

Rainier View Water Company, Inc.
Comparison of S Corporation and C Corporation
Federal Income Tax

Taxable Income of \$400,000. Ultimate Tax to be paid by an S Corporation v. C Corporation, over time:

	<u>S Corporation</u>	<u>C Corporation</u>
Taxable Income (year 1)	400,000	400,000
Tax Rate	<u> x 39.6%</u>	<u> x 34%</u>
Tax paid on March 15 or April 15 following year	158,400	136,000
Liquidation and distribution of assets to Owner after 15 years –		
<p style="margin-left: 40px;">The residual of the C Corporation 400,000 Less 136,000 tax = 264,000 is distributed to the owner and taxed at 20% capital gains tax rate on 264,000 x 20% = 52,800 Present value of tax impact related to a 15 year Delay, discounted @ 6% interest</p>		
		21,515
Total Tax Impact in current dollars	158,400	157,515

Depending on the time period of the C Corporation prior to liquidation and the discount applied, the relative effect of total tax can be very comparable.

The expectation is that the Internal Revenue Service would have reviewed and investigated these overall tax impacts prior to the legislation being adopted.