

## Example 1

Assume married couple with \$315,000 of income including \$100,000 S corp. income pass through. Federal tax rate of 24%; 3.8% potential investment earnings tax on Dividends from C Corporation. Capital gains rate 15%; Ohio income tax at approx. 5%.

### C Corporation

\$100,000 profits

<\$21,000> Federal Tax. No Ohio tax.<sup>1</sup>

\$79,000 - dividend distribution

<\$18,802> - Fed and Ohio Tax.<sup>2</sup>

\$60,198 after tax

Effective Tax Rate = 40%

### S Corporation

\$100,000 profits

<\$19,200> - Federal tax<sup>3</sup>

\$80,800 after tax

Effective tax rate= 19.2%

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<sup>1</sup> No Ohio corporate tax and 21% C corporation tax

<sup>2</sup> 15% capital gains + 3.8% Fed. Investment income tax + 5% Ohio income tax = 23.8%

<sup>3</sup> 20% deduction. Tax on \$80,000 at Fed tax rate of 24%, no Ohio Income tax

## Example 2

Assume married couple with \$315,000 of income including \$100,000 S corp. income pass through. Federal tax rate of 24%; 3.8% potential investment earnings tax on Dividends from C Corporation. Capital gains rate 15%; Ohio income tax at approx. 5%. No dividend distributions. Cash left in business.

### C Corporation

\$100,000 profits

<\$21,000 > Federal Tax. No Ohio tax.<sup>1</sup>

\$79,000 – retained by corporation to invest in business.

Effective Tax Rate = 21%

### S Corporation

\$100,000 profits

<\$19,200 > - Federal tax<sup>2</sup>

\$80,800 after tax to invest in business

Effective tax rate= 19.2%

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<sup>1</sup> No Ohio corporate tax and 21% C corporation tax rate

<sup>2</sup> 20% deduction. Tax on \$80,000 at Fed tax rate of 24%, no Ohio Income tax