the WATSON CPA GROUP
certified public accountants • business consultants
tel 719.387.9800
txt 719.345.2100
fax 855.345.9700

2019 S Corp Payroll Worksheet

As a part of our payroll service to you, the Watson CPA Group will consult with you to determine the optimal S Corp payroll amount. Factors that will be considered are year to date income after expenses, cash flow concerns, Accountable Plan expense reimbursements, health insurance premiums, depreciation, future purchases and what others in your industry typically earn. We also take inventory of your overall financial world and discuss taxes, business issues, retirement, insurance, liability, etc.

We want payroll to be seamless for you, and not a chore. We also want to do a better job for you in terms of planning. With that in mind, we want to project your business income, salary and cash needs for the upcoming 2019 quarters. We can easily go on autopilot for Q1 and Q2 based on 2018, tune-up in Q3 and then cleanup in Q4.

Important Dates For 2019 S Corp Payroll Processing

Cash will be drawn on or about the following dates and sent to the IRS (and state if applicable)-

- Q1, on or about March 28, 2019
- Q2, on or about June 27, 2019
- Q3, on or about September 26, 2019
- Q4, on or about December 26, 2019

Of course we will always give you advanced notice.

Your W-2 withholdings will be grossed up to plan for your K-1 income and associated income taxes by using your previous tax returns coupled with your projected business income. This is always our goal- compartmentalize your business and help you budget for the income tax consequence throughout the year.

If you want more or less taxes withheld, please let us know. If you have major life events such as new home, new baby, marriage, divorce, changes in income, etc., please let us know so we can accommodate. The exact amounts will be on several payroll reports including your paystub which will be uploaded to your client portal shortly after payroll is completed.

Please enter the following information for your 2019 S Corp payroll events. Next, save the PDF, ensure data exists in the PDF and then upload it to your client portal-

www.watsoncpagroup.com/portal

2019 Annual Projections (shortie version)

In response to client requests, we have created a shortie version of our payroll projection worksheet. If you need more information or if you suffer from insomnia, turn the page for the long version.

Business Name____

Annual Biz income and Expenses

Net Biz Income After Expenses* ______________ (**Before** salaries, accountable plan, health insurance, HSA, 401k. These are handled and recorded separately below.)

Accountable Plan Reimbursements ______________

Health Insurance Premiums ______________

HSA Contributions ______________

Accountable Plan Expenses

Accountable Plan Expense Reimbursements are expenses that you pay for PERSONALLY that your company reimburses you for. Common examples are home office, cell phone, internet, meals and entertainment and mileage. You should only report the business portion. If you have your own Accountable Plan Expense Reimbursement form or spreadsheet, enter your total. Otherwise, you can leave blank and submit this information on our online submit form through the Payroll Portal or use the link below-

www.watsoncpagroup.com/APlan

Annual 401k / SEP

	You	Spouse
401k Employee Pre-Tax Deferrals	______________	______________
401k Employee Roth Deferrals	______________	______________
401k / SEP Employer Contributions	______________	______________

Any other notes we should be aware of such as estimated tax payments made outside of payroll, adding a spouse or child to payroll, etc.?

2019 Annual Projections (long version)

Business Name____

2019 Gross Income, Profit

Enter your estimated income or sales information below. Cost of goods sold (COGS) is typically reserved for those who sell items as a part of his or her business. Skip this section if we maintain your accounting records. We will need all other information however.

	Annual Estimate	
Gross Income, Sales	______________	
Cost of Goods Sold	______________	(Beginning Inv + Purchases - Ending Inv = COGS)
Operating Expenses*	______________	

* Please do not include the following (these will be detailed later)

- Salaries already paid to Owners
- Meals
- Asset Purchases (computers, automobiles, equipment, etc.)
- Accountable Plan Expenses (mileage, home office, cell phone, etc.)
- Health Insurance, Long-Term Care, Health Savings Accounts (HSAs)
- Profit Sharing Contributions

Meals

With the Tax Cuts and Jobs Act of 2017, Meals and Entertainment is being re-defined. IRS Notice 2018-76 essentially restored meals back to the original law. However, entertainment remains non-deductible. Our blog post has some additional insights-

www.watsoncpagroup.com/meals

Always use the full amount- we will discount the meals at 50% accordingly. If you paid for them PERSONALLY, use the Accountable Plan Reimbursement Form.

	Annual Estimate
Meals (client meetings)	______________
Meals (overnight travel)	______________
Meals (company premise)	______________

Asset Purchases

Some assets can be depreciated 100% in the year of purchase, others might be amortized over time. If you purchased any equipment such as computers or furniture, or an automobile, or any other asset, please explain below-

Accountable Plan Expenses

Accountable Plan Expense Reimbursements are expenses that you pay for PERSONALLY that your company reimburses you for. Common examples are home office, cell phone, internet, meals and entertainment and mileage. You should only report the business portion. If you have your own Accountable Plan Expense Reimbursement form or spreadsheet, enter your total. Otherwise, you can leave blank and submit this information on our online submit form through the Payroll Portal or use the link below-

www.watsoncpagroup.com/APlan

	Annual Estimate
Accountable Plan Expenses	______________

Health Insurance, LTC, HSA

Self-Employed Health Insurance (SEHI) and Long-Term Care (LTC) premiums are typically paid directly by your company to the insurance provider. Regardless of how these were paid, please enter the amounts below. Remember, you are allowed to have an insurance policy that covers your entire family even though your spouse or children might not work for the company. Your company may also contribute directly to your Health Savings Accounts (HSA) on your behalf. This is only in conjunction with a high-deductible health insurance plan, and is commonly offered by your provider.

