The S-Corp "Goldilocks" Salary Worksheet

2025 Filing Season Edition

Find the salary that is "just right"—low enough to save on payroll taxes, but high enough to keep the IRS happy (and maximize your QBI deduction).

The Disclaimer: *We are a newsletter, not your CPA. This worksheet helps you estimate the danger zones. If you use this to defend yourself in tax court, the judge will laugh at you. Run these numbers by a pro.*

PART A: The Raw Numbers

First, let’s see what we are working with.

1. Estimated 2025 Net Profit (Pre-Salary): *(This is your total business revenue minus all expenses, BEFORE you pay yourself a dime.)* $ __________________ **[A]**

2. Your Filing Status: [ ] Single [ ] Married Filing Jointly

PART B: The "Expensive" Ceiling (FICA Tax)

This is the line where Social Security tax stops. Salary above this line is cheaper (you save 12.4%). Salary below this line is expensive.

3. The 2026 Social Security Wage Base: $ 176,100

- **If [A] is LESS than $176,100:** You are in the "expensive zone." Every dollar you pay yourself is taxed at the full 15.3 percent. Keep your salary "reasonable," but don't overpay just for fun.
- **If [A] is MORE than $176,100:** Congratulations, you have hit the ceiling. Any salary you pay yourself *over* this amount is 12.4 percent cheaper.

PART C: The "Danger" Floor (QBI Deduction)

This only applies if you are a "High Earner" (Income over ~$197,000 Single / ~$395,000 Married). If you earn less, skip to Part D.

The Rule: To get your full 20 percent profit deduction, your W-2 salary usually needs to be at least ~28.6 percent of your total profit [A]. If it's lower, you start losing free money.

4. The "Optimization" Math: *(Multiply Box [A] by 0.286)* $ __________________ **[B]**

- **This number [B]** is your mathematical "floor."
- *Warning:* If you pay yourself LESS than [B], you might be throwing away part of your 20 percent tax break.

PART D: The "Reasonable" Reality Check

Now, let's look at what the real world thinks you are worth.

5. The "Replacement" Cost: *If you got hit by a bus tomorrow, what would you have to pay a stranger to do your job? (Be honest. Check Glassdoor or Salary.com).* $ __________________ **[C]**

PART E: The Verdict

Compare your numbers to find your sweet spot.

Your "Goldilocks" Range:

- **MINIMUM:** The higher of **Box [B]** (The QBI Floor) or **Box [C]** (Market Rate).

Why? You can't pay less than market rate (audit risk), and you shouldn't pay less than the QBI floor (waste of tax breaks).

- **MAXIMUM: $184,500** (The FICA Ceiling).

Why? Unless your Market Rate [C] is truly massive (like a specialized surgeon), paying yourself more than the FICA limit usually just increases your income tax without saving you payroll tax.

My Target 2025 Salary: $ __________________

TaxStache Pro-Tips:

1. **Don't forget Health Insurance:** If the business pays your premiums, add that amount to your W-2 *on top* of your cash salary. It’s tax-efficient and keeps you compliant.
2. **The "Pig" Rule:** Pigs get fat; hogs get slaughtered. If your "Replacement Cost" [C] is $100,000, but you only pay yourself $40,000 to save on taxes, you are a hog. The IRS eats hogs.