TaxStache 2026 Entity Comparison Worksheet

For small business owners evaluating LLC, S-Corp, and C-Corp structure. Updated March 2026 — taxstache.com

Entity choice affects your self-employment taxes, your salary structure, your investor options, and your exit. This worksheet walks you through the four key decision areas in order — profit and SE tax, S-Corp eligibility, C-Corp considerations, and exit planning — so you can identify which structure fits your current situation and where the gaps are.

How to use it: Work through each section in order. Not every section will apply to your business. Skip what doesn't apply, flag what does, and bring the completed worksheet to your CPA or enrolled agent for a faster, more focused conversation.

Section 1: Your Current Profit and SE Tax Exposure

Start here. This section tells you whether a structure change is likely to produce meaningful savings.

☐ What is your estimated annual net profit (after business expenses, before owner compensation)?

$________________

☐ Are you currently paying self-employment tax on all of this profit? — Yes, I'm a sole proprietor or single-member LLC ☐ — Yes, I'm a multi-member LLC taxed as a partnership ☐ — No, I already have an S-Corp election in place ☐ — Not sure ☐

☐ **Quick SE tax estimate:** Multiply your net profit by 0.9235, then multiply by 0.153. This is your approximate annual self-employment tax at your current profit level.

Estimated SE tax: $________________

☐ **S-Corp savings estimate:** If you paid yourself a reasonable salary of $______________ and the remainder was distributed, your SE tax would apply only to the salary. Subtract your estimated SE tax on the salary from your estimated SE tax on full profit. The difference is your approximate annual savings.

Estimated annual savings from S-Corp election: $________________

☐ Is this savings amount greater than $2,000–$3,000? (Your approximate added annual administration cost for S-Corp compliance) — Yes — the S-Corp election likely pencils out financially ☐ — No — stay LLC for now and revisit when profit grows ☐

Section 2: S-Corp Eligibility Check

If your Section 1 savings estimate is positive, verify you qualify before proceeding.

☐ Is your business a domestic LLC or corporation?

☐ Do you have 100 or fewer members/shareholders?

☐ Are all members/shareholders U.S. citizens or permanent residents? (No nonresident alien owners, no corporate owners, no partnership owners)

☐ Does your LLC have only one class of membership interest? (No preferred returns, liquidation preferences, or disproportionate distributions that create an effectively separate class)

☐ Is your business in one of the ineligible industries for S-Corp status? (Certain financial institutions and insurance companies are excluded — most small businesses are not affected)

☐ **If you checked yes to all of the above:** You likely meet the basic S-Corp eligibility requirements. Proceed to Section 3.

☐ **If you checked no to any of the above:** The S-Corp election may not be available to you in your current structure. Note which requirement isn't met: ________________

Section 3: Reasonable Compensation Worksheet

The IRS requires S-Corp owner-employees to pay themselves a reasonable salary. Document your thinking here before you elect.

☐ What is your primary role in the business?

☐ What would a non-owner employee performing the same functions earn in your market?

Comparable market salary range: $________________ to $________________

☐ What salary are you planning to pay yourself as S-Corp owner-employee?

Planned salary: $_______________

☐ Is your planned salary within the market range above? — Yes ☐ — No — adjust before filing ☐

☐ What sources did you use to determine market compensation? (Bureau of Labor Statistics, industry salary surveys, comparable job postings, CPA guidance)

Sources: _______________

Note: *Document this analysis and keep it on file. If the IRS questions your compensation, a contemporaneous record of your reasonable salary analysis is meaningful evidence. "I just picked a number" is not a defensible answer.*

Section 4: C-Corp and §1202 Considerations

Complete this section if you are considering C-Corp structure, raising institutional capital, or planning a significant exit.

☐ Are you planning to raise venture capital, angel investment, or institutional funding? — Yes — C-Corp structure is likely required ☐ — No — proceed to next question ☐

☐ Do you anticipate a business sale of $5 million or more within the next 3–10 years? — Yes — §1202 analysis is worth pursuing ☐ — No — C-Corp likely costs more than it saves ☐

☐ **§1202 Quick Eligibility Check:**

Does your business operate in a qualifying industry? (Technology, manufacturing, retail, wholesale, and most other industries qualify. Health, law, finance, consulting, athletics, and performing arts do not.) — Yes, qualifying industry ☐ — No, excluded industry ☐

Are your business's aggregate gross assets currently under $75 million? — Yes ☐ — No ☐

Are you in a position to acquire original-issue C-Corp stock (stock purchased directly from the company, not from another shareholder)? — Yes ☐ — Not currently ☐

☐ If you checked yes to all three: You may be a candidate for §1202 planning. The five-year holding period clock starts from the date of stock issuance. Consult a tax advisor before converting or restructuring.

☐ **C-Corp double taxation reminder:** If you are not pursuing outside capital or §1202, and you plan to take regular distributions from the business, C-Corp taxation will almost certainly cost more than pass-through taxation. Note this in your advisor conversation.

Section 5: Exit Planning Snapshot

Answer these questions before your advisor conversation. They will drive the most important parts of the discussion.

☐ What is your estimated timeline to a business sale or transfer of ownership?

— Less than 3 years ☐ — 3–7 years ☐ — 7+ years or no current plan ☐

☐ What type of buyer do you anticipate? — Strategic buyer (another company in your industry) ☐ — Financial buyer (private equity, investor group) ☐ — Individual buyer ☐ — Family succession or internal transfer ☐ — No current visibility ☐

☐ Have you discussed whether a potential transaction would be structured as an asset sale or stock sale? — Yes ☐ — No — add to advisor agenda ☐

☐ Are you currently a C-Corp that converted from another structure within the last five years? — Yes — built-in gains tax exposure may apply to your exit ☐ — No ☐

☐ Do you currently hold any Qualified Opportunity Zone investments or plan to reinvest sale proceeds? — Yes ☐ — No ☐

Which Structure Fits Your Situation?

Situation	Likely Best Structure
Net profit under $40K, simple structure	LLC — stay, revisit annually
Net profit $60K–$500K, no outside investors	S-Corp election — run the numbers
Raising institutional capital	C-Corp — required for most investors
§1202-eligible exit of $5M+ in 5+ years	C-Corp — plan from issuance
C-Corp without capital raise or §1202 path	Likely overpaying — review with CPA

Recent C-Corp conversion planning a sale	Built-in gains analysis required
Multi-state operations	State-by-state review required

Key Filing Dates to Know

Action	Deadline
S-Corp election (Form 2553) for current tax year	March 15 of the tax year
S-Corp election for new LLC at formation	Within 75 days of formation
S-Corp annual return (Form 1120-S)	March 15
Late S-Corp election relief (Rev. Proc. 2013-30)	Available — requires reasonable cause statement