

## Small Business Development Center Taxes Under Various Forms of Business

### Sole Proprietor

- Individual income tax on net earnings – Federal and state: estimated taxes paid quarterly on form 1040-ES and PIT-ES and Form SE (Self Employment)
- Self-employment tax – 15.3% total; can deduct one-half on individual income tax return
- New Mexico – gross receipts tax on gross sales, unless exemption or deduction applies; Compensating tax on business assets purchased out of state where no sales tax charged

### Partnership or Limited Liability Company

- Individual income tax on distributive share – Federal and state
- Self-employment tax on distributive share – only if general partner or if member of LLC and “**materially participate**” in management
- Capital gains tax on distributions in excess of “basis”
- New Mexico – gross receipts tax on gross sales, unless exemption or deduction applies; Compensating tax on business assets purchased out of state where no sales tax charged
- **Single member LLC:** Member files a Schedule C, pays estimated income taxes on 1040-ES and PIT-ES and files form SE (Self Employment) with tax return.
- **Multiple member LLC:** LLC needs an FEIN, each member gets a K-1, estimated taxes paid to the IRS and State, and managing member files a form SE with tax return.
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### S Corporation

- Individual income tax on distributive share – Federal and state
- No self-employment tax; however, if take distributions, must also pay yourself a salary, which is subject to income tax and employment taxes
- Capital gains tax on distributions in excess of stock “basis”
- Other taxes may apply in special circumstances – i.e. built-in-gains tax
- New Mexico – gross receipts tax on gross sales, unless exemption or deduction applies; Compensating tax on business assets purchased out of state where no sales tax charged

### C Corporation

- Corporate income tax – Federal and state
- Individual income tax and employment tax on salary paid to shareholder-employee
- Distributions are treated as dividends – taxed at ordinary individual income tax rates as dividends
- New Mexico – gross receipts tax on gross sales, unless exemption or deduction applies; Compensating tax on business assets purchased out of state where no sales tax charged