

## **S Corporations**

S corporations are corporations that elect to pass corporate income, losses, deductions, and credits through to their shareholders for federal tax purposes. Shareholders of S corporations report the flow-through of income and losses on their personal tax returns and are assessed tax at their individual income tax rates. This allows S corporations to avoid double taxation on the corporate income. S corporations are responsible for tax on certain built-in gains and passive income at the entity level.

To qualify for S corporation status, the corporation must meet the following requirements:

- Be a domestic corporation.
- Have only allowable shareholders.
  - May be individuals, certain trusts, and estates and
  - May not be partnerships, corporations or non-resident alien shareholders.
- Have no more than 100 shareholders
- Have only one class of stock
- Not be an ineligible corporation (i.e. certain financial institutions, insurance companies, and domestic international sales corporations).

To become an S corporation, the corporation must submit Form 2553, Election by a Small Business Corporation signed by all the shareholders.

### **If you are an S corporation then you may be liable for...**

- Income Tax Form 1120-S & Form 1120-S (Sch K-1)
- Social security and Medicare taxes and income tax withholding Form 941
- Federal unemployment (FUTA) tax Form 940
- Depositing employment taxes
- Excise Taxes

### **If you are an S corporation shareholder, then you may be liable for...**

- Income Tax Form 1040 or 1040-SR
- Estimated tax Form 1040-ES