

## How to Convert Your S Corporation to a C Corporation and Maximize Benefits

[Music]

Are you considering converting your S corporation to a C corporation? Let's go over some frequently asked questions that can help you decide if converting is right for you.

First, let's cover the basics. What's the difference between an S corporation and a C corporation? An S Corporation is taxed similarly to a partnership or sole proprietorship. The business's income and losses are passed through to the shareholders and reported on their individual tax returns. A C corporation is taxed as its own separate entity. This means that the business pays its own taxes on any income it generates and then the shareholders pay taxes on any dividends they receive.

Some benefits of converting to a C corporation may include greater flexibility, the ability to issue multiple classes of stock, and the potential for lower taxes. C corporations have more options in raising capital, including the ability to issue stocks and bonds, and unlike S corporations, a C corporation is not restricted by the number nor types of shareholders it can have. S and C corporations both provide shareholders with limited liability protection but C corporations are also able to issue multiple classes of stock. It can also be more tax efficient for a business to be taxed as a C corporation. For example, it may be beneficial for it to pay taxes at the corporate rate of 21% rather than passing the income through to the shareholders, who would have to pay taxes at their individual tax rates. However, keep in mind that any distributions from a C corporation are taxable to the shareholders as dividends.

To convert from an S corporation to a C corporation, the process is relatively simple but there are a few steps that you need to follow. To become an S corporation, an entity would have previously filed an S election on form 2553 to revoke this, the corporation needs to file a statement with the IRS service center where the corporation previously filed its form 2553. The statement needs to be signed by a person authorized to sign the entity's tax return and must provide a variety of information, including that the corporation is revoking its election under Section 1362A to be taxed as an S corporation, the name and address of the shareholders, the number of shares of stock owned by the shareholders, and the effective date of the revocation. Signature and consent of the shareholders who collectively own more than 50% of the corporation must also be provided with the statement of revocation. A proper revocation of an S selection can become effective on any specified date, on or after the

### Madison, WI

1221 John Q Hammons Drive  
Suite 100  
Madison, WI 53717

**Phone: (608) 831-8181**  
**Fax: (608) 831-4243**

### Brookfield, WI

18650 W. Corporate Drive  
Suite 200  
Brookfield, WI 53045

**Phone: (262) 641-6888**  
**Fax: (262) 641-6880**

### Colorado Springs, CO

P.O. Box 62786  
Colorado Springs, CO 80962

**Phone: (719) 413-5551**

### Contact Us:

**Email: [info@SVAaccountants.com](mailto:info@SVAaccountants.com)**  
**Web: [SVAaccountants.com](http://SVAaccountants.com)**

date on which the revocation is filed. It can even be retroactive to the beginning of the tax year if filed on or before the 15th day of the third month of the tax year.

Talk with your accountant to determine if converting to a C corporation makes sense for your business.

[Music]

---

**Madison, WI**

1221 John Q Hammons Drive  
Suite 100  
Madison, WI 53717

**Phone: (608) 831-8181**  
**Fax: (608) 831-4243**

**Brookfield, WI**

18650 W. Corporate Drive  
Suite 200  
Brookfield, WI 53045

**Phone: (262) 641-6888**  
**Fax: (262) 641-6880**

**Colorado Springs, CO**

P.O. Box 62786  
Colorado Springs, CO 80962

**Phone: (719) 413-5551**

**Contact Us:**

**Email: [info@SVAaccountants.com](mailto:info@SVAaccountants.com)**  
**Web: [SVAaccountants.com](http://SVAaccountants.com)**