profits on payroll processing... we offer it as a convenience to our clients. One throat to choke with a single call can be reassuring but if you want to run your payroll, go for it! Everyone thinks payroll is a piece of cake; write a check and done. Nope... we see a lot of mistakes being made by small business owners especially the handling of self-employed health insurance and HSA contributions since there are special rules for greater than 2% S Corp shareholders. Then again, we don't mind fixing what was broken.

## Tax Returns

You can prepare your own individual tax return as well... but the benefit WCG preparing both individual and business tax returns is that can we slide things around depending on income limitations, phaseouts, alternative minimum tax (AMT), Section 199A deduction optimization, pass-through entity tax deductions (PTET), etc. Having our arms around both worlds can yield some good tax savings!

**Note:** An individual tax return is what the IRS calls Form 1040 and refers to the entity filing the tax return (you, the individual, are the entity). However, a married couple are deemed to be one entity for the sake of an individual tax return. So, when we say we will prepare your individual tax return, it is meant to include your spouse in a jointly filed happy happy joy joy tax return.

## Break-Even Analysis (does an S Corp make sense?)

Break-even analysis is based on our annual fee of \$4,500 for our Vail package. If an S corporation saves you 8% to 10% (on average) in taxes over the garden-variety LLC, then \$4,500 divided by 9% equals \$50,000 of net ordinary business income (profit) after expenses and deductions.

This doesn't factor in the lower audit rate of S Corps versus Schedule C activities, plus the ability to use business funds to pay for your state income taxes otherwise known as the Pass-Thru Entity Tax Deduction (PTET) or the great SALT workaround.

More sales pitch! Keep in mind that our fee of \$4,500 includes your individual tax return which you might already be paying another tax professional to prepare. **WCG CPAs & Advisors** has a handful of clients who are right at the break-even point of \$50,000 but leverage an S Corp and our services to get tax return preparation, tax planning and consultation.[/vc\_column\_text][vc\_column][vc\_row][vc\_row css=".vc\_custom\_1707753006238{margin-top: 0px !important;}"][vc\_column width="1/4"][vc\_empty\_space height="25px"][vc\_single\_image image="217895" img\_size="full" alignment="right"][vc\_column][vc\_column width="3/4"][vc\_empty\_space height="25px"][vc\_column\_text css=""]

## No BS

We are not salespeople. We are not putting lipstick on a pig, and trying to convince you to love it, even if Tom Ford's Wild Ginger looks amazing. Our job remains being professionally detached, giving you information and letting you decide.

Moreover, many CPAs and tax professionals thrust their risk aversion onto their clients. This is bad. At **WCG CPAs & Advisors** we must perform our due diligence and hurdle our ethical and professional standards. However, after those gymnastics we present a risk-based analysis to the tax return and let you, the client and taxpayer, decide how to proceed. Having said that, we don't entertain tax scammers or those who can take down the ship. Arthur Anderson anyone? No thanks.

We also see far too many crazy schemes and half-baked ideas from attorneys and wealth managers. In some cases, they are good ideas. In most cases, all the entities, layering and mixed ownership is only the *illusion of precision*. Just because you can complicate the crap out of your life doesn't mean you must. Just like Chris Rock says, just because you can drive your car with your feet doesn't make it a good idea.[/vc\_column\_text][vc\_column][vc\_row][vc\_row css=".vc\_custom\_1707753006238{margin-top: 0px !important;}"][vc\_column][vc\_empty\_space height="25px"][vc\_column\_text css=".vc\_custom\_1707759970325{margin-bottom: 20px !important;}"]

## Next Steps

Here is a brief summary of the next steps should you want to engage WCG with Business Advisory Services or Tax Patrol-

1. We schedule an appointment to discuss your needs and ensure that we have the proper resources to help you.
2. We draft a proposal outlining the scope of services and our fixed annual fee.
3. If necessary, we schedule another appointment to review the proposal and perhaps tighten things up or make changes.
4. Once the proposal is signed, the fun begins with onboarding. We have an extensive checklist and internal task list to properly onboard you and your business. Some things are concurrent (such as gathering housekeeping docs and setting up payroll) and some things are sequential (for example, collecting financial data and then offering salary recommendations and creating a tax plan). Onboarding is like having a baby; a SWAT team shows up and does a zillion things, and poof, everyone is gone except for mom and baby.
5. After onboarding (usually 4-6 weeks), things settle down into a rhythm- Tax preparation in the spring, tax planning in the summer, with payroll and routine consultation bouncing along throughout the year.



## Our Business Expertise

As mentioned elsewhere we primarily focus on small business owners and their unique consultation and tax preparation needs. With over 60 full-time consultation professionals including Certified Public Accountants, Enrolled Agents and Certified Financial Planners on your team, **WCG CPAs & Advisors** consults on custom business structures, multiple entity arrangements, S corp elections (even late S corp elections back to January), tax strategies, business coaching, industry analysis, executive benefits, retirement planning including individual 401k plans, exit strategies, business valuations, income tax planning and modeling, and tax representation.

We also work with business law attorneys for business owners who have additional needs such as drafting Operating Agreements, fee for service contracts, buying or selling a business including employee stock ownership plans and partner buy-ins. In addition, WCG coordinates with third party plan administrators create age-based profit sharing plans and cash balance (defined benefit) plans. We can run point on whatever your business needs to ensure that communication is effective and efficient allowing you to sell widgets.

Here are some additional resources you might find useful.

[Periodic Business Review](https://www.wcginc.com/periodic-business-review/)

[Tax Planning](https://www.wcginc.com/forms/tax-plan/)

[Business Tax Deductions](https://www.wcginc.com/small-business-tax-deductions/)

[Online Accountant](https://www.wcginc.com/blog/online-tax-accountant/)

[Business Support Portal](https://www.wcginc.com/business-services/support-portal/)

[Tax Center](https://www.wcginc.com/tax-center/)

**WCG CPAs & Advisors** is a full-service yet boutique progressive tax, accounting and business consultation firm located in Colorado serving clients worldwide.

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