Focus CPA Outlines 2026 State and Local Tax Compliance Risks California LLCs and S-Corps Cannot Ignore

Focus CPA warns California LLCs and S-Corps about rising state tax compliance risks in 2026, including PTE taxes and reasonable salary requirements.

BREA, CA, UNITED STATES, August 12, 2026 /EINPresswire.com/ -- Critical SALT and Entity-Level Tax Obligations Business Owners Must Address Before Year-End

> "California LLCs and S-Corps are taxed at the state level in ways that don't align with federal treatment. You could be compliant with the IRS but still exposed to significant California tax liability"
>
> *Amit Chandel, President and Chief Tax Strategist, Focus CPA Group*

Focus CPA Group, led by Amit Chandel, CPA and LLM (Tax), is warning California LLC and S-Corporation owners of significant state and local tax compliance risks heading into the final months of 2026.

Many business owners remain unaware of specific filing requirements, pass-through entity tax obligations, and California-specific compliance deadlines that can result in substantial penalties if missed.

State and local tax compliance has grown increasingly complex. Beyond federal tax obligations, California LLCs and S-Corps face a distinct set of state income tax requirements, franchise tax filings, and entity-level taxes that operate independently of federal tax treatment. For LLCs and S-Corps structured to minimize self-employment tax, California imposes additional compliance layers that many owners overlook.

"California LLCs and S-Corps are caught between federal and state tax systems that don't always align," said Amit Chandel, President and Chief Tax Strategist at Focus CPA. "A business structure that's optimized for federal taxes can create state compliance problems if not properly managed.

Many owners don't realize that California taxes pass-through entities at the entity level in certain situations, which means you're paying taxes twice if your structure isn't set up correctly. We see this mistake repeatedly, and it costs business owners tens of thousands of dollars annually. The good news is that with proper planning and compliance strategy, you can navigate these requirements and avoid unnecessary tax exposure."

The California State Tax CPA Advantage

A California State Tax CPA differs significantly from a generalist accountant or a national firm handler. State-specific expertise is essential because California's tax code operates on principles that diverge from federal treatment in critical ways.

National firms often treat California compliance as a secondary priority, applying generic multistate strategies that miss California-specific opportunities and risks.

"Many business owners hire a California State Tax CPA only after they've created a problem," noted Chandel. "By then, you're looking at amended returns, penalty negotiations, and interest accrual. The right approach is proactive state tax planning that aligns your business structure with California's specific rules."

Critical Compliance Areas for LLCs and S-Corps

California LLCs and S-Corps must manage several distinct compliance obligations that operate separately from federal requirements. The following areas represent the most significant points where business owners encounter state tax exposure.

Pass-Through Entity Tax (PTE Tax): California's PTE tax applies to certain pass-through entities and can significantly impact your tax liability. Understanding whether your structure qualifies and how to properly elect or comply with PTE tax rules is essential.

SALT Deduction and Compliance: The federal SALT cap limits deductions for state and local taxes, but California has reciprocal rules. An expert SALT Compliance CPA understands how to structure deductions across both entity and personal levels to maximize available tax relief within the constraints of both systems.

Franchise Tax Board (FTB) Filings: California requires specific filings with the Franchise Tax Board for LLCs and S-Corps, separate from federal filings. Missing deadlines or filing incorrectly can trigger audits and penalties that compound over multiple years.

Reasonable Salary Requirements: S-Corps must pay owners a reasonable salary, subject to employment taxes. The IRS and California Department of Tax and Fee Administration scrutinize S-Corps that understate owner salaries to avoid self-employment or state income taxes. Improper salary treatment can result in reclassification of distributions and back taxes on both levels.

Multi-Entity Compliance: Some businesses operate multiple LLCs or hold property through separate entities. California's stacking rules, combined with federal limitations, create compliance obligations that require coordinated planning across all entities.

Why Now Matters for 2026

Business owners who address compliance issues early in the year can implement corrections and adjustments before year-end. Those who wait until tax filing season face a compressed timeline and fewer strategic options. Additionally, the SALT cap remains at $40,000 through 2029, making proactive management of state and local tax obligations more important than ever.

Focus CPA offers comprehensive SALT compliance strategies tailored to California LLCs and S-Corps. The firm provides guidance on proper business entity structure for tax savings, including analysis of whether your current structure remains optimal. Focus CPA also advises on SALT deduction strategies designed to maximize available relief while maintaining full compliance with California and federal requirements.

"The combination of federal SALT limitations and California's entity-level taxes creates planning opportunities that most business owners miss," Chandel explained. "A California State Tax CPA who understands both systems can identify strategies that save money legally and keep you compliant.

Many owners are paying more in state taxes than they need to simply because they haven't had this conversation with someone who specializes in California compliance."

About Focus CPA Group

Focus CPA Group, founded by Amit Chandel in 1993, is a California-based CPA and advisory firm serving business owners, professionals, and high-net-worth individuals. The firm provides comprehensive accounting, bookkeeping, tax planning, business valuation, wealth management, and CFO-level advisory services.

Focus CPA also established SWAT Advisors in 2023 as a specialized subsidiary focused on proactive tax planning and strategic tax optimization for high-income business owners and professionals. Both entities leverage decades of California tax expertise to help clients navigate federal and state tax requirements while building sustainable wealth. For more information, visit our website.

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