



A YEAR-ROUND COMPLIANCE TOOL

# The S-Corp Annual Checklist

& HOW IT DIFFERS FROM A SOLE PROP

Everything an S-corporation owner needs to do across the year — and a clear, side-by-side look at how the obligations compare to running as a sole proprietor.

**4x/yr**

payroll & estimated  
tax filings

**3**

annual returns: federal,  
state, and your 1040

**\$255/mo**

per-shareholder penalty  
for a late return

PREPARED BY

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FOR

S-Corp owners & those comparing structures

# 01 YOUR YEAR-ROUND CHECKLIST

These are the tasks that keep your S-corp in good standing. Tick them off as you go — we handle the filings, but knowing the rhythm keeps you ahead of every deadline. Frequency is shown on the left of each item.

## ONGOING — ALL YEAR

- EACH PAY** **Run payroll for yourself**  
Pay your reasonable W-2 salary on a regular schedule and withhold/deposit payroll taxes.
- ONGOING** **Keep books current**  
Record income and expenses, reconcile the bank monthly, and keep business funds separate.
- ONGOING** **Take distributions properly**  
Pay owner distributions from the business account only after salary is set, and log them.
- ONGOING** **Save for taxes**  
Set aside funds for quarterly estimates so payments never catch you short.

## QUARTERLY

- QUARTERLY** **File Form 941**  
Report withheld income, Social Security, and Medicare taxes each quarter.
- QUARTERLY** **Pay estimated taxes**  
Make personal estimated payments on your share of profit (Apr 15, Jun 15, Sep 15, Jan 15).
- QUARTERLY** **File state payroll returns**  
Submit any state wage and withholding reports required where you operate.

## 02 KEY DATES & ANNUAL TASKS

### ANNUAL — FILED EACH YEAR

- JAN 31** **Issue W-2s & 1099s**  
Send W-2s to yourself and employees; 1099-NECs to contractors. File Form 940 (unemployment).
- MAR 16** **File Form 1120-S + K-1s**  
File the federal S-corp return and issue Schedule K-1s. (Normally Mar 15; the 16th in 2026.)
- MAR 16** **File state return**  
California S-corps file Form 100S and pay the minimum franchise tax. Other states vary.
- APR 15** **File your personal 1040**  
Report your K-1 income on your individual return; pay any balance due.
- ANNUAL** **Confirm S-election still valid**  
Verify no disqualifying shareholders or share classes crept in during the year.
- ANNUAL** **Update reasonable salary**  
Revisit your salary figure as profit and your role change; re-document the basis.
- ANNUAL** **Update shareholder basis**  
Track your stock and debt basis (Form 7203) so distributions stay tax-efficient.
- ANNUAL** **Hold/record entity formalities**  
Keep minutes and records that show the corporation is operated as a separate entity.

### ! DON'T MISS THE MARCH RETURN

A late Form 1120-S costs **\$255 per shareholder, per month** (up to 12 months) — even if the business owes no tax. If you can't file by the deadline, we file Form 7004 for an automatic six-month extension, but the extension does not extend time to *pay*.

## 03 S-CORP VS. SOLE PROPRIETORSHIP

Both let business profit flow to your personal return, but they differ sharply in how you're taxed and what you must do. Here's the honest trade-off — more savings in exchange for more structure.

	SOLE PROPRIETOR	S-CORPORATION
<b>Self-employment tax</b>	All net profit hit with 15.3%	Only your W-2 salary is
<b>Pay yourself via</b>	Owner's draw (no payroll)	Required W-2 salary + distributions
<b>Payroll filings</b>	None	Quarterly 941, annual 940, W-2s
<b>Business tax return</b>	None (Schedule C on your 1040)	Separate Form 1120-S + K-1s
<b>State filing</b>	Usually none separate	CA Form 100S + min. franchise tax
<b>Bookkeeping</b>	Helpful	Essential and expected
<b>Admin cost &amp; effort</b>	Low	Higher (payroll, returns, records)
<b>Best when profit is</b>	Modest or irregular	Steady and comfortably above salary

### THE TRADE-OFF IN ONE LINE

A sole proprietorship is simpler but taxes every dollar of profit. An S-corp adds payroll and filings, but can save real money once profit is steady. The right choice is the one where the savings clearly beat the added effort — which is exactly what we help you measure.

## 04 WHAT CHANGES WHEN YOU CONVERT

If you're moving from a sole proprietorship to an S-corp, here is what becomes new in your routine. None of it is hard with the right setup — it's mostly a shift from informal to documented.

1

### You become an employee

You now run payroll and pay yourself a real W-2 salary, with taxes withheld and deposited.

2

### Profit splits in two

Income is divided into salary (payroll-taxed) and distributions (not), instead of one lump of self-employment income.

3

### A new return appears

The business files its own Form 1120-S and issues you a K-1 — on top of your personal 1040.

4

### More moving deadlines

Quarterly payroll filings and estimates join the calendar alongside the annual returns.

5

### Records matter more

Clean books, separate accounts, and documented decisions are now expected, not optional.

6

### Salary must be defensible

Your pay has to reflect the real value of your work and be documented to satisfy the IRS.

## We keep the checklist running for you.

Payroll, filings, deadlines, and records — handled, so you can focus on the business.

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This checklist is general education, not tax or legal advice, and reflects federal rules for the 2025 tax year (returns filed in 2026) plus California requirements. Dates shift for weekends and holidays; your obligations may differ. Please consult Milestone before acting.