



“ACCOUNTING TODAY FOR TOMORROW’S FUTURE”

<i>Business Entity Comparison</i>				
	<i>Sole Proprietor</i>	<i>LLC</i>	<i>S-Corporation</i>	<i>C-Corporation</i>
<i>Lawsuit Protection</i> (when business is sued)	No	Yes	Yes	Yes
<i>Business Asset Protection</i> (when owners are sued)	No	Yes	No	No
<i>Additional Business Tax</i> <i>Deductions Available</i>	No	Yes	Yes	Yes
<i>Party Taxed on Profits</i>	Owner	Owner or Company	Shareholders	Corporation
<i>When to Use</i>	Not recommended	To own real estate. To hold cash for asset protection. To own stock in one's corporations.	To own a business where the owner will disperse most of the corporate profits to himself/herself.	Own a business to take advantage of lower corporate taxes compared to individual income taxes, publicly traded company, to deduct medical expenses.
<i>Benefits</i>	Few – high liability and fewer tax deductions than other alternatives listed here	When owner (member) is sued there are provisions in the law to protect assets held inside of the LLC from being seized.	Save 15.3% on taxes, Pay self a small but reasonable salary and pay the rest as a “distribution to shareholders” to save the 12.4% Social Security and 2.9% Medicare for a total savings of 15.3% on this portion of income.	Only 15% corporate tax on first \$50,000 of income.



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<i>Taxation</i>	All income flows through to owner.	Your choice – Can be taxed as sole proprietorship, partnership, S-corporation, C-corporation. By default – taxed as sole proprietorship **If only one owner, as a partnership if two or more owners. File a tax form to be treated as an S-corporation or C-Corporation.	Shareholders pay the taxes after deductions. (Must file an election to attain S-corporation status). Must be US citizens or resident aliens.	Corporation pays its own taxes after deductions. (All “for profit” corporations are taxed as C-corporations by default.)
<i>Ownership</i>	Sole Proprietor	Member	Shareholder	Shareholder
<i>Leadership</i>	Sole Proprietor	Manager/Member (can generally be the same person)	Officer/Director (can generally be the same person)	Officer/Director (can generally be the same person)
<i>Raising Capital</i>	Borrow money that is typically guaranteed personally	Sell membership interest to raise capital without personal guarantee of owners. (subject to applicable laws)	Sell shares of stock to raise capital without personal guarantee of owners (subject to applicable laws)	Sell shares of stock to raise capital without personal guarantee of owners (subject to applicable laws)
<i>Guideline Documents</i>	None	Operating Agreement	Bylaws	Bylaws
<i>Ownership Documents</i>	None	Operating agreement / Membership Units	Shares	Shares



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<i>Double Taxation Required</i>	No	No	No	No only if dividends are paid. Thus, pay salaries and bonuses rather than dividends
<i>Deduct Salaries to Owner</i>	No Business and owner are one in the same for tax purposes.	Yes	Yes	Yes