FTD COMPLIANCE CARD — M1a SE Tax vs. S-Corp Comparison Calculator

Fbaum Enterprises LLC d/b/a The Federal Tax Desk | Version 1.1 | Issued 2026-07-15 | Last verified 2026-07-29

HOW TO USE THIS CARD FOR §10.36 COMPLIANCE

OPR Alert 2026-19 (June 24, 2026) requires firms to vet third-party tools and document that vetting under Circular 230 §10.36. To satisfy this requirement using this card:

1. Print or save this PDF. Date your review in the space provided at the bottom of this card.
2. Add this card to your firm's AI tool inventory or WISP third-party provider list.
3. Before first use with any client matter, verify that the Social Security wage base and Additional Medicare Tax thresholds in Element 3 match current IRS.gov/SSA.gov content — these are the figures most likely to change year to year.
4. Document that verification with the date and your initials.
5. Your completed card constitutes the §10.36 vetting documentation for this tool.

ELEMENT 1 — TOOL IDENTIFICATION

Tool name / version
M1a SE Tax vs. S-Corp Comparison Calculator, version 1.1

FTD issue date
2026-07-15

Most recent update
2026-07-29

Last verified against source
2026-07-29

Governing authority
IRC §1401(a), (b)(2); §1402(a); §164(f); §3101, §3101(b)(2); §3111; §3121; Rev. Rul. 74-44; §199A(c)(4), (b)(2)(B)

Threshold source
SSA 2026 COLA Fact Sheet ($184,500 wage base) and IRC §1401(b)(2)/§3101(b)(2) Additional Medicare Tax thresholds, re-verified 2026-07-13

Source URLs
ssa.gov/oact/cola/cbb.html (returned HTTP 403 to automated fetch); thetaxadviser.com/news/2025/oct/social-security-wage-base-and-cola-announced-for-2026 (corroborating live fetch, quotes SSA directly); irs.gov/taxtopics/tc560; irs.gov/instructions/i8959

Note: The $184,500 TY2026 Social Security wage base was re-verified live on 2026-07-13. A direct fetch of ssa.gov/oact/cola/cbb.html returned HTTP 403 (automated-fetch bot protection); the figure was independently corroborated via a live fetch of The Tax Adviser's TY2026 wage-base article, which quotes SSA's own announcement directly, plus convergent results from Paycor, Beancount, DLA Piper, and NATP as a multi-source cross-check. $184,500 (up from $176,100 in 2025) is confirmed. The Additional Medicare Tax thresholds ($200,000 single/HOH/QSS, $250,000 MFJ, $125,000 MFS) were re-verified the same way and are unchanged, consistent with their static-since-2013 status.

Note: As of 2026-07-13: an initial assumption that the Additional Medicare Tax 'applies identically in both structures... so it should not appear in the differential' was corrected prior to release. Analysis of IRC §1401(b)(2) and §3101(b)(2) found this is not correct — the sole-proprietor base is net earnings from self-employment (92.35% of the full net income), while the S-corp base is the assumed salary only (the distribution is neither wages nor self-employment income and is not subject to Additional Medicare Tax at all). Because the bases differ, the dollar amount differs between structures and is one of the real mechanisms of S-corp savings. This tool INCLUDES the Additional Medicare Tax difference in the net differential, while still displaying it as its own line.

Note: As of 2026-07-13: IRC §164(f)(1) and §1402(a)(12) explicitly exclude the §1401(b)(2) Additional Medicare Tax from the one-half SE tax deduction — only the regular 12.4% OASDI + 2.9% Medicare portion is deductible above the line. Confirmed against IRS Topic No. 560 and the Instructions for Form 8959. The tool's `halfSETaxDeduction` figure is computed on the regular SE tax portion only.

ELEMENT 2 — WHAT THIS TOOL DOES

The M1a SE Tax vs. S-Corp Comparison Calculator computes self-employment tax as a sole proprietor vs. combined FICA as an S-corp shareholder-employee, for the same net self-employment income and a practitionersupplied assumed S-corp salary. It outputs the net dollar differential, the break-even income threshold (holding the assumed salary and compliance cost fixed) above which the S-corp election starts saving money, a side-by-side breakdown of both structures, and the Additional Medicare Tax shown separately for each.

Inputs

Filing status; net self-employment income before any SE tax deduction; assumed S-corp reasonable salary (not calculated by this tool); optionally, an estimated annual S-corp compliance/payroll administration cost. No taxpayer-identifying information.

Output

Net dollar differential; break-even income threshold; side-by-side sole-prop SE tax vs. S-corp combined FICA breakdown; Additional Medicare Tax shown separately for each structure; IRC §164(f) one-half deduction amount; QBI-not-modeled and reasonable-compensation-not-validated disclosures; threshold currency statement; a copy-paste-ready plain-text block.

What this tool IS

This tool produces a calculation reference for practitioner use, based on the practitioner's own assumed S-corp salary input.

What this tool IS NOT

This tool does not produce tax advice, legal advice, or written advice subject to Circular 230 §10.37. It does not determine what S-corp salary is 'reasonable' under Rev. Rul. 74-44 — that is a separate, future FTD tool (M1c, Reasonable Comp Benchmarker). It does not model the §199A QBI wage limitation, under which wages paid to a shareholder-employee are excluded from that shareholder's own QBI base. The practitioner retains full professional responsibility for all conclusions presented to clients.

ELEMENT 3 — ACCURACY AND VERIFICATION

Primary sources

IRC §1401(a) (SE tax rate); §1401(b)(2) (Additional Medicare Tax on SE income); §1402(a) (net earnings from self-employment, 92.35% factor); §164(f) (one-half SE tax deduction); §3101, §3101(b)(2) (employee FICA and Additional Medicare Tax withholding); §3111 (employer FICA); §3121 (wage base/definitions); Rev. Rul. 74-44 (reasonable compensation); §199A(c)(4), (b)(2)(B) (QBI wage limitation, disclosed not modeled).

Placeholder citations

None. Every dollar threshold traces to a same-day live verification (SSA 2026 COLA Fact Sheet figure corroborated via The Tax Adviser after ssa.gov itself returned HTTP 403 to automated fetch; Additional Medicare Tax thresholds and the §164(f)/Additional Medicare Tax deduction exclusion confirmed against IRS Topic No. 560 and Form 8959 instructions).

Update trigger

This card and the tool are updated within 5 business days of an IRS/SSA threshold change or a correction being discovered.

How to verify the SE tax vs. S-corp calculation

1. Navigate to ssa.gov/oact/cola/cbb.html (or the current-year SSA COLA Fact Sheet) and confirm the current Social Security contribution and benefit base.
2. Navigate to irs.gov/taxtopics/tc560 and confirm the current Additional Medicare Tax thresholds and that they remain unindexed for inflation.
3. Confirm IRC §164(f) and §1402(a)(12) still exclude the Additional Medicare Tax from the one-half SE tax deduction.
4. Independently verify that the practitioner-entered assumed S-corp salary is reasonable under Rev. Rul. 74-44 before relying on any projected savings — this tool does not perform that analysis.
5. Run the QBI / §199A Calculator (/qbi) separately to capture the wage-limitation interaction this tool does not model.

Known limitations — KNOWN FAILURE MODES

- This tool does not validate that the assumed S-corp salary is reasonable under Rev. Rul. 74-44 — an IRS recharacterization of an unreasonably low salary as additional wages would eliminate the projected savings shown here.
- This tool does not model the §199A QBI wage limitation. Wages paid to a shareholder-employee reduce that shareholder's own QBI deduction base, which can offset some or all of the projected S-corp savings — run /qbi separately.

- The break-even income threshold holds the assumed salary and compliance cost fixed as entered; it does not model a salary that scales with income.
- This tool does not model the Net Investment Income Tax (§1411) on distributions, state-level payroll or franchise taxes, or entity-formation and ongoing compliance costs beyond the single compliance-cost input provided.
- Additional Medicare Tax employer withholding is a flat $200,000 trigger regardless of filing status (a withholding mechanic); this tool computes tax LIABILITY using the filing-status-based thresholds, which the taxpayer reconciles via Form 8959 — a difference practitioners should be aware of when comparing to payroll withholding reports.

ELEMENT 4 — DATA HANDLING

This tool does not receive or store tax return information. No §7216 consent is required for use of this tool.

Data retention: No inputs are logged. Amounts entered are processed entirely in your browser and are never transmitted to or stored by FTD. Anonymous, aggregate usage events (for example, that a calculation was run) are recorded with no input values and no personal data.

ELEMENT 5 — CIRCULAR 230 / SSTS 1.4 COMPLIANCE STATEMENT

This tool is designed for use by tax practitioners subject to Circular 230. Use of this tool does not satisfy the practitioner's obligation to exercise due diligence under Circular 230 §10.22 or to possess technological competence under Circular 230 §10.35. The practitioner must independently verify tool outputs before relying on them in client matters or submissions to the IRS. OPR Alert 2026-19 (June 24, 2026) confirms that practitioners may not delegate professional judgment to software tools.

ELEMENT 6 — TOOL CLASSIFICATION

TOOL CLASSIFICATION: This tool is a deterministic calculation engine, not a generative AI tool. Given the same filing status, net self-employment income, assumed salary, and compliance cost, it always returns the same differential and break-even income. It does not generate, infer, or predict outputs, including the assumed S-corp salary itself, which the practitioner supplies. The practitioner retains full obligation to exercise appropriate judgment and verify outputs before relying on them in client matters.

ELEMENT 7 — UPDATE AND CORRECTION LOG

Table A — Version History

Date	Version	Change Description	Trigger
2026-07-15	v1.0	Initial release — SE tax vs. S-corp combined FICA comparison engine, break-even income search, Additional Medicare Tax shown separately per structure, IRC §164(f) one-half deduction (Additional Medicare Tax excluded); thresholds verified against a live SSA/IRS fetch	Build gate cleared 2026-07-13; deploy held pending the applicable Task Schedule gate

2026-07-29	v1.1	Added a TAX_YEAR constant (2026) and a companion test asserting the current calendar year has not passed it. No threshold, citation, or calculation logic changed — SS_WAGE_BASE ($184,500) and ADDITIONAL_MEDICARE_THRESHOLDS were re-verified live against ssa.gov/irs.gov sources and confirmed still current; this change makes SS_WAGE_BASE's TY2026 currency machine-checkable instead of relying on a human noticing the calendar year has rolled over. (ADDITIONAL_MEDICARE_THRESHOLDS remains static since 2013/not inflation-indexed and has no expiration of its own.)	Fleet-wide currency sweep; SSA 2026 COLA figures re-confirmed live, no correction needed

Table B — Correction Log (OPS-002)

Date	Error Class	Description	Authority	Affected TCs
2026-07-13	Assumption corrected (pre-deploy, caught during build)	An initial assumption that Additional Medicare Tax applies identically in both structures and should be netted out of the differential was corrected prior to release. Analysis of IRC §1401(b)(2)/§3101(b)(2) found the tax bases differ (net earnings from self-employment vs. salary-only), so the dollar amounts differ and were included in the differential rather than netted out.	IRC §1401(b)(2); IRC §3101(b)(2)	N/A — pre-deploy correction, tool not yet publicly live
2026-07-13	Governing-authority nuance confirmed (pre-build verification)	Confirmed that IRC §164(f)(1) and §1402(a)(12) exclude the Additional Medicare Tax from the one-half SE tax deduction; the tool computes the deduction on the regular SE tax portion only.	IRC §164(f)(1); IRC §1402(a)(12); IRS Topic No. 560; Instructions for Form 8959	N/A — pre-build verification, no shipped code affected

FIRM ADOPTION RECORD

Tool reviewed and adopted by (practitioner name and credentials):

Firm name:

Date of initial review:

SS wage base / Additional Medicare

	Tax thresholds verified against SSA.gov/IRS.gov on:
	Initials:
	[ ] This card has been added to firm's §10.36 AI tool inventory.