

Social Security History

	Earnings Base	Tax Rate	SE Taxes
• 1951	\$ 3,600	2.25%	\$ 81
• 1960	\$ 4,800	4.50%	\$ 216
• 1970	\$ 7,800	6.90%	\$ 538
• 1980	\$25,900	8.15%	\$ 2,111
• 1990	\$51,300	15.30%	\$ 7,849
• 2000	\$76,200	15.30%	\$ 11,659
• 2005	\$90,000	15.30%	\$13,770
• 2006	\$94,200	15.30%	\$14,413

Comparison of Entity Characteristics

Characteristic	Sole Prop	Part	LLC	"S" Corp	"C" Corp
Title	Owner	Partner	Member	----Shareholder----	
Limited Liability	No	No	Yes	Yes	Yes
Audit Profile	High	Low	Low	Medium	Medium
Continuity of Life?	No	No	Maybe	Yes	Yes
Number of Owners?	1	1<	1 or <	1 <100	1 or <
Fiscal Year-end?	No	No	NO	No	Yes
Ded. 100% Health Ins	Yes	Yes	Yes	Yes	Yes
105/106 Medical Exp?	Yes	No	No	No/Yes	Yes
Ded. Fringe Benefits?	No	No	No	No	Yes
Tax Rates on Net Inc.	Ind	Ind	Ind	Ind	Corp
Subject to SE Tax	Yes	Yes	P-S-C	No	No
Inexpensive to Est/Op?	Yes	No	No	No	No
Dist. Inc. to Owner?	Yes	Yes	Yes	Yes	Not Easy
FSA Payment Friendly?	Maybe	Yes	Maybe/NO?	NO	NO

Sole Proprietor

Farm Operating Entity:
Machinery+Cattle+Labor+Land

\$50K Farm
\$10K Cap Gain
\$20K Wages (mom)
MFJ & 2 Exemptions

Income Taxes*

Federal: \$7,210
Kansas: \$3,310
Inc Tax: \$10,520*

SE Taxes*

+SE Tax: \$7,065
Total Tax: \$17,585

Partnership & LLC

Farm Operating Entity:
Machinery+Cattle+Labor-Land

\$50K Farm
(\$20K Rent)
\$10K Cap Gain
\$20K Wages (mom)
MFJ & 2 Exemptions

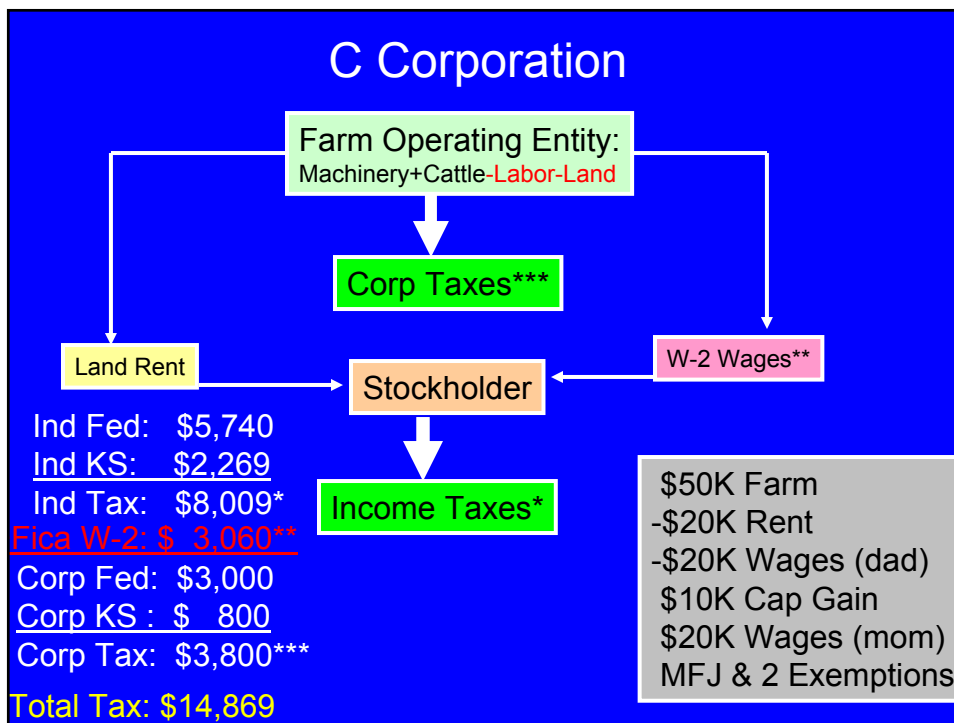
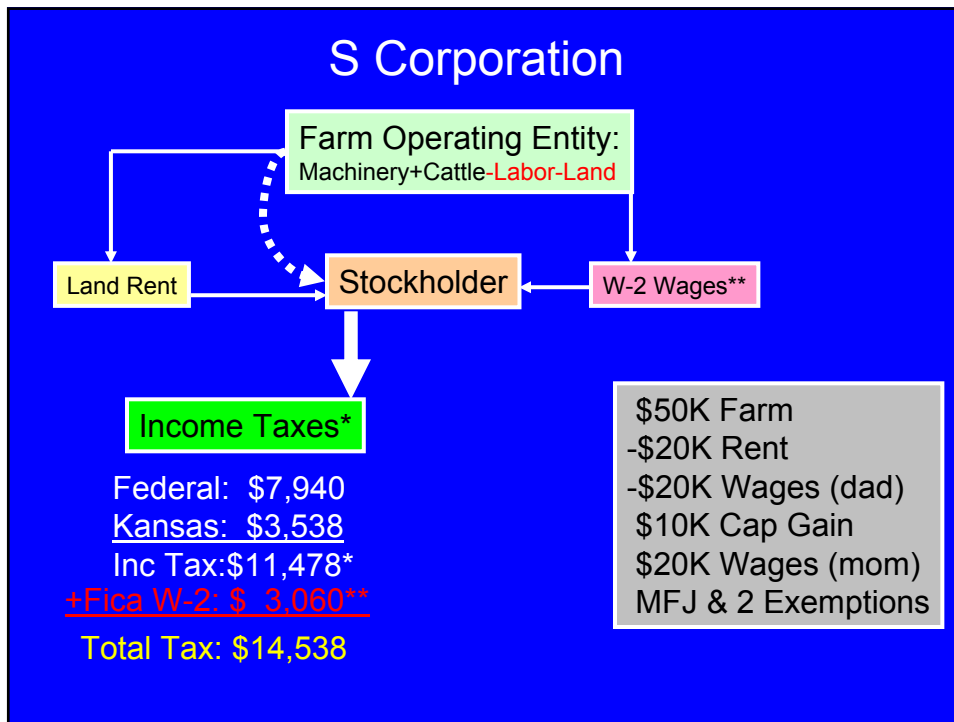
Land Rent to Partner?

Income Taxes*

Federal: \$7,422
Kansas: \$3,401
Inc Tax: \$10,823*

SE Taxes*

+SE Tax: \$4,239
Total Tax: \$15,062



Comparison of Entity Taxation

Entity Structure:	Tax Liability---savings?	
☹ Sole Proprietorship	\$17,585	\$0
☺ Partnership/LLC	\$15,062	\$2,563
☺ S Corporation	\$14,538	\$3,047
☺ C Corporation	\$14,869	\$2,716

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have
their
challenges