

## Business Entity Comparison Worksheet

Use this worksheet to determine which business entity structure saves you the most money. Fill in your numbers, work through each section, and the scoring matrix at the end will point you to the right answer.

### Section 1: Your Business Profile

Question	Your Answer
Business name	_____
What does your business do?	_____
State of residence	_____
State where you operate (if different)	_____
Number of owners	_____
Do you have employees (besides yourself)?	Yes / No
Are you raising or planning to raise VC/angel investment?	Yes / No
Do you have (or plan to issue) stock options?	Yes / No

### Section 2: Your Financial Numbers

Fill in your actual or estimated numbers for the current year.

Line	Item	Amount
A	Estimated gross revenue	\$ _____

B	<b>Estimated business expenses</b> (not including your salary)	\$ _____
C	<b>Estimated net profit</b> (Line A – Line B)	\$ _____
D	<b>Reasonable salary</b> (what someone in your role earns — research market rates)	\$ _____
E	<b>Remaining profit after salary</b> (Line C – Line D)	\$ _____

## Section 3: Self-Employment Tax Comparison

### Option A: Sole Proprietorship / Single-Member LLC (default tax treatment)

Line	Calculation	Amount
F	Net profit × 92.35% (SE tax base)	\$ _____
G	Line F × 15.3% (SE tax rate*)	\$ _____

*12.4% Social Security (up to \$168,600 in 2026) + 2.9% Medicare (no cap). If Line F exceeds \$168,600, use 2.9% on the amount above the cap.*

**Your total self-employment tax as a sole prop: Line G = \$ \_\_\_\_\_**

### Option B: LLC with S-Corp Election

Line	Calculation	Amount
H	Reasonable salary (Line D) × 15.3% (employer + employee FICA)	\$ _____
I	Distributions (Line E) × 0% (no SE tax on distributions)	\$0

**Your total employment tax as an S-Corp: Line H = \$ \_\_\_\_\_**

### Your SE Tax Savings

Line	Calculation	Amount
J	Line G – Line H	\$ _____

**This is your annual SE tax savings from electing S-Corp status.**

## Section 4: Compliance Cost Estimate

Expense	Sole Prop	LLC (default)	LLC + S-Corp	C-Corp
State formation fee	\$0	\$ _____	\$ _____	\$ _____
Annual state fees	\$0	\$ _____	\$ _____	\$ _____
Registered agent	\$0	\$ _____	\$ _____	\$ _____
Payroll service (annual)	\$0	\$0	\$ _____	\$ _____
Tax preparation	\$ _____	\$ _____	\$ _____	\$ _____
<b>Total annual cost</b>	\$ _____	\$ _____	\$ _____	\$ _____

Typical ranges (use these if you don't have quotes yet):

- **State formation:** \$50–\$500 (varies by state — look up yours)
- **Annual state fees:** \$0 (WY, TX) to \$800 (CA) — look up yours
- **Registered agent:** \$0 (if you serve as your own) to \$125/year
- **Payroll service:** \$500–\$1,800/year for a solo S-Corp owner
- **Tax prep — Schedule C:** \$200–\$500
- **Tax prep — Form 1120-S:** \$800–\$2,000
- **Tax prep — Form 1120:** \$1,000–\$2,500

## Section 5: Net Benefit Calculation

Line	Calculation	Amount
K	Annual SE tax savings (Line J)	\$ _____
L	Additional annual compliance costs (S-Corp total – Sole Prop total from Section 4)	\$ _____
M	<b>Net annual benefit of S-Corp election</b> (Line K – Line L)	\$ _____

- **If Line M is positive:** S-Corp election likely saves you money.

- **If Line M is negative or near zero:** Stick with the simpler structure for now. Revisit when your profit increases.
- **If Line M exceeds \$3,000:** S-Corp election is strongly recommended. You're leaving significant money on the table.

## Section 6: Scoring Matrix

Answer each question and tally your points.

#	Question	Yes (+points)	No (+points)
1	Is your annual net profit above \$80,000?	+3 (S-Corp)	+1 (Simpler)
2	Is your annual net profit above \$50,000?	+2 (S-Corp)	+2 (Simpler)
3	Are you raising or planning to raise VC/angel investment?	+5 (C-Corp)	0
4	Do you need to issue stock options to employees?	+4 (C-Corp)	0
5	Do you have more than one owner?	+2 (LLC)	0
6	Do you already have employees on payroll?	+2 (S-Corp)	0
7	Is your state's LLC annual fee above \$500?	-1 (delays LLC value)	0
8	Do you have clients or sign contracts?	+2 (LLC)	0
9	Are you planning to reinvest most profits into growth?	+1 (C-Corp)	0
10	Is simplicity your top priority right now?	+2 (Simpler)	0

### Tally Your Scores

Structure	Your Points
Sole Proprietorship / Simpler	_____
LLC (default tax treatment)	_____
LLC + S-Corp election	_____
C-Corp	_____

Your recommended structure: the one with the highest score.

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## Section 7: Growth Planning

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Think 12–24 months ahead:

Question	Your Answer
Will your profit exceed \$80K in the next 12 months?	Yes / No
Will you hire employees in the next 12 months?	Yes / No
Will you seek outside investment?	Yes / No
Will you add business partners or co-owners?	Yes / No
Are you considering moving to a different state?	Yes / No

If you answered YES to multiple questions, consider setting up the more complex structure now rather than switching later. Changing entity types mid-year has costs and tax implications.

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## Your Action Items

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Based on your worksheet results, check the items that apply:

- Form an LLC** — File Articles of Organization with your state
  - Get an EIN** — Free at IRS.gov (takes 5 minutes)
  - Open a business bank account** — [Open one free at Holdings](#)
  - File Form 2553** — Elect S-Corp taxation (deadline: within 75 days of tax year start or by March 15)
  - Set up payroll** — Required before taking any S-Corp distributions
  - Draft an operating agreement** — Even for single-member LLCs
  - Talk to a CPA** — Especially if your profit exceeds \$150K or you're considering a C-Corp
  - Incorporate as a C-Corp in Delaware** — If raising VC (work with a startup attorney)
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*This worksheet is for educational planning purposes and does not constitute tax or legal advice. Consult a CPA or attorney for guidance specific to your situation.*

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