	Annual Estimate
Health Insurance Premiums	______________
Long Term Care Premiums	______________
Health Savings Account	______________

This is important. We encourage the company to make SEHI, LTC and HSA payments directly instead of using personal funds. While at the end of the day (and on your tax return) it does not matter, it is cleaner to have the company make these payments directly if able. If you made these payments PERSONALLY or a combination, please explain the payments, the amounts, the dates, etc., below-

Health Reimbursement Arrangement (HRA), Section 105

HRAs are very unique, and allow for your company to reimburse you for all out of pocket medical expenses but there are rules for greater than 2% shareholders. If you have an HRA or a Section 105 Plan (the official name), please provide those reimbursed expenses below-

Flex Spending, Cafeteria Plans, Section 125

Do you have a Cafeteria Plan (aka Flex Spending, FSA, Section 125, Dependent Care)? If not, you might consider one. A plan costs about $400. You can deduct up to $5,000 in dependent care benefits (for example). At 20% tax rate, this is a savings of $1,000 minus the administration costs of $400. $600 in your pocket. Contact us for more information. If you already have a Section 125 Plan (the official name), please explain what payroll deductions or amounts you have set aside for this-

SEP IRA, Solo 401k Plan

Retirement planning is important for small business owners, and we can help determine which plan is best for you. If you want some more information, please check out our Retirement Planning chapter from our book with the following link-

www.watsoncpagroupc.om/turbo

If you have a SEP IRA, or you want to set one up, you have until the tax filing deadline of your personal tax return to fund the account including extensions. So, you could file for an extension on February 1, file your tax returns on March 1, and fund your SEP IRA by October 15. SEP IRAs are dinosaurs however in favor of the Solo 401k plan which allows a much larger contribution. Please detail the amount of the SEP IRA contribution you have made or plan to make. Remember, this is limited to 25% of your W2 wages- so $50,000 salary allows for a $12,500 SEP IRA contribution.

	Annual Estimate	**Annual Estimate**
	You	**Spouse**
SEP IRA Contribution	______________	______________

If you have a Solo 401k plan, contributions must be made by the tax filing deadline of the business (March 15). With a Solo 401k plan, there are two elements to the contributions. The employee and the employer. The employee (you) can contribute $18,500 plus $6,000 if you are 50 and older. The company (employer) can contribute 25% of your W-2 wages. Another way to look at this is- 401k = SEP + $18,500.

We can help set up a Solo 401k plan for you with TD Ameritrade. Please let us know if you need help.

	Annual Estimate	Annual Estimate
	You	**Spouse**
401k Employee Pre-Tax Deferrals	______________	______________
401k Employee Roth Deferrals	______________	______________
401k Employer Contributions	______________	______________

Do you have a SIMPLE, defined benefits pension, cash balance plan or some other retirement plan that we should be aware of? If so, please explain-

Cash Requirements

Have you or do you plan to make any major purchases by the end of the year? If so, please explain below-

We can temporarily fluctuate salaries and / or tax withholdings depending on your available cash. Of course, this is challenging in Q4 since we cannot use future payroll events to re-align salaries. Remember, it is a pay me now or pay me later system- eventually you run out of road for kicking the can. **If you need to reserve cash**, please tell us your available cash and when you expect to have more cash, and we will make recommendations-

Other W2 Income

If you started your S Corp mid-year, or if you have some W-2 income outside your S Corp including your spouse, please provide the most recent paystubs. **This is critical for proper tax planning!**

Estimated Tax Payments

Have you made any tax payments outside of payroll? Typically we increase tax withholdings to account for your K-1 income so making estimated tax payments is unnecessary in the future. But if you have made payments or plan to make additional payments, please detail the amounts below-

Please do not include payments that were drafted in connection with your payroll. The amounts entered above should only be additional tax payments that you made on your own such as mailing additional checks or using the EFTPS system typically from your personal checking account.

Computing Tax Liabilities

K-1s can account for over 50% of your reported business income on your tax returns. So, it is a large chunk. However, there is not a withholding system in place for K-1s, and you might have a large tax surprise if you ignore the tax consequence of this income. As a suggestion, we can conveniently increase the withholdings associated with your payroll event to account for this K-1 income. This is in lieu of making separate estimated tax payments- very cool.

Since payroll tables can only calculate tax withholdings based on salaries and not on both salaries and K-1 income, we need your effective tax rates for 2019 so we can manually override your tax withholdings. If we prepared your 2018 tax returns, we already have this information. But if you are new to the Watson CPA Group or if we did not prepare your 2018 tax returns, **please provide a copy of your 2018 tax returns**, and we can compute the effective rate. We are shooting in the dark otherwise, and we want to project your tax liability to the best of our abilities. As mentioned previously, we need copies of paystubs if you have any other W-2 or 1099 income besides your S Corp (including spouses).

Tax Modeling Questionnaire

Are there any changes between 2018 and 2019 that would dramatically alter your effective tax rates such as houses, children, spouses, ex-spouses, large swings in income, etc. This is super duper important and will mess up perfectly good tax planning. So, if this applies to you, please explain below-

Multiple Owners

Are there multiple shareholders to the company? If so, salaries must be commensurate to work performed and the value of the work. Distributions are always taken in relation to ownership percentage. If you have multiple shareholders, please detail the ownership percentage and the salary allocations among the owners below-