

# REDUCE YOUR CORPORATE TAXES!

## SUBCHAPTER S CORPORATIONS AVOID FEDERAL AND FLORIDA CORPORATE INCOME TAX

In a Subchapter S Corporation, any taxable income will be allocated proportionately among the shareholders.

A regular corporation, would be subject to corporate tax rates ranging as high as 39%. Additionally, after tax corporate income, when distributed as income to shareholders, would be taxed a second time on the individual's personal income tax returns.

The double taxation of corporate earnings can be legally eliminated with a Subchapter S Corporation.

Though a Subchapter S Corporation's income is taxed to the shareholders directly, the entity still retains all the important characteristics of regular corporate status. Thus, a Subchapter S Corporation retains corporate benefits such as limited liability, free transferability of interests, and continuity of life.

The following example shows how a Subchapter S Corporation can eliminate double taxation and lead to a tax savings:

Mary, sole shareholder of Fun Wear Clothing (a regular corporation) is in the 39.6% tax bracket.

Assume that Fun Wear Clothing has a taxable income of \$1 million for 1994 and wishes to distribute all of its earnings to Mary. Shown below, are the tax effects of regular corporate status versus a Subchapter S Corporation.

Thus, if Fun Wear Clothing elects Subchapter S Corporation status, its sole shareholder will receive \$604,000 after all taxes are paid, instead of \$398,640 from a regular corporation, a net benefit of \$205,360!

### BONUS:

Even if your new corporation is not expected to make a profit immediately, it may also find it advantageous to be a Subchapter S Corporation. If losses occur, shareholders in most cases may reduce their individual income tax bills by deducting the allocated portion of corporate losses against other income.

### FLORIDA BONUS:

Subchapter S Corporations are exempt from the State of Florida corporate income tax, and thus pay no Florida Corporate Income Tax like regular corporations.

Spiegel & Utrera is ready to form your Subchapter S Corporation today... over the telephone, call us now.

*SPIEGEL & UTRERA is your **one** source for business legal services.*

#### REGULAR CORPORATE STATUS

Taxable Income	\$1,000,000
Less Corporate Tax	340,000
Distribution to Mary	660,000
Less Mary's Individual Income Tax	261,360
<b>Funds Available to Mary (after taxes)</b>	<b>\$398,640</b>

#### SUBCHAPTER S CORPORATE STATUS

Taxable Income	\$1,000,000
Less Corporate Tax	0
Distribution to Mary	1,000,000
Less Mary's Individual Income Tax	396,000
<b>Funds Available to Mary (after taxes)</b>	<b>\$604,000</b>

