S-Corporation Health Insurance MUST be reported as wages to the shareholder by 12/31/24

Owners of S-corporations are allowed to deduct health insurance paid by the S-corporation as an above-the-line deduction on their individual income tax returns, however, the amount of health insurance MUST be reported on the owner's W-2. The S-corporation should provide their payroll service company with the total amount of health insurance paid for the S-corporation owner, spouse and/or dependents so that it's reported as wages to the owner no later than 12/31/24. These wages are exempt from Medicare and FICA and are deducted as wage expense to the S-Corporation.

California's Retirement Mandate and CalSavers

Employers with five or more California employees are required to register with CalSavers if they don't sponsor a retirement plan. The threshold decreases to **one or more** employees at the end of 2025. CalSavers is a state-administered Roth-like retirement plan. The funds are professionally managed by private sector financial firms with no fees for employers. Employees manage their accounts directly with CalSavers. Employers are responsible for submitting a roster containing employee names and contact information to CalSavers and must inform all employees of the availability of the program, however, employees may opt out. To register and for more information, go to https://calsavers.com.

Pass-Through Entity (PTE) tax payments must be made by 12/31/24 for 2024 deduction

The first 50% installment for your 2024 PTE must have been paid by 6/17/24. The remaining 50% installment is not due until 3/15/25, however, **you can pay this installment by 12/31/24 for it to be deductible in 2024 by the business entity**. Effectively this reduces the owners' 2024 K-1 passthrough federal income AND is a state tax credit to the owners in 2024. If you choose to pay this installment in 2025, it will still be treated as a credit to the consenting owners for 2024, but it cannot be deducted by the business entity until 2025. Effectively, this reduces the owners' 2025 K-1 passthrough income, not 2024.

Pass-Through Entity Tax provisions and reminders

- Available to qualified S-corporations, partnerships, and LLC's taxed as a partnership (not single member LLC's). NOT available to C-corporations, trusts and/or sole-proprietors.
- All business owners do not need to consent, but this does create issues for S-corporation owners if not all shareholders agree (more information available upon request).
- The business entity elects to pay state tax on behalf of the consenting owners at a rate of 9.3%. The business entity deducts the tax paid as an expense, which decreases the amount of federal income flowing through to the owners of the business.
- The owners claim the state tax paid by the business as a credit on their state individual income tax return.
- End result? The owner has now worked around the $10,000 SALT limit that previously limited the state tax deduction to $10,000 as a federal itemized deduction!
- Interplay with the mandatory E-Pay requirement for the FTB:
  - For partnerships and LLC's taxed as partnerships, these payments do not need to be paid electronically.
  - For S-corporations, the payment must be paid electronically only if the S-corporation is already subject to the mandatory E-Pay requirement. These payments do not automatically trigger the E-Pay requirement.
- The PTE election is available in MANY states (with modifications), not just California.

If the $10,000 SALT limit enacted by TCJA expires as scheduled on 12/31/25, PTE tax provisions will be obsolete!