S corp readiness checklist

Webinar companion · Presented by Heard · July 2026

The short version

The whole appeal of an S corp comes down to one trade: pay yourself a salary, and only that salary is subject to self-employment tax. What to hold onto from today's session:

Eligibility	You need an LLC, PLLC, or professional corporation, an EIN that hasn't been used as a sole prop, and enough profit to cover a reasonable salary with money left over.
Timing	File Form 2553 by March 15, 2027, or within two months and 15 days of forming a new entity. A January election keeps taxes and bookkeeping simplest.
Process	Savings analysis, form your entity, get an EIN, file Form 2553, meet your state's requirements, then wait for the IRS confirmation (Form CP261, usually 60 days).
Benefits	Self-employment tax on your salary only instead of all your profit, bigger retirement contributions, and room to add owners or sell your practice someday.
Costs	About $4,340 in year one and $2,340 a year after, plus payroll duties and stricter compliance. That's why $100,000+ in profit is the recommended benchmark.

Entity formation basics

S corp status starts with having the right business entity. Here's the foundation:

The difference	Your business entity is the legal structure your state recognizes. Your tax designation is how the IRS taxes it. S corp is a tax designation, and it requires an LLC, PLLC, or professional corporation.
The default	With no registered entity, you're a sole proprietor. Most therapy practices are pass-through businesses either way: profit lands on your personal tax return.
Which entity	A solo practice outside California usually means a PLLC or LLC. California requires a professional corporation for licensed therapists. Multiple owners point to a partnership or professional corporation.
Why bother	Liability protection and the option to elect S corp status. 43.6% of therapy practices said they're registered as LLCs or PLLCs (2026 Heard Financial State of Private Practice).

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The upkeep	A separate business bank account, accurate books, annual or biennial reports, and state taxes and license fees. Some states (like California) charge an annual franchise tax.

This week: see if you're a fit for an S Corp

- ☐ Pull your Profit & Loss statement to find your profit and multiply the profit by two so you can project your 2026 profit. Profit is the same as net income (what's left after expenses). If you started your practice mid-year, the projection would need to be slightly adjusted.
- ☐ Compare against the benchmark: ~$100,000+ in annual profit is where savings begin to significantly offset costs
- ☐ Get a personalized savings assessment before committing to the extra cost and complexity

Annual profit	Potential tax savings*	Worth it?
$75,000	**$2,295**	Costs outweigh savings
$100,000	**$6,120**	About $3,780 ahead per year
$150,000	**$13,770**	Substantial savings

**Assumes a $60,000 reasonable salary. Your salary, state, and situation will change these numbers.*

Form your business entity (if you haven't AND makes sense for your practice)

S corp is a tax designation, so you need an LLC, PLLC, or professional corporation in place first. If you're ready to elect S corp status in January, there is no need to form this until around the end of year.

- ☐ Check your state's requirements: LLC, PLLC, or professional corporation
- ☐ File Articles of Organization or Incorporation (with a lawyer or an online service)
- ☐ Draft an operating agreement
- ☐ Obtain an EIN from the IRS
- ☐ Open a separate business bank account
- ☐ Optional: hire a registered agent

Elect S corp status *(savings and time dependent)*

- ☐ File Form 2553 with the IRS
- ☐ Mind the deadline: March 15, 2027, or two months and 15 days after forming your entity. The 2026 window for existing entities closed March 16
- ☐ Just formed your entity? You have two months and 15 days from your formation date to elect for 2026
- ☐ Fulfill state-specific requirements (CA, NY, NJ, SC, MA)
- ☐ Watch for Form CP261 from the IRS confirming your election, usually within 60 days

Tip Elect S corp status in January for simpler taxes and bookkeeping.

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Stay compliant as a new S Corp

- ☐ Pay yourself a reasonable salary as a W-2 employee, based on your experience and certification level, location, and role. Research yours on Glassdoor, PayScale, or Salary.com
- ☐ Set up payroll software to withhold and remit payroll tax (Gusto is popular, from $40 per month plus $6 per employee)
- ☐ File Form 1120-S annually. Deadline is normally March 15
- ☐ Adopt an accountable plan for reimbursements
- ☐ Review your state's requirements (CA, NY, and NJ have specific ones)

Get help

- ☐ Book a free consult with Heard for a free S Corp savings assessment
- ☐ SimplePractice members **save 20% on annual plans (up to $600 savings)**: mention your SimplePractice membership during your consult.

Resources

- ☐ Are you ready to become an S corp | Quiz
- ☐ S corp savings calculator
- ☐ S corp formation checklist
- ☐ Guide to LLCs and PLLCs

